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EDITORIAL

As We See It

The Federal Reserve has raised discount rates again, in some banks to 3%. It has ordered a general rise in discount rates in the face of falling bond prices, governments as well as corporate and municipal, a generally tighter money market situation, and in the absence of any general revival of the sharp increases in business activity that were in evidence in latter part of last year. It is only a relatively few weeks ago that at least some seasoned observers were wondering if the Reserve authorities would not presently feel it necessary to reduce the discount rate and otherwise encourage expansion in order to guard against a recession which certainly is not wanted by the authorities in this, an election year.

Since that time few of the usual indications of business activity have shown any marked tendency to rise, and some have shown none at all. For the most part business is doing well. In most departments the rate of activity is higher than at this time last year, although not higher than the peak of 1955, but the upward surge that characterized the course of last year is so far lacking. The immediate prospect, moreover, does not seem to be for a repetition of last year's experience. The purchase of new automobiles, for example, which was one of the features of last year's boom, remains fairly steady at a level well below that of a year ago. It is certainly not clear that housing construction will shortly embark upon another bulge on credit such as occurred last year.

Yet here is another increase in the discount rate. What is the explanation? Quite apart from what the wisdom of the action now taken turns out to be, and without regard to any particular

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Constants and Variables Of Real Foreign Trade

By MELCHIOR PALYI

Internationally known economist blames American indirect and direct foreign aid for breeding credit inflation abroad, disrupting monetary systems and international accounts, and for seriously jeopardizing American gold reserves. Dr. Palyi finds: (1) real, per capita physical volume of world trade "has been declining absolutely and relatively" since World War I and cannot be attributed to Russia; (2) current export boom is "a flash in the pan" and two-fifths is based upon Foreign Aid—termed by some as a "liquidity factor"—i. e., handouts; (3) such supports, like farm subsidies, will go on and on, generating cumulative increasing costs, and (4) it has caused our having "no gold that we could call our own." Suggests policy of gradual foreign aid attrition to stop the cumulation and subsequent reaction here and abroad, and to help bring on freer trade, more competition and productivity and less Socialism.

More changes have taken place in foreign trade during our lifetime, even during the last 15 years alone, than in any similar period of known history. Volume of trade expanded, declined and expanded again. Prices were inflated, deflated, reflated, disinflated, and inflated again. The direction of trade changed its course back and forth. The Soviet area expanded, without ever contracting except for a very short time, with the East-West trade disappearing behind the darkness of the Iron Curtain, only to reappear again clean-shaven and brushed up.

Dr. Melchior Palyi

Let me point out, however, that since 1929, nay, as far back as I care to remember, there are some trends visible in foreign commerce which seem to be constant. At least one such "long-term trend" is very significant: the development of the volume of trade. If you look at the figures,

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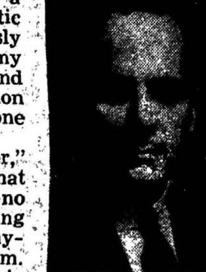
Auto Industry's Outlook and Its Economic Implications

By WILLIAM C. FLAHERTY*
Director of Business Research, Chrysler Corporation

Chrysler Business Research Director discerns an excellent automobile industry outlook, this year and the years to follow, and expects 8 million cars by 1965 and probably 10 million by the late '60s to replace those scrapped and meet new demand. Disagrees with those who term 1955 abnormal in pointing out that last year indicated for the first time the real size of automobile demand in a dynamic growth economy. Describes factors prompting dynamic growth, helping to achieve built-in stabilization, and spearheading prosperity—barring war, depression, highway congestion, governmental interference, and assuming rising productivity level and continued family increase with income of $5,000 or better.

In all good conscience, I feel I should warn you in advance that my remarks regarding the prospects of the automobile industry and their possible meaning for the economy as a whole may have a slightly optimistic bias. We in Detroit are notoriously bullish on the future of the economy and of the automobile industry, and I am quite aware that our reputation for this kind of thinking has gone before us.



William C. Flaherty

A writer in the "New Yorker," Mr. E. B. White, recently said that since no man is born vertical, no man is free from slant. This being true, I am just as happy that I myself lean in the direction of optimism. After all, this is the typical American slant, and anyone who would estimate the future possibilities of the country would do well not to underweight in his calculations the

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*An address by Mr. Flaherty before the Institute of Investment Banking, Wharton School of Finance and Commerce, University of Pennsylvania, April 3, 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 36.

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.)

ROBERT G. SCHEINER

Research Department, New York Hanseatic Corporation, New York City

American Express Company

The American public is on a traveling spree, and the American Express Company is a prime beneficiary. The company's earnings are not only benefiting from increased travel but also are being substantially benefited by the tightening in the money market, and the increase in interest rates that is being received on American Express' portfolio of short term fixed income securities.

Robert G. Scheiner

While foreign travel used to be reserved for the wealthy, it is now within the reach of the average person. The shorter work week and longer paid vacations increase tne propensity to travel. In the future, the technological trend toward greater automation will bring more pressure by labor for both higher wages and an even shorter work week. Earlier retirements, greater and broader pensions, and more generous Social Security benefits, have made it easier for the older population to travel in the United States and abroad. Because of vastly swifter and more economical transportation the world has grown much smaller. Transoceanic travel, which a few years ago was burdensome and very expensive, is now commonplace because the average individual can finance such travel with credit.

As travel becomes faster and cheaper, foreign countries will lure more than 2,500,000 American tourists a year, by 1960, an increase of 50% in only four years from now. American Express is already planning the jet age weekend in Europe. The "trip abroad," or distant domestic travel has become a powerful symbol of social distinction.

Today, American Express is the recognized authority on international travel. The company's travel service offers every kind of travel, from independent itineraries, custom-made to the requirements of an individual to escorted tours, or the handling of an international convention aboard a cruising ocean liner.

The volume of business transacted during 1955 totaled nearly \$3.4 billion, an increase of 13% over the previous year. Combined per share earnings (see accompanying table) have more than doubled since 1949, and dividends have almost tripled in this short time span to a \$1.50 per share. In 1955 per share earnings climbed to \$2.44, an increase of 16% for the year. Net operating earnings amounted to \$2 per share, an increase of 17% over the previous year. The companv has been able to show security profits consistantly and it is expected that this will continue, although they vary from year to year.

	Earned Per Sh.	Dividend Per Sh.	Price Range
1955	\$2.44	\$1.20	30⅛-23⅛
1954	2.10	1.15	25⅝-17¼
1953	1.92	1.00	18¼-16¼
1952	1.68	1.00	17⅛-15⅛
1951	1.47	1.00	16¼-14
1950	1.36	0.51	15¼-13½
1949	1.21	0.51	---- ----

American Express, founded 106 years ago, has been expanding vigorously and has 344 offices and sub-offices in operation throughout the world. In addition, there are 68,808 correspondents and subagencies and other outlets selling selected financial and travel services.

Although travelers cheques (often called "The World's Number One Money") represent a major portion of the company's business, operations are well diversified including World Travel Service, Money Orders, Foreign Remittances, Utility Bill Collections, International Freight Forwarding and Customs Brokerage, Foreign Commercial Banking, and Field Warehousing.

The company's International Freight Forwarding and Customs Brokerage Service has gained greatly in importance because of growing overseas trade. American Express' subsidiary abroad operates commercial banking offices and performs banking services in many important trade centers of the world. The relaxation of international tensions may well spur foreign trade throughout the world and American Express as the largest international freight forwarder and customs broker, and as an international banker, should be a prime beneficiary of increased trade.

Various mechanized procedures have been and are being installed, which have reduced, and in some cases reversed the rate of increases in staff. It is expected that future savings from this mechanization will more than offset certain initial costs borne in 1955, and to be continued in 1956 with further conversion.

The company has invested over \$400 million in fixed income securities. The maturity of these obligations was 5.8 years based on full maturity of all bonds. Sharp economic gains in the past 15 months placed a strain on the available money supply, and lending rates increased all along the line. The Treasury bill yield, for example, averaged 1.23% during January 1955, and now is in the 2.75-80% range. Intermediate term Treasury issues with maturities out to five years started the period with a 2.11% return for this group, but now a yield better than 3.15% is obtainable.

On short-term investments, higher interest rates are reflected quickly in increased operating earnings. The longer term bonds are generally spaced over a period of years, and higher interest rates will increase such earnings only as such matured investments are reinvested at the higher rates. In addition, the higher prevailing interest rates should increase the contribution to earnings from the increment in assets on the company's normal growth.

American Express Company is an unincorporated joint stock association, but its chief subsidiary, American Express Company, Incorporated, which handles foreign business has corporate protection. Stockholders of the company have a personal unlimited liability for any deficiency should the debts and other liabilities exceed the assets. The company has existed in its present form since 1868 and no assessment against the shareholders has ever been required. Changing to a corporate form is receiving the attention of management.

Deposits and services rendered by American Express Company in 1956 and in future years should show substantial increases. Interest rates have risen substantially, and should bolster earnings on the company's huge expanding portfolio. Because of favorable environmental factors, the company's growth in the future could be accelerated.

The stock is traded in "Over-the-Counter" market and is currently quoted at approximately \$32 per share.

This Week's Forum Participants and Their Selections

American Express Company — Robert G. Scheiner, Research Dept., New York Hanseatic Corp., New York City. (Page 2)

The M. A. Hanna Company—Alan D. Whitney, Investment Advisor, Winnetka, Ill. (Page 2)

ALAN D. WHITNEY

Investment Advisor, Winnetka, Ill.

The M. A. Hanna Co.

In the May 19, 1955, issue of the "Chronicle," in this column, the writer had an initial account on this company, and the following is mainly to bring the former opus up to date.

Alan D. Whitney

The 1955 earnings were \$5.05 per share, a new high, vs. \$4.03 in 1954. An extra dividend of \$1 was paid at the 1955 year-end, for a total of \$3 for the year, also a new high rate, but the regular \$2 annual rate is maintained in 1956, with a 50 cent payment in the first quarter. First quarter earnings amounted to 80 cents a share as against 65 cents in the same period last year. The portfolio of securities held, which was worth \$253,500,000 at the end of 1954, had a market value of \$299,740,000 at the end of 1955. At the present time, late in March, 1956, it is worth about \$325,000,000.

One important item has been added to the list of securities held. It is 69,500 shares of Algoma Steel Corp., Ltd., of Canada, carried at 92½ at the 1955 year-end, and currently worth about 115. The Hanna annual report did not reveal its cost, nor is there any write-up in the cost value of securities held in the balance sheet, which remains at about \$55,000,000 at the end of 1955, the same as 1954.

Algoma has a mill at Sault Ste. Marie, Ontario, and earned \$7.32 per share in 1955 vs. \$3.13 in 1954 and \$4.50 in 1953, although no dividend is currently paid. But Algoma's chief attraction is its holdings of (according to Moody) "vast deposits of siderite and magnetite ores" in the vicinity of the Hanna operations in Quebec-Labrador. These deposits are estimated at between 500 million and a billion tons, and two mines there are now extracting about one and a half million tons annually. The value of these deposits has been estimated at \$5 per ton. Algoma also has coal mining properties in West Virginia and iron mines in the Lake Superior region. Algoma's stock has gone up in the market from a low of 13 in 1950 to a recent high of 120. It was in the 40s and 50s until 1955, when it reached a high of 94. It is not difficult to foresee much higher prices, if the huge iron ore deposits in Labrador can be mined and sold at no more than current prices. Algoma has outstanding

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Surging Spending Effect Upon Economy and Solvency

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

Boston banker sees, as a matter of enlightened self-interest, compelling need to battle for national solvency inasmuch as propelling economic growth forces are contending with critical pressure upon: natural resources, productive proportion of the labor force, productive system, and the fact that total indebtedness rise since 1939 has exceeded national income rise by $220 billion, and since World War II corporate debt doubled and individual debt increased five-fold. Mr. Peterson refers to Government's critical financial position, and its responsibility to maintain the economy and to act should borrowing excesses precipitate a depression. Points out the Government has no magical income source and, thus, choice must be made on government spending.

The first quarter was the best in history for that period of year. Not only did Gross National Product — total value of goods and services—closely approach the magic $400 billion line, but also the Dow-Jones industrials exceeded the 500-mark for the first time.

Nicholas E. Peterson

Contractive forces have been offset by those of expansion, with the consequence that the Federal Reserve index of industrial production for both January and February was within one point of the peak reached last December. For the first two months, the index was 8% above the same period of last year. The decline in automobile production and in residential building was a healthy development in that it helped relieve buying pressure, particularly for metals, and thus a breathing spell was provided.

With the announcement by President Eisenhower that he would run for a second term, an important element of uncertainty has been removed from the business and political situation. His election would assure a favorable economic climate for industry and trade. Following close on this announcement came two reports that should have an important influence in shaping the business pattern. The one issued by the Department of Commerce and the Securities and Exchange Commission was on a recent survey which indicated that in 1956, business will spend $35 billion on new plant and equipment, or an increase of 22% over 1955. About 50% of the total outlay by manufacturers will be for expansion, against 45% last year, while the remainder will be for replacement and modernization. All major lines plan to spend substantially more than a year ago. Present schedules indicate that spending will be at the annual rate of $34¼ billion in the first six months, rising to $35½ billion in the second half. This survey proclaims confidence in continued prosperity.

The other report was a consumer survey for the Federal Reserve Board by the Survey Research Center of the University of Michigan. According to the findings of the sample canvass based on personal interviews made during January and February, consumers are more optimistic about business prospects than at any previous period since the series was first published in 1949, and plan to spend for homes and durable goods at the rigorous pace of 1955.

These two surveys reflect a high degree of confidence in business prospects and the willingness to make commitments. Should these spending plans materialize, a powerful business stimulus would be provided. In addition, wages are advancing, government expenditures are headed upward, and industrial material prices are rising. The combination of these strong forces threatens to upset the relative stability that has prevailed for the past few months, and bring about a "bubble on the boom," in view of the fact that industry is now at a peak level.

Long-Range Prospects

From the long-range point of view, serious consideration must be given to basic forces that are pushing the economy forward, and, on the other hand, the financial burdens that are being imposed.

The propelling forces include the growth in population, huge expenditures for plant and equipment, unprecedented technological development, revolutionary redistribution of income, automation, and atomic power.

The surging growth in population, significant shift in age groups, and mass movement to the suburbs will continue to have a profound impact upon our economy in the years ahead and call for special consideration.

Impact of Surging and Changing Population Growth. Since 1940, the population of the United States has increased by 35 million people. This is the equivalent of more than double the current population of Canada. By 1975, it is estimated that the number of

Continued on page 26

*An address by Mr. Peterson at the Annual Meeting of the Trustees and Members of the Corporation, Milton Savings Bank, Milton, Mass., April 11, 1956.

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Northern Pacific—Main Street of the Northwest

By IRA U. COBLEIGH
Enterprise Economist

Mentioned for merger; and attractive not only as a carrier but a holder of vast reserves in oil and timber.

Market analysts are wont to cite the post-war high of 94⅜ (1952) for Northern Pacific common as the starting point for current appraisal of Northern Pacific shares. Despite bright promises in many directions, NP has not yet topped this quotation. In tne interest of history, we would like to point out, however, that in exactly four trading days in 1901, Northern Pacific common zoomed from $114 to $1,000 a share. This ancient statistic is not now exhumed to suggest that NP may again be worth $1,000 a copy; but to infer that it is worth much nearer four figures today, than some 55 years ago.

Ira U. Cobleigh

The 6,900 mile Northern Pacific, one time market football for James J. Hill and Edward H. Harriman, has had an interesting corporate life. It entered receivership in 1893, along with such distinguished railways as Santa Fe and the Union Pacific. As an outgrowth of that financial setback, there was created in Northern Pacific a corporate structure that has since withstood the ravages of time and later depressions and made available that nonpareil of railway mortgage bonds, a perennial common carrier favorite of trustees, savings banks, widows and orphans, Northern Pacific prior lien 4s due 1997 and noncallable at any prior date.

NP serves a broad scenic and rapidly growing section of the United States, running from the edge of Lake Superior through Minnesota, North Dakota, Montana and Idaho, to Spokane and Seattle, Washington and Portland, Oregon. Heaviest traffic is in lumber, spring wheat, coal and iron ore. The road is regarded as well managed, and important operating efficiencies have been noted since an automation type freight classification yard at Pasco, Wash. (costing nearly $6 million) went into service last summer.

If we were, however, merely to outline here a sound railroad (to be completely dieselized in 1958) serving the Northwest, there would perhaps be no special occasion for enthusiasm for NP common, at 86 paying dividends currently at the rate of $3.60. But the tail here may very well wag the dog; and by tail we mean the "other investment" items which glisten on the company balance sheet.

Well what are they? First there's land owned — 2,054,285 acres outright, and an additional 239,681 acres owned by Northwestern Improvement Co. (a wholly owned subsidiary). Of the foregoing around 1½ million acres are timber lands. At $60 an acre, which is certainly not an inflated figure for good timber track these days, you wind up with a valuation of $90,000,000 on the woodland alone. But NP has no intention of selling the land, preferring instead to sell off cuttings and replant. A half million acres are now in this sawing and reforesting program.

Next, mineral lands. In addition to the aforementioned fee real estate, NP has a king size swath of mineral rights. These include the company owned rights on 4,407,420 acres; and in addition coal and iron rights on 622,259 acres, and mineral rights on 1,679,293 acres more held by Northwestern Improvement. The big mineral romance is oil in the Williston Basin. At the moment NP draws revenues from 120 producing wells and 1955 oil revenues were roughly $1¾ million. This figure might double this year due to the new pipeline now in operation for the transport of crude from this area to refineries.

But oil is not the only mineral. NP has extensive lignite beds in Western North Dakota where commercial grade uranium has been located; and in Washington valuable uranium ore bodies have been delineated.

So much for land based valuations and potentials for future earning power. But land is not all —there are securities too, excellent ones. First NP gains entry into Chicago over the lines of the strategic, 8,900 mile, Chicago, Burlington and Quincy R.R. Co. It is pretty sure to keep running into Chicago over C B & Q tracks since it owns almost half of the common, to wit, 830,179 shares of "Burlington." (Great Northern owns an equal amount.) Dividends from this holding provide the largest single item of non-operating income. Control of the Spokane, Portland and Seattle Railway (900 miles) is also owned, jointly with Great Northern; and NP holds $36,855,000 of 5% bonds of the Spokane line.

This co-ownership with Great Northern, of very extensive mileage, over which both Great Northern and Northern Pacific operate, has led to a joint study of the advantages of a merger. This study was announced Jan. 22, 1956 and envisions the possible creation of a new super-railway operating 27,000 miles, and grossing $¾ billion a year. It would link into one corporate unit the four lines already mentioned and, in addition, the 667-mile Colorado and Southern Ry. (of which Burlington has a 70% stock ownership) and the 1,000 mile Fort Worth and Denver, of which Colorado and Southern, in turn, has a 92% stock control.

Actually such a merger proposal is not new at all; in fact this is the fourth time the welding has been essayed in the past 60 years. The last attempt (before the present one) was in 1927 when a new company, the Great Northern Pacific, was to give NP and GN share for share equality in exchanging old stock, for certificates in the new corporate creature. But the deal fell through even though more than two-thirds of the railroad shares involved had been deposited in assent of the plan.

This time, however, a merger may succeed. If it does, a vast new railway empire will emerge with total operated mileage exceeding that of Atchison, and Southern Pacific, combined. In these days, the urge to merge is practically epidemic; and this projected union is thus not only following faithfully the financial fashions of the day, but it happens to make a lot of good sense. We shall watch its unfolding with great interest.

Meanwhile, as he patiently waits for territorial growth to increase railway revenues, for oil and uranium income to soar, and for sales of timber in greater volumes and at higher prices, the NP shareholder is standing on pretty solid ground. Cash position is excellent, gross operating revenues are the highest in history, and earnings per share of around $8.25 give ample coverage for the $3.60 current dividend rate.

Present common stock of which 2,479,826 shares are outstanding, is now being split 2-for-1, and it would not be particularly surprising if the new shares went on a 50c quarterly dividend basis. The earnings would justify it, and with new sources of revenue in the offing and plenty of cash there appears to be no great reason for an unduly meager dividend policy. Dividends, suspended during the dreary 30's, were resumed in 1943 and there have been five increases in the cash dividend rate since then.

It is not customary these days to place a railway share in the "growth" category, particularly when it's selling within a few points of its 27-year high. There are, however, some factors in NP common, a few of which we have outlined today, which make this common carrier equity, yielding a bit above 4%, more attractive for long range appreciation than many popular industrials. Not only that, but with its vast land and mineral holdings, it offers some sturdy hedges against inflation.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Catherine A. Conroy and Michael S. Favulli have become affiliated with Coburn & Middlebrook, Incorporated, 75 State Street.

Inv. Planning Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Harlan J. Coit, Maurice Frank and Murray W. Tuttle are now associated with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Joins Kidder Peabody

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Charles L. Austin, Jr., has become connected with Kidder, Peabody & Co., 75 Federal Street.

2 With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Marshall B. Brown and John F. Dwyer, Jr., have joined the staff of Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

The State of Trade and Industry

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

The trend of industrial production for the country-at-large last week was mildly under that of the previous week, but noticeably above the level of the corresponding period a year ago.

Moderate reductions were reported in the output of electric power, paperboard and coal in the period ended on Wednesday of last week, but automotive, food processing and lumber industries showed some expansion.

With respect to employment the Government stated that the total of workers drawing state unemployment compensation dropped by 52,100 to 1,370,300 in the week ended March 31. This was the fifth straight weekly decline and brought insured unemployment to its lowest level of the year.

The United States Department of Labor's Bureau of Employment Security added, the decline reported by 39 states was due in part to a further seasonal pickup in construction and other outdoor work.

A year earlier, there were 1,518,700 workers receiving state unemployment compensation benefits.

Initial claims for jobless pay in the week ended April 7 rose by 68,600 to 275,700, the Bureau reported. But the agency said this was due to "administrative factors" rather than to an upturn in new unemployment.

At the same time, the Bureau pointed out that seven states employing more than three-fourths of automobile workers reported some 9,000 auto workers were laid off in the week ended April 7. These layoffs more than offset recalls of about 3,000 and brought to 104,000 the number of auto industry employees still out of work. California and Michigan accounted for about two-thirds of the new unemployment.

Steel producers will be more on the defensive than ever this year. Good business and inflation are shoring up union arguments. A strike is the last thing steel people want, but the bargaining will be tough from beginning to end, states "The Iron Age," national metalworking weekly, this week.

Mills and their customers are trying desperately to set their houses in order before labor talks begin. Steel is being poured at record-breaking rates and consumers are building inventories when they can. But strength of the market is built upon such a broad base that nobody seems to be getting anywhere.

Labor has four major objectives: Higher wages, supplemental unemployment benefits, non-contributory social insurance, and premium pay for weekend work. The premium pay demand may be used as a wedge to force up wages, declares this trade weekly.

If the union forces through a package deal costing as much as 20c an hour, the offsetting steel wage increase could run as much as $10 to $11 a ton. Some steel executives are clamoring for price boosts of $12 to $15 per ton, it adds.

Meanwhile, steel users are trying to protect themselves against prices and the possibility of labor trouble. Some inventory-building is going on, but not as much as some people think. Many consumers have good reasons to limit inventory due to model changes and other problems.

Rising scrap prices are a tough subject between consumers and suppliers. The situation is reaching the boiling point even though prices seem to be settling down a little, concludes "The Iron Age."

Car production in the United States last week dropped more than a half million units off last year's meteoric pace, "Ward's Automotive Reports" stated on Friday last, as domestic manufacturers resigned themselves to the task of making 1956 the second biggest year in industry history.

As the week ended, "Ward's" declared that 2,010,178 automobiles will have been built in the United States in 1956. The total is 20.2% behind 1955's year-to-date turnout of 2,518,353 cars.

The statistical publication observed that car makers are keeping their sights pinned on a first-half production count of 3,454,000 units. Although far below 1955's January-June volume of 4,251,420 units, this year's projected figure is still well above the next-best effort of 3,255,722 cars posted in 1953.

In noting truckbuilding activity, "Ward's" stated that commercial vehicle output remains ahead of last year's gait, but the margin is narrowing due to the shelving of a production upswing this spring. This year, 361,326 trucks have been built to date, compared with 329,447 during the corresponding period last year. The difference is 9.7%. Total output last week consisted of 133,928 cars and 24,219 trucks.

Buick-Oldsmobile-Pontiac production the past week at 30,604 units was 7.3% below the preceding week's 32,999 yield; Chevrolet, however, partially took in the General Motors slack by scheduling at mid-December levels for the second straight week at 38,300 units.

Ford Motor Co., with several plants planning Saturday operations, planned production at 37,300 units, not far off its top weekly figure of 1956. Chrysler Corp. last week anticipated a climb to 20,100 units from 17,800 in the prior week.

Steel Operations Set This Week at 99.4% of Capacity

Steel for 1957 automobiles is being ordered by suppliers of automotive parts with a request for June delivery, "Steel" stated in its weekly report.

The metalworking magazine said most of this tonnage is in strip and sheet and will be used mostly for products of new designs and shapes.

Ordering of steel for 1957 models was stimulated, it adds, when one of the Big Three auto producers advised its partmakers to cover on steel against contracts for accessories which are being placed in growing volume.

Despite this bright outlook, some partmakers are dropping out of business and more are expected to do so, this trade magazine declared. The move is attributed to integration policies of auto makers and a price squeeze.

This ordering will renew pressure for steel, and, it continues, there's no sign that the second largest user of steel, the construction industry, will let up on demand. Fabricators of structual steel are booked well into next year and the industry wants more steel than it can get, the metalworking authority noted.

The construction industry also is pulling heavily on plates, with the pressure expected to continued all year. Others also wanting plates are makers of heavy industrial equipment, railroad equipment, tanks, line pipe and ships.

"Steel" said small consumers are taking a lot of steel from their suppliers, the warehouses. Price advances and good sales have boosted the dollar volume of some warehouses to the highest level of this year. Capacity operations are assured for as far ahead as producers are willing to book orders. The second quarter is filled, and some producers are beginning to open third quarter books.

Across the border in Canada, mills are working 20 and 21 shifts a week, with consumers unable to get enough steel either from domestic mills or from the States.

Scrap prices in the United States continue to rise. "Steel's" price composite on steelmaking grades of scrap rose to a record high of $55 a gross ton in the week ended April 10, compared to $54.17 in the previous week. Its price composite on finished steel remained at $128.02 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 the average of 99.4% of capacity for the week beginning April 16, 1956, equivalent to 2,447,000 tons of ingot and steel for castings as compared with 100.9% of capacity, and 2,483,000 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 99.5% and production 2,449,000 tons. A year ago the actual weekly production was placed at 2,284,000 tons or 94.6%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

Electric Output Turns Higher After Three Weeks of Successive Declines

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, April 14, 1956, was estimated at 10,918,000,000 kwh., an increase above the week ended April 7, 1956, according to the Edison Electric Institute.

This week's output advanced 72,000,000 kwh. above that of the previous week; it increased 1,316,000,000 kwh. or 13.7% above the comparable 1955 week and 2,573,000,000 kwh. over the like week in 1954.

Car Loadings in Week Ended April 7, Fell 5.5% Under Preceding Week

Loadings of revenue freight for the week ended April 7, 1956, decreased 39,547 cars or 5.5% below the preceding week the Association of American Railroads reports.

Loadings for the week ended April 7, 1956, totaled 685,397 cars, an increase of 26,180 cars, or 4% above the corresponding 1955 week, and an increase of 78,607 cars, or 13% above the corresponding week in 1954.

U. S. Automotive Output Shows Further Gains In Latest Week

Automotive output for the latest week ended April 13, 1956, according to "Ward's Automotive Reports," rose the past week with a slight decline noted in truck assemblies.

Last week the industry assembled an estimated 133,928 cars, compared with 133,354 (revised) in the previous week. The past week's production total of cars and trucks amounted to 158,147 units, or an increase of 485 units above the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 574 cars, while truck output showed a larger loss the past week of 89 vehicles. In the corresponding week last year 175,133 cars and 30,191 trucks were assembled.

Last week the agency reported there were 24,219 trucks made in the United States. This compared with 24,308 in the previous week and 30,191 a year ago.

Canadian output last week was placed at 11,420 cars and 2,251

Continued on page 47

Observations . . .

By A. WILFRED MAY

SAVE IT—AND RETIRE!

The really complete volume—textbook, source-book and story—on personal savings, investment, and one's old-age security has arrived! *(Save It, Invest It, and Retire, by Donald I. Rogers, 224 pp. Henry Holt & Co., New York. $2.95.)*

In this comparatively small volume, the prolific Business and Financial Editor of the New York "Herald Tribune" (author also of that shockingly titled but highly useful to me, "Teach Your Wife to Be a Widow"), gives his basic philosophy as well as specific how-to's for taking care of the fruits of one's employment. It is a most useful fact-laden primer for every earner and his family—the $150,000 corporation President or a $75 per week secretary.

A. Wilfred May

On his way Mr. Rogers' dissertations include such intriguing themes as:

The Difference Between a Saver and a Hoarder.
Don't Save for a Rainy Day.
Keeping Up With the Jones's.
How to Hedge Against Inflation.
Making Money in the Stock Market.
When Houses Are Not Investments.

Keyed to the saving process in all its phases, Mr. Rogers' coverage is remarkably complete. His discussion further encompasses topics as diverse as budgeting, saving in real estate through home ownership and insurance, (including specific programs and procedures); rule-of-thumb calculations for buying a house; your social security coverage; the mechanical workings of the Stock Exchange; the extent of the economy's anti-depression stabilizers; the operation of our Reserve System and bank reserves; the whole question of mutual funds; and a quite complete glossary of stock market terms.

A variety of useful maxims are developed:

One's main activity should be to "save it." Money can't buy happiness, but it can do away with a great deal of unhappiness.

Today it is much more of a problem what to do with one's rewards than to find employment. We have learned to sow but not to reap.

Saving must be done through "balanced thrift." Otherwise the process entails severe psychological problems, damaging to the individual's as well as the nation's economic health. "It's a remarkable fact that when anyone thinks of thrift or savings, he does so guiltily and with many self-accusations."

Security Psychological and Financial

Stress is laid on the building of a "retirement career";—representing "life's fourth phase," following the childhood years, the educational years, and the productive years. In fact, the volume is perhaps most valuable in offering ground rules for the production of psychological as well as financial security to permit carefree retirement. Throughout, Mr. Rogers' treatment is invaluable in stressing the psychological phases.

Mr. Rogers is successful in instilling in the reader an appreciation of the value of savings, and in dispelling some of the misconceptions about the perils to the saver in the fluctuations of the economic system. Specifications are detailed regarding the difficult launching of a savings program through cash, through savings bonds, through insurance, and through real estate.

Investment Area Covered

Under stock investment, the coverage extends from *how* to invest to *why* to invest, and, then *when* to invest; encompassing the disposition of dividends, mutual funds, monthly investment plans, dollar averaging, and even tax exempts. Investing should be done after you have your full savings program running. In this particular niche our august author, seemingly extending his neck a bit, holds: "The trick is not to invest. Anyone can invest. The key to success is through speculation or what, to the public, seems like speculation."

Midst Mr. Rogers' admirable work there remain a few seemingly uncertain spots, interesting as they are exceptional. The prosperity factors in the economy are cited, without regard for their relevancy to the main theme. The author maintains, possibly quite rightly, that prosperity will continue; and that in view of factors like our unexpected population growth and great consumer demand, a depression is the last thing to fear. Likewise, he cites the silver lining side of the inflation evil, in demonstrating how the country's economic growth and the 126% increase in average hourly earnings since 1929 have more than surpassed the concomitant fall in the value of the dollar. However, valid all this is, it would seem to be irrelevant to the text's encouragement of the dollar-saving process; and even affirmatively to denote a dollar undermining factor. To the investor, it would logically imply the alternative advantage of turning to equity rather than fixed-interest savings media.

Long New Era Market Ahead

As a matter of fact, our author elsewhere expresses his confidence in a long-term bull stock market ("anyone who does not believe the stock market will go higher over the years does not really believe in the future growth of America . . ."). In line with prevalent bull market atmosphere, he includes a tabulation demonstrating that a total of $3,000 invested in representative stocks weekly over the *past* 10 years would, with dividends reinvested, now amount to $6,047.

Is not the justified conclusion to these premises actually that the relative advantages of equity and fixed-interest type of available savings media must be ever more closely scrutinized?

Some Queries

As it to be expected in a full work of this kind, there are some other controversial items affording a spring-board for carping. There is the conclusion, with which this reviewer most strongly disagrees that life insurance should be purchased for its savings features rather than for its protection benefits; in disregard of the high "loads" comprised by sales and management expense. Also on a minor level, that U. S. Savings Bonds bear a higher yield in their earlier years. And, apparently reflecting present bull-market-philosophy, the tendency recurs to represent beating-the-market as easy.

Any few such flaws that are included of course do not detract from this work's most constructive theme of instilling a thorough appreciation of the great value of an ordered frame-of-mind for savings.

Truly, the financial facts of life set forth in Mr. Rogers' homey philosophy, must inspire to constructive behavior all—from copy-boy to tycoon—who are concerned with their hard-earned dollars!

CORRECTION

In the summary of the views expressed by Rene Leon in the article "Needed: A New Gold Policy" which appeared in the March 22nd issue of the "Chronicle," page 15, the author, a retired banker, residing in Princeton, N. J., was inadvertently referred to as a Professor at Princeton.

Rene Leon

Life Insurance Stocks for Long-Term Investments

By WILLIAM F. GLISS*
Manager, Insurance Stocks Department
John C. Legg & Company, Baltimore

Insurance stocks analyst believes the best way to capitalize on the American economy's long-term growth is to purchase life insurance stocks. Mr. Gliss cites the distinguishing characteristics of insurance stocks, and the "fallacy of putting all your faith in one year's figures" when not providing sufficient time spread, five to ten years, in examining the many factors which enter into analysis. Defines earnings, types of reserves, adjusted book value, value assumed for the business in force, importance of low tabular requirement ratio to assumed and earned interest rates, and law of average and mortality tables. Compares performance of several insurance and industrial growth stocks.

Life insurance stocks represent to me the best possible means of capitalizing on the long-term growth inherent in the American economy. I hope that in the brief time allotted, I can tell you why.

First, I would like to list briefly the major characteristics of life insurance stocks.

(a) They are long-term investments—more about that later.

(b) Their yield, at time of purchase, is generally very low. The rate of return runs approximately between ½ of 1% and 3½%.

(c) They are growth stocks—they should be purchased primarily for capital appreciation.

(d) The accounting methods of life insurance companies differ widely from those used by industrials and one offering them to investors should have a general knowledge of how the companies operate.

Question of Analysis

Secondly, the all important question of analysis. What I say on this subject will not be all inclusive by any means. I will, however, attempt to highlight the major items.

I mentioned as one of the characteristics of these securities, their long-term nature. Any approach should keep this factor in mind. When you view earnings, book value, growth, in fact any phase of the business you should examine a minimum of five years. If it is possible to go back ten years, this is desirable. Life insurance policies generally run for 20 years or longer and hence it is difficult to arrive at a profit for any particular period.

To illustrate this point, let us take an example: Suppose that Company X wrote a thousand policies. They would establish a premium based partly on mortality tables. These tables might say that of the thousand, five policyholders would be expected to die in three years. Let us then assume that the five did not die in three years but lived for two additional years. At the end of the five-year period then, the company would have a gain from mortality of two years' premiums for these five people. If we examined earnings at this point, we would show a gain. Let us further assume that 15 more of the same thousand were expected to die in ten years but that instead they died in seven years. The company would then have a loss from mortality of three years' premiums on 15 people. Were the earnings examined here they would show a loss. So we have at one point a gain and later a loss on the same thousand lives. The only time our company will be sure of its gain or loss is at the expiration of the contracts. Compound this by hundreds of thousands of lives with old contracts running off and new ones being added every day, and the fallacy of putting all your faith in one year's figures becomes evident.

With this long-term idea in mind we can examine earnings, book value, value of business in force and the multiplicity of other factors which go into analysis.

Earnings Defined

Earnings of a life insurance company are the subject of some disagreement among analysts. Our approach is to use the figure reported to the regulatory authorities under the heading—"Net Gain from Operations after Dividends to Policyholders and Excluding Capital Gains and Losses." This figure does not include any voluntary strengthening of reserves and should the company set aside money for this purpose in a contingency reserve, we add it to earnings. If the company strengthens its old legal life reserves by adding funds directly to such reserves, we do not include them as earnings.

I suppose that now is as good as any time to discuss the reserve picture of a life company. There are three general types of reserves. First, there are the legal life reserves—these are amounts set up against each contract which money invested at an assumed rate of interest under a specific plan and based on mortality assumption will mature the policy at the face amount at the end of the term. These funds belong to the policyholders. Once funds are allocated for this purpose, they cannot be taken away for any reason except to pay benefits or unless they are released by termination of the contract.

Secondly, there are funds set up as special reserves and usually designated for some specific purpose. They may be labeled, for example, "Reserve for Mortality Fluctuation." This would mean that the company has set aside a fund from which to draw should mortality increase materially. These funds may be increased or decreased at the will of management and hence we consider them stockholders' funds.

Thirdly, there are unassigned surplus funds and these serve the same purpose as they do for any corporation.

To return to earnings, I hope that you now see our reasons for adding back to earnings increases in those reserves not of the legal life variety, but not included in the "Net Gain from Operations.'

It is well to keep in mind when examining results of life companies that there are certain expenses involved in putting business on the books. Commissions to agents, medical examinations, other investigatory charges and the expense of preparing and delivering the policy must be paid at time of issuance; these costs are then amortized over a period of years according to the plan of reserving. Thus a company which is increasing its business rapidly may show a decline in earnings; on the other hand if business is not growing or is decreasing, the gain in earnings may be quite large.

Adjusted book value—often called liquidating value—is another measure used to value life companies. To arrive at this figure we use Capital, Surplus, any special reserves which belong to stockholders, the equity in the unearned premium reserve of Accident & Health business plus a value for business in force.

The value assumed for the business in force is another subject which engenders discussion. The main point here is to realize that to arrive at a comparatively accurate value one must examine each company policy by policy. It would take an actuary to do this properly. It is agreed, however, that there is a value to the business on the books and a number of different factors have been set up to express this value. For ordinary, nonparticipating insurance in force it has been differently stated as worth $15 per thousand, $20 per thousand and even higher. For industrial or weekly premium insurance the value has been estimated from 26 to 60 times the weekly premium collection. For group life insurance $5 per thousand and for ordinary participating business from $2.50 to $15 per thousand. This is primarily a problem for the analyst, but in examining reported figures on the stocks you should know what values are being used. Obviously the factor used will make a great difference in what the adjusted book value will be stated to be.

Question of the Interest Rate

Interest rate assumed versus interest earned is another point of interest in examining life companies. Most life insurance today is sold on a level premium plan. That is premium rates are calculated at a specific amount which runs for the entire term of the contract. These rates are based on mortality tables, a plan of amortizing the reserve and a rate of interest which the company assumes it can earn on its investments. Many companies wrote policies in the early '30s based on an assumed interest rate of 4% to 4½%. When interest rates decline, as they did in the 1940's to 3% to 3¼%, the deficit must be made up from current earnings. Thus, those companies that have a low tabular requirement (the tabular requirement is the total sum which must be earned on investments to maintain the reserve position) are in better position to produce better results. In the life insurance operation, investment income is used to mature policies, only the excess earned over the amount assumed comes into earnings. It can be noted then that a company assuming an interest rate of 2¾% and earning 3¼% will have ½ of 1% on its invested assets to add to earnings. This is no small factor when you think of the amounts of money invested by the stock life insurance companies.

This is the statistical side of the picture—very vital but a bit dry. It is exciting only to figure-filberts like me. There is, of course, much more to the story. "How long will I live" is an all-important question with Americans who have insured their lives for over $300 billion. Answering this question has been a most profitable undertaking for life insurance companies. Of course, they cannot forecast the date of your demise as an individual but they can forecast how many people per 1,000 will die at a specified age. This information has been chiefly responsible for a success story which ranks high in the saga of American business. Aiding in this success has been the advent of the automatic business machine and the rapidly expanding population of the United States. This is the successful equation — the law of averages + improved methods of operation + an expanding market —over $300 billion of insurance in force.

How does the law of averages benefit the life companies? One of the major factors in determining rates charged policyholders is the mortality tables. With the experience gathered over years of research, these tables estimate the rate of death per 10,000 lives starting from any given age. They can only reflect expectancy at the time compiled and therefore any improvement in such expectancy must benefit the insurance companies. During the last 50 years, medical science has increased our expected span of life from approximately 48 years to over 65 years. Diphtheria, smallpox and pneumonia were dreaded killers of yesteryear. Their toll has each in turn been reduced. The "wonder drugs," improved sanitation and medical research have rendered them practically impotent. These same factors continue the assault on the present principal killers—heart disease, cancer and polio—and it is probable that they, too, will capitulate in time. Within 20 years the death rate for children 5 to 14 years of age has fallen by 67%. As the battle progresses and life expectancy moves ever higher, additional unexpected premiums will accrue to the life insurance companies.

Importance of Electronic Machines

The advent of the electronic business machine has been a major benefit to the industry. It is difficult to visualize a more appropriate place to put these mechanical brains to work. The vast amount of statistical data which must be compiled and evaluated in order to arrive at proper rates and the servicing of over 90 million policyholders is all in a day's work for these miracles of modern engineering. The machines have enabled the companies to expand operations at the rate made necessary by aggressive merchandising and yet keep costs in line. As development in this area progresses, the life insurance industry is in a unique position to put it to work profitably.

These factors are of little value without an expanding market and an aggressive system of merchandising to reach this market. That the market is expanding is a matter of record. The population of the U. S. in 1930 was reported by the Bureau of Census to be 122,775,000. As of July 1, 1954, the population had expanded to 162,414,000, a gain of over 32%. The bureau estimates that by 1975 this figure will have grown to 206,615,000. Each one of these new citizens will be a potential purchaser of life insurance. It is of further significance that of the 162 million people in this country over 53 million or 33% are under age 18. Here then is a large group of future wage earners who will be mentally conditioned to the idea of life insurance. It is of interest to note that not only has the market increased but that today's youth seems to be imbued with a great desire for security. The Social Security Act and National Service Life Insurance have done much to make the nation insurance conscious.

What steps have been taken to serve this expanding market? Realizing the complex nature of our economic structure and the need for highly trained sales personnel, the life insurance industry has established training programs and goals for qualified persons. There are over 4,000 chartered life underwriters in the industry today. These people have completed courses in economics, Government and social problems, business law, wills, trusts, estates, taxation and others bearing on the subject of life insurance. These well-trained salesmen have been instrumental in increasing insurance in force from $106 billion in 1930 to over $300 billion today.

Stocks Compared

All of this, you say, is very nice—but what does it do for me? To give you some idea I have made the accompanying comparison of the market performance of six life insurance stocks and six well-known industrial growth stocks. Admittedly, some effort is involved in digging out the good ones, but in my opinion the results will be well worth it. Just remember where there's life—there's hope — for future capital appreciation.

	Approx. Adjusted 1950 High	4/4/'56 Approx. Current Market	% Gain in Value	* 1955 Earns. Per Share	Current Price Earns. Ratio
Minnesota Mining	37¾	139¾	270.2	4.14	33.8
Scott Paper	24¾	71⅞	190.4	2.65	27.1
Corning Glass	18⅛	85¾	373.2	3.50†	24.5
IBM	158	495	213.3	13.63	36.3
Rohm & Haas	78⅜	495	531.6	17.23	28.7
Amerada	40⅜	120⅝	198.8	4.50†	26.8
Average			296.3		29.5
Franklin	13⅜	90	573.1	2.84	31.7
Continental Assurance	27⅝	180	551.7	5.40	33.3
Lincoln National	37½	222	492.0	15.52	14.3
Aetna	47	205	336.2	13.01	15.8
Travelers	21⅝	82	279.3	5.56	14.7
National Life & Accident	21	93	342.9	5.21	17.9
Average			429.2		21.3

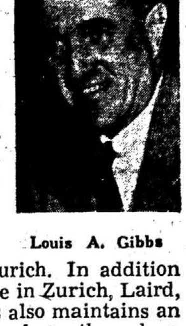
*No adjustments have been made for accelerated amortization in the case of the industrials, nor for voluntary additions to reserves in the case of the life insurance companies. Earnings have been adjusted to present capitalization.

†Estimated.

*An address by Mr. Gliss before the Institute of Investment Banking, Wharton School of Business, University of Pennsylvania, April 5, 1956.

Gibbs, Ertinger on Trip To Zurich Office

Louis A. Gibbs, partner in charge of the trading department of Laird, Bissell & Meeds, 120 Broadway, New York City, and Wolfram L. Ertinger, partner in charge of the foreign department, are leaving on Friday, April 20 to fly to Switzerland for an inspection visit to the firm's newly opened subsidiary in Zurich. In addition to the new office in Zurich, Laird, Bissell & Meeds also maintains an office in Basel where they do a general investment and securities business with banks, brokers and other financial institutions.



Louis A. Gibbs

Columbus Stock & Bond Club Annual Outing

COLUMBUS, Ohio — The Columbus Stock & Bond Club will hold their annual outing at the Brookside Country Club, Linworth, Ohio, on Thursday, May 17. Tariff for members $6, for guests $10. Reservations should be made with Fred M. Vercoe, Vercoe & Co.

Inescapable Trends in Business Jeopardize Our Way of Life

By DR. H. E. LUEDICKE*
Editor "Journal of Commerce," New York City

Discerning possible paradox of economic and moral bankruptcy in our ever-expanding economy, prominent Editor expresses concern for our way of life; indicates vulnerable soft spots and long-range problems; and warns bromide inflationary panaceas delay the day of reckoning but do not solve the business cycle. Mr. Luedicke alludes to our previous deliberate dollar devaluation and European style currency debauchment in questioning our morality in failing—or not wanting—to see that our type of inflation is used to guarantee uninterrupted business growth, encourage debt increases, and build-up vested interests in inflation. Believes full scale experiment with a planned economy "will result unless business leadership—and no one else—can find an answer."

The economy as a whole has profited by whatever modernization was instilled into economic planning in recent years as the result of regular warnings against speculative excesses by professional economists—and as a result of economic policy restraints adopted by the Government starting late last Spring.

Heinz E. Luedicke

Imagine what might have happened had the Government followed the advice of those economists who at the start of 1955 urged strongly additional inflationary measures to get over the 1954 recession and to catch up with the rate of progress held necessary to catch up with their concept of full employment economy. The result most likely would not have been merely a dynamite charge, but an atomic explosion—and we might well be licking our wounds right now.

Things are looking pretty good right now. As a matter af fact, they are looking better than that. This country of ours is truly fabulous—in some ways it is also mysterious. I have just returned from a short trip to Europe. I was away only four weeks. After my return, I had to rub my eyes to believe what I saw.

When I left, the experts were walking softly and a slight chill was in the air. Upon my return, I was told that a new boom was getting ready to roll. Gross National Product was above $400 billion. The Dow Jones average had just crossed the magic 500. There was even a new term for what had been going on since the final quarter of 1955. This was indeed something new: It was a "straight-line recession."

I came away from Europe with the feeling that any moderate recession here would not likely be aggravated by European troubles—only to find, that nobody here seemed to be even faintly upset by any such possibility.

Since my return, I have made a discovery. Usually it is relatively easy to know where we are — economically speaking — but more difficult to determine where we are going. Right now, the situation seems reversed. We all seem to know where we are going without knowing where we really are.

I
Fact or Fiction

Economics is always a curious mixture of fact and fiction, but seldom, if ever, have facts shown up such a curious contradiction to the extremely bullish sentiment as at present.

*An address by Dr. Luedicke before the Spring Meeting, Tanners' Council of America, Boca Raton, Fla., April 5, 1956.

Actually, the over-all uptrend has been stopped since late last year and even now the "new boom" is based on hope rather than reality. At the start of the year, we were told that the **automobile business and residential construction** might drag the economy down this year at least moderately.

Now we hear that it is clear sailing again for both these important sectors of the economy; that their adjustments are over; that plus signs soon will reappear. I wish I could find some statistical evidence for these conclusions.

We are being told that the "consumer," after some hesitation late 1955 now has made up his mind to spend this year as much on housing, automobiles and other consumer durables as he intended to spend at the same time last year. Last year, of course, he exceeded his intentions on the upside when the 1955 cars caught on in an unexpectedly dramatic fashion. Retail sales figures in recent months have been anything but overpowering. And yet, we are now supposed to get comfort out of the hope that consumer spending intentions this year may once again show the same margin of error—on the upside—as they did last year. What if they merely prove accurate? Or if there is a margin of error in the other direction?

We are being told that industry is constantly boosting its plans for additional plant and equipment purchases. A few months ago, the estimated increase for 1956 over last year was 13%, figured out by the well-known McGraw Hill survey. Now the Securities and Exchange Commission and the Department of Commerce have come up with an estimated 22% increase.

II
Bromides vs. Soft Spots

So once again, we are firmly entrenched behind the bromide that "nothing can go seriously wrong" and even a calm appraisal of the current economic outlook confirms this popular acclaim.

Nevertheless, there are some factors in the picture that give plenty of food for thought. Here are some:

(1) There is the fact that last year's expansion was predominantly due to an **increase in private debt**—mortgage debt, bank debt and installment debt.

(2) There is the fact that toward the end of last year inventories were rising at an annual rate of over $5 billion, indicating that production was exceeding consumption by a substantial amount; and yet expansion of productive capacity continues unabated.

(3) There is the fact that the **farm problem** still is a long shot from being solved.

Those are the very vulnerabilities that have been with us for quite some time now. But the fact that these vulnerabilities did not cause serious trouble last year or the year before does not mean that they no longer exist. They are still with us and neither the economists nor the politicians have thus far come up with a sure-fire method for taking the softness out of these or similar soft spots without the necessity of more or less painful corrections of past mistakes.

Nobody can tell you today at what level inventories will become "too high;" obviously, that, depends on future sales.

Nobody can tell you today at what level installment debt—or any other category of private debt, for that matter—will become "too high;" obviously, that, too, depends on future developments.

Nobody can tell you today at what time the protracted decline in farm income will threaten to drag the whole economy down. We don't even know whether farm income still deserves the key role in economic planning it has been given in the past.

We know that none of these danger points lie immediately ahead. But that does not give us any right—as responsible business leaders—to ignore them.

III
Near-Term Strength vs. Long-Range Problems

I cannot quite swallow the conclusion of some observers that the next phase of the boom has already started. As a matter of fact, I do believe that we'll do well to move sideways for the next six months. There may even be a slight downward tilt during that period. It will be the fourth quarter before there will be any marked change from present levels, and that will probably be on the upside once the uncertainty over the elections is out of the way and the automobile industry is squared away on the production of its 1957 models.

This does not mean, however, that we can relax and enjoy ourselves without giving some serious thought to the longer range future. The Golden 60's are lying ahead all right. But a number of serious pitfalls will have to be avoided if we are to get there without first running into serious trouble.

These pitfalls are important because they have to do with the future of our country and our future as a nation. They have to do with our heritage and our solemn obligation to preserve it. They have to do with the future of our children and our children's children and with the world we want them to live in. In short, they have to do with the preservation of our way of life, our form of Government and our free market system.

Our headlong rush into ever-greater prosperity is creating a number of long-range problems for us that are basically economic in character—but that actually go beyond the scope of both economics and politics because they involve a test of our moral fiber as a nation.

This may sound presumptuous and theatrical, but with all the emphasis and seriousness at my command, I insist that some of the things now happening all around us — wittingly and unwittingly — indeed involve questions of morality, going far beyond a mere test of business ethics.

IV
Pitfalls of Inflation

For years now, there has been a growing conviction among American business men that there is little to worry about the immediate and the intermediate business trend because the Administration in power—regardless of whether Republican or Democrat—would feel compelled to bail us out of any impending trouble, or avoid any such trouble altogether, by deliberately following inflationary policies of one kind or another. "Inflation" in this sense can take on many different forms and all too many of us have come to believe that inflation, even more so than love, is a many-splendored thing.

When we are talking about inflation in such a general sense, we usually have in mind things like deliberate deficit spending; or we think of price increases in order to offset higher wages; or we think of ways and means to in-

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Dealer-Broker Investment Recommendations & Literature

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

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

Atomic Energy Review—Late issue—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Bank Deposits—Growth and Distribution 1940-55—Analysis—M. A. Schapiro & Co., Inc., 1 Wall Street, New York 5, N. Y.

Best Read Book in America—Brochure detailing advertising techniques applicable in use of match book advertising—Match Industry Information Bureau, 500 Fifth Avenue, New York 36, N. Y.

Chessie & Her Family—Portfolio of pictures—Chesapeake and Ohio Railway, 3809 Terminal Tower, Cleveland 1, Ohio.

Coal Companies—Discussion—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

Copper—Discussion—Calvin Bullock, 1 Wall Street, New York 5, N. Y.

Estate Planning — Possibilities in several U. S. Government bonds—in current issue of "Gleaning"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue are a list of Preferreds with arrears and a list of potentially attractive bank stocks.

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

New York City Bank Stocks—Quarterly analysis of 13 stocks —Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Oil Equipment Companies—Analysis with particular reference to **Dresser Industries, Halliburton Oil Well Cementing Co.,** and **National Supply Co.**—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

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

Petroleum Prospects—Analysis of Western Canadian Oils—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto 1, Ont., Canada.

Railroad Earnings—Tabulation of Major Class I railroad earnings—Model, Roland & Stone, 120 Broadway, New York 5, New York.

* * *

American Duchess Uranium & Oil Corporation—Bulletin—Cayias, Larson, Glaser, Emery, Inc., 10 Exchange Place, Salt Lake City 11, Utah.

Amoskeag Company — Analysis — May & Gannon, Inc., 140 Federal Street, Boston 10, Mass. Also available is a resume of **Craig Systems, Inc.**

Arcadia Metal Products — Analysis — Davidson & Co., 1015 Eleventh Street, Modesto, Calif.

Arizona Public Service Company—Analysis—Muir Investment Corp., 101 North St. Marys, San Antonio 5, Texas.

Atlas Consolidated Mining and Development Corporation—Progress report—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif. Also available is a memorandum on **Solar Aircraft Co.**

Bank of America—Memorandum—First California Company, 300 Montgomery Street, San Francisco 4, Calif. Also available is a memorandum on **Kentucky Utilities Co.**

Bell & Gossett Company—Analysis—Blair & Co., Incorporated, 44 Wall Street, New York 5, N. Y.

Cataract Uranium—Bulletin—Greenberg, Strong & Co., First National Bank Building, Denver 2, Colo.

Coca Cola Bottling Co. of New York—Memorandum—Hoit, Rose & Co., 74 Trinity Place, New York 6, N. Y.

Columbia Broadcasting System, Inc.—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Diamond Match Co.—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y.

Di Giorgio Fruit Corporation—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is a bulletin on **Stauffer Chemical Company.**

General Capsule—Report—General Investing Corporation, 80 Wall Street, New York 5, N. Y.

General Fireproofing Company — Report — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

General Industries Company — Bulletin — Gottron, Russell & Co., Union Commerce Building, Cleveland 14, Ohio.

W. R. Grace & Co.—Annual report—Dept. CF 7, W. R. Grace & Co., 7 Hanover Square, New York 5, N. Y.

Green Bay Mining & Exploration Limited—Report—De Pontet & Co., Inc., 40 Wall Street, New York 5, N. Y.

Husky Oil Company—Analysis—Leason & Co., Incorporated, 39 South La Salle Street, Chicago 3, Ill.

I. B. M.—Detailed study—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a review of the **Chemical & Pharmaceutical** industry.

Johnson & Johnson—Memorandum—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Lau Blower Company—Analysis—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill. Also available is an analysis of **Interstate Securities Company.**

Montgary Explorations Ltd.—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Morrison-Knudsen Company, Inc.—Bulletin—DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y.

Mountain Fuel Supply Company — Annual report — Mountain Fuel Supply Company, 36 South State Street, Salt Lake City 10, Utah.

North American Aviation—Bulletin—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Pacific Gas & Electric Company—Annual report—K. C. Christensen, Treasurer, Pacific Gas & Electric Company, 245 Market Street, San Francisco 6, Calif.

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

Pepsi Cola Co.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Pigeon Hole Parking of Texas, Inc.—Report—Leslie Securities Corporation, 52 Wall Street, New York 5, N. Y.

Pittston Company—Annual report—The Pittston Company, 250 Park Avenue, New York 17, N. Y.

Powell River Company, Limited — Analysis — C. M. Oliver & Company Limited, 821 West Hastings Street, Vancouver, B. C., Canada.

Puget Sound Power & Light Company—Annual report—Frank McLaughlin, President, Puget Sound Power & Light Company, 860 Stuart Building, Seattle 1, Wash.

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NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York announces that Stroud & Company, Incorporated is sponsoring a perpetual annual trophy to be awarded to the member of the National Security Traders Association who most closely predicts the standing of the Dow-Jones Industrial Average at the close of business on the date of STANY's 21st Annual Dinner in 1957. All predictions will be printed in the 1956 STANY Journal and should be filed with Edward J. Kelly, Carl M. Loeb, Rhoades & Co., New York City, President of the Security Traders Association of New York.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of April 12, 1956 is as follows:

Team:	Points:
Serlen (Capt.), Gold, Krumholz, Wechsler, Gersten	41½
Kaiser (Capt.), Kullman, Werkmeister, O'Connor, Strauss	40
Bradley (Capt.), C. Murphy, Voccolli, Picon, Hunter	39
Leinhardt (Capt.), Pies, Pollock, Kuehner, Fredericks	37
Barker (Capt.), Bernberg, H. Murphy, Whiting, McGovan	36
Donadio (Capt.), Brown, Rappa, Shaw, Demaye	32
Krisam (Capt.), Farrell, Clemence, Gronick, Flanagan	31
Meyer (Capt.), Corby, A. Frankel, Swenson, Dawson Smith	30½
Growney (Capt.), Define, Alexander, Montanye, Weseman	30
Manson (Capt.), Jacobs, Barrett, Siegel, Yunker	25½
Leone (Capt.), Gavin, Fitzpatrick, Valentine, Greenberg	24½
Topol (Capt.), Eiger, Nieman, Weissman, Forbes	23

5 Point Club

Jack Barker
Joe Donadio
Jack Manson

200 Point Club

Jack Barker	229
Hank Gersten	200
Ross Yunker	200

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold their Summer Outing on June 8, 1956, at the Whitemarsh Country Club, Whitemarsh, Pa.

COMING EVENTS

In Investment Field

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

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

May 4-6, 1956 (Los Angeles, Cal.)
Security Traders Association of Los Angeles annual spring party at the Biltmore Hotel, Palm Springs.

May 11, 1956 (Baltimore, Md.)
Baltimore Security Traders Association 21st Annual Spring Outing at the Country Club of Maryland.

May 17, 1956 (Columbus, Ohio)
Columbus Stock & Bond Club annual outing at the Brookside Country Club, Linworth, Ohio.

May 17-18, 1956 (Nashville, Tenn.)
Security Dealers of Nashville annual party; cocktails and dinner May 17 at the Hillwood Country Club; golf and other outdoor activities followed by dinner May 18 at the Richland Country Club.

May 20-24, 1956 (Boston, Mass.)
National Federation of Financial Analysts convention at the Sheraton Plaza.

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

June 8, 1956 (New York City)
Bond Club of New York summer outing at Sleepy Hollow Country Club, Scarborough, N.Y.

June 8, 1956 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia summer outing at the Whitemarsh Country Club, Whitemarsh, Pa.

June 13-16, 1956 (Canada)
Investment Dealers' Association of Canada annual convention, Algonquin Hotel, St. Andrew-by-the-sea, N. B., Canada.

June 20-21, 1956 (Minneapolis-St. Paul)
Twin City Bond Club 35th annual picnic and outing cocktail party for out-of-town guests, June 20 at the Nicollet Hotel; picnic June 21 at the White Bear Yacht Club.

June 29, 1956 (Toledo, Ohio)
Bond Club of Toledo summer outing at Inverness Club.

Sept. 1-21, 1956 (Minneapolis, Minn.)
National Association of Bank Women 34th Convention and annual meeting at the Hotel Radisson.

Oct. 4-6, 1956 (Detroit, Mich.)
Association of Stock Exchange Firms meeting of Board of Governors.

Philip Glanzer Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Thomas M. Winn has become affiliated with Philip Glanzer, 8549 Wilshire Boulevard.

With Grimm & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Joseph D. Euler has joined the staff of Grimm & Co., 532 First Avenue, North. He was formerly with Beil & Hough and Florida Securities Company.

American Foreign Trade Policies And a Healthy, Strong Economy

By HONORABLE STYLES BRIDGES*
U. S. Senator from New Hampshire
Chairman, Senate Republican Policy Committee

New Hampshire Senator views with deep concern the Administration's bill promoting U. S. participation in the Organization for Trade Cooperation as marking the "final step" in 22 years of Congressional trade policy surrender to the State Department, in the course of favorably reviewing sound fiscal and national defense policies being pursued. Senator Bridges endorses Mississippi Senator Eastland's cotton import quota bill, opposes the planned Customs Simplification Act, refers to the Bridges-Byrd constitutional amendment equilibrating Federal taxes and appropriations, and his two bills requiring cost breakdown estimates. Praises the Administration's middle course which displeases both the New Dealers and the ultra conservatives.

I have come here today from our nation's capital—one of the two great nerve centers of the world. The other, of course, is Moscow. Decisions are being made—and will be made in the next few months and years—in these two world capitals which may well decide the destiny of the civilized world. In my judgment, it is imperative that the citizens of this country understand some of the basic issues which confront us. It is only by understanding them that we can meet the challenges—courageously and intelligently.


Sen. Styles Bridges

I happen to be the ranking Republican in the United States Senate and Chairman of the Senate Republican Policy Committee. As such, I represent one of the two great political parties of our country. We now have a Republican Administration after 20 years of control by the New Deal and Fair Deal leadership of the other Party.

A little more than three years have passed since this change in government took place. They have been short years. They have gone quickly. But a great deal has taken place in that brief period of time. It is right that we stop and evaluate our progress.

In the first place, we must know what this Administration in Washington is doing. Secondly, we must identify the major problems which confront us today, and determine how these problems shall be solved.

I think it is fair to say that this Administration probably satisfies neither extreme in our country—neither the extreme left wing nor the extreme right. I am sure that the New Dealers are not pleased with it, and I imagine that the ultra conservatives are not happy either. In my judgment, the Administration is following a constructive middle course—a course dedicated to the best interests of the great majority of Americans. My definition of it is: "A wise application of traditional American principles to today's problems."

Three of the Fundamental Issues

This Administration has had to cope with a multitude of problems. If time and your patience permitted, I could discuss them for hours. However, we can reach some understanding of the complexities of government, if we discuss three of the fundamental and basic issues that confront us today. The first and most important is that of fiscal stability. Our fiscal health determines in great part how successful we will be in our approach to the remaining two problems—foreign trade and national defense.

Progress in Economic Stability

For the last 10 years, the American people have fought a constant battle with fluctuating prices, fluctuating wages, and inflationary trends.

One of the most important developments which has occurred in the last three years has been the economic stability which accompanied the economic progress this Administration brought to the nation.

A striking example of the byproducts which come from sound fiscal policy is found in the termination of controls. The calamity howlers said that the removal of controls would ruin our economy. They insisted that without controls we would experience a further inflationary spiral.

The New Deal planners maintained that controls were essential and that the free enterprise system was out of date. They told us that if the President dared to remove controls on prices, wages and rents, the American wage-earner would be the loser by three billion dollars a year in increased cost of living. Fortunately, President Eisenhower and the leaders in Congress were courageous enough to do what they knew was right.

Wholesale Prices and Cost of Living Indexes

The results of their courage are apparent. In January, 1953, the wholesale price index was 109.9. In January, 1956, this same yardstick was 111.9. The wholesale price level of commodities has risen only 2 points in the last three years, whereas, in the last three years of the Truman Administration, the wholesale price index jumped 12½ points!

The cost of living index in January, 1953, was 113.9. In January, 1956, three years later, it was 114.6 — an increase of only 7/10 of 1%!

I can offer no better proof that this Administration's doctrine of economic common sense has been effective. In my judgment, these figures bear plain witness to the fact that free enterprise is the true American system.

Strengthening the Dollar

Another clear indication of improvement in our economic health has been the ability to stop inflation of our currency and the cheapening of our dollar.

In 1939, the purchasing power of the dollar was 100 cents. By January, 1953, the deficit financing and inflationary programs of that period had decreased its value to 52 cents.

This depreciation of our currency has had devastating effects on wage earners, investors, and on the aged who depend on fixed retirement income for their security. It is a brutal but accurate fact that an annual income of $5,000 in 1940 would provide little more than $2,500 worth of commodities in 1952. I hardly need to dwell on this. You know as well as I do what cheap money can do to the nation's economy.

It is tremendously significant that, since January of 1953, the purchasing power of the dollar has varied within a range of only one-half of one cent! That is a record of fiscal responsibility. It is this same sense of responsibility which makes us continue to strive to balance our national budget and spend within our means.

Reductions in Appropriations and Spending

When this Administration came into power on Jan. 20, 1953, and President Eisenhower assumed the responsibility of leadership, we were faced with an almost impossible fiscal situation. We had carried over from the previous Administration, contract authorization amounting to over $83 billion. These were actually I.O.U.'s incurred by our predecessors and left for us to pick up and pay.

Imagine taking over a business and finding $83 billions in bills facing you—and finding $83 billion to be $20 billion more than the entire income of the business! In addition, Mr. Truman had made excessive recommendations for appropriations and spending to the new Congress. The first Session of the 83rd Congress cut appropriations by $14.1 billion, under the Truman estimates. In the second Session of the 83rd Congress, we again made substantial cuts and the final appropriations by that Congress were $27.8 billion under the appropriations of the 82nd Congress.

For the fiscal year ending June 30, 1956, a balanced budget is in prospect.

Latest Treasury estimates indicate a $200 million surplus, although this figure may change in the spring after the Treasury receives heavy corporate and individual Federal income tax payments.

Furthermore, President Eisenhower has submitted a balanced budget for fiscal year 1957, with an estimated surplus of some $400 million.

The struggle to balance the budget has been a tough one. It will require continued vigilance to keep the government from going into the red again.

Later in my talk, I will make reference to the Bridges-Byrd Amendment, which I believe would contribute materially to this goal.

Tax Cuts

The Republican Party has taken the lead historically, in reducing income taxes. In fact, it has voted 7 out of 10 income tax cuts that have been made since 1913. We will cut taxes again whenever it is reasonable and proper that we do so. But first things must come first. We would be irresponsible and negligent in our duties—if we went before the American people and advocated a tax cut at this time. It is our conviction that fiscal stability is essential to the welfare of the country, but we will never have that stability so long as we spend more than we taken in.

The national debt of this country is almost beyond human understanding. It presently rests at $277.7 billion. Secretary of the Treasury Humphrey has stated that this debt is so tremendous that we owe more money than all the people in the world have ever owed.

Signs of a Healthy Economy

The constant efforts of this Administration to achieve economic stability are good signs in government. In my judgment, these measures are applauded by all thinking Americans.

There are other signposts, however, of improvements in our economic condition, which I invite you to consider.

More than 64 million Americans are now employed, out of a record civilian work force of 66½ million!

More than half of the 47 million American householders own their own homes!

Americans have put aside $85 billion of savings in life insurance and own more than $50 billion worth of United States savings bonds!

Government and private retirement funds for American workers now total almost $60 billion!

Total output of goods and services hit a new high in 1955—more than $387 billion, and the rate in 1956 may run over $400 billion a year!

Personal income in 1955 broke all records: $303 billion, an increase of $15.5 billion over 1954!

Disposable personal income—which is total personal income less personal taxes — reached an all-time peak of $269.2 billion in 1955—rising $14.4 billion over 1954!

What's more, the nation's expanding income was widely shared. Income received by labor in the form of wages, salaries, social security benefits, and related payments, rose to 75.4% of total personal income plus personal contributions for social insurance. The share of proprietors fell about one-half percent; the share of investors remained unchanged.

Meanwhile, the consumer price index fluctuated within a range of less than one percentage point during 1955.

In other words, while personal income was rising, the cost of living was steady, meaning a net increase to our people!

Unincorporated firms showed gains, as seen by the rise in business and professional income from $25.9 billion in 1954 to $27.3 billion in 1955—an all-time high!

Corporate profits in 1955 rose above 1954 by $9 billion before taxes and by $4.5 billion after taxes!

New production records were set in industry and related activities, and construction expenditures reached a new high of $42.2 billion!

This country has never known such prosperity—either in peace or in war!

Farm prices and incomes alone are depressed amid the nation's greatest prosperity.

Average prices received by farmers for all products remained fairly stable in the first half of 1955. Near-record harvests, however, sent the index of prices received by farmers downward from June through December.

Another measure of the farm situation—the parity index which includes the index of prices paid by farmers, interest rates, taxes, and wage rates — held steady and was at the same level at the end of 1955 as in 1954.

Although farm prices and incomes generally declined during the year 1955 and both farm mortgage and non-mortgage debt rose, total farm asset values and

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*An address by Senator Bridges before the Annual Meeting of the American Cotton Manufacturers Institute, Hollywood Beach, Florida, April 7, 1956.

Financing Civil Air Facilities

By C. CHEEVER HARDWICK*
Partner, Smith, Barney & Co., New York City

Mr. Hardwick discusses "user pay" principle and compares the more widely known problems of planning, financing and constructing highways with equally important civil air facilities' problems involving various governmental levels and port authorities. Presents a check list to help investment bankers determine financial feasibility, and cites as an example the Miami International Airport and the Trust Agreement securing bonds issued by the Dade County Port Authority.

I have been asked to comment on investment banking requirements for airport financing. Those requirements are no different fundamentally, of course, in the financing of airports than in the financing of any other type of project. In all such cases it must be possible to provide reasonable assurance that adequate revenues will be available to service and liquidate such indebtedness as may be required to effect the particular capital improvements which are involved.


C. Cheever Hardwick

Substantial progress has been made during the past decade in the acceptance by both investment bankers and the general public of the "user pay" principle in the development of highway transportation facilities and many major and greatly needed improvements of that nature have been financed either on a wholly or partially self-sustaining basis by means of revenue bonds.

Master Highway Plan

While most of those projects were initially conceived on the basis of serving primarily local requirements, in a majority of instances they turned out to be vital links in our national system of arterial highways and increasingly tended to emphasize the necessity for a master plan for a primary highway system throughout the Nation which would be geared to combined Federal, State and local needs. In 1954 the President appointed General Lucius Clay to head a committee charged with the development of a National Highway Program and, while that program has not as yet been finalized or formalized, I think it can safely be said that a master plan for a primary system of highways throughout the United States, suitable for modern civil and military purposes, has been initiated which will be of great value to the States and their municipalities in their development of necessary arterial highway facilities in the future.

I am accordingly happy to learn of the recent appointment by President Eisenhower of the Honorable Edward P. Curtis to perform a similar service relative to the nation's requirements for aviation facilities. The interlocking interests of Federal, State and municipal governments in this quarter appear to be even more pronounced and more complex than in the case of highway transportation, but the financing problems encountered at the local level would seem to have much in common.

Planning Civil Air Facilities

As in the case of turnpikes, expressways and similar motor vehicle facilities, airports frequently directly affect in one manner or another the interests of overlapping or adjoining governmental units and in such instances the authority or commission form of management would appear to be well suited to deal efficiently with the complex problems of planning, financing, construction and operation which invariably arise.

The first task of the investment banker in assessing the financial feasibility of either a motor vehicle or civil air facility is to determine the functional adequacy of the project involved. In the case of civil airports located in metropolitan areas, this usually entails studies and frequently replanning of access highway facilities, which puts us back in the highway business and perhaps offers one more argument in favor of the "authority" set-up in airport financing.

The second step is determination of probable construction costs.

The third is revenue potential.

The fourth is the development of a suitable financial structure designed to serve the future as well as the immediate requirements of the particular facility which is concerned.

I should like to quote at this point from the comments of your former President, Mr. Fred M. Glass, in the recent Report to the Director of the Budget by the Aviation Facilities Study Group of which he was a member and of which my partner, Mr. Wm. Barclay Harding, served as Chairman. Mr. Glass said, in part: "The airlines of the United States have matured as an industry, and with few exceptions, the air carriers should be expected to pay reasonable amounts for services received and facilities utilized. It is impractical, however, except under very special circumstances, for them to build their own airports, install their own navigation aids, or set up their own traffic control facilities. They must, for the most part, share publicly provided facilities with military and many other civil users. The determination of who should pay how much for the use of these facilities can and should proceed simultaneously with the provision of the facilities themselves."

Miami International Airport

An interesting example of Mr. Glass's philosophy in this respect was provided last year in the development of a major improvement and expansion program including new passenger terminal facilities at the Miami International Airport, in which we served the Dade County Port Authority in a financial advisory capacity. In the financing of this program all of the Authority's outstanding indebtedness was refunded and the projected costs of the new facilities were financed by means of a revenue bond issue secured solely by the net revenues to be derived from the operation of Port Authority "Properties." At the present time those "Properties" are defined in the Trust Agreement which secures the Authority's new revenue bonds as the Miami International Airport and the Venetian Causeway, the latter being a motor vehicle toll bridge spanning Biscayne Bay and connecting the cities of Miami and Miami Beach. Provision was made in that Trust Agreement for the issuance of additional parity revenue bonds for future airport improvements and for the construction of an express highway linking the Airport with the Venetian Causeway.

The reason I said that this financing may be interesting in the light of Mr. Glass's quoted comments is that, while the Miami International Airport has in the past received financial assistance from both the Federal Government and Dade County and is presently aided by the pledge of surplus revenues from the Venetian Causeway, the projected net operating revenues of the Airport in the fiscal year 1957-58—that being the first annual period expected to reflect the improvements now being undertaken—will cover by a comfortable margin the maximum annual debt service requirements of the revenue bonds which the Authority has issued for Airport purposes, in which event the Miami International Airport will constitute a wholly self-sustaining and self-liquidating air facility.

At the time of the aforementioned revenue bond financing, the Dade County Port Authority reserved the right to finance certain airport improvements outside of the Trust Agreement which secures its revenue bonds and my firm is presently engaged in developing the financing under this provision of a new hangar and administration building at the Airport for one of the major airlines which serves the Miami area. It is proposed that title to these new buildings will be vested in the Authority and that the bonds to be issued by the Authority to finance the cost of their construction will be serviced and liquidated solely by means of lease payments to be made by the tenant.

This is just one example of achieving a means to an end in the financing of necessary airport facilities. Each separate project has its own peculiarities and presents it own characteristic problems. The fundamentals, at least within certain broad classifications, are similar in nature but each project, as in the case of highway facilities, must be analyzed and dealt with on an individual basis.

It may appear that my remarks today have been directed as much to the subject of highways as airports. The demands for both have in recent years far outpaced traditional planning, financing and construction methods but our highway deficiencies, perhaps because they cause direct inconvenience and irritation to a greater number of people, appear to have received thus far a wider recognition and more effective remedial action. In my opinion, we have learned much from our highway problems which can be put to good use in the development of adequate civil air facilities. The same type of coordinated planning and cooperation at the various governmental levels, supplemented by the services of qualified experts in the fields of engineering and finance, that have accelerated the solution of our principal arterial highway deficiencies will, I believe, result in similar constructive progress in the field of air transportation.

*An address by Mr. Hardwick at the Airport Operators Council Conference, Philadelphia, Pa., April 16, 1956.

Tucker Exec. V.-P. Of McAndrew Co.

SAN FRANCISCO, Calif.—Alexander McAndrew, President of McAndrew & Co., Incorporated, Russ Building, dealers in investment securities, San Francisco, has announced that David S. Tucker has been elected Executive Vice-President.

Mr. Tucker has been with the firm since 1941 and in the securities business for 26 years.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

FLINT, Mich.—Russell G. Mann, Jr., is now with Goodbody & Co., Mott Foundation Building.

From Washington Ahead of the News

By CARLISLE BARGERON

With his veto of the farm bill, President Eisenhower has definitely cast his lot with the Republican party. For many months he has been bespeaking his Republicanism before Republican groups and occasionally he has made public utterances to the effect that he considered the Republican party the best instrument for pursuing his philosophy of government. Nevertheless, there has always been the lurking suspicion among many Republicans that they were more or less being put on trial, that they might not turn out, after all, to be that best instrument, in which event he would look to the Democrats to accomplish his purposes.


Carlisle Bargeron

This has been quite annoying to those doubtful Republicans who looked upon the President as considering himself above the party and only loyal to the party to the extent that it accepted his views. He certainly has good reason to consider himself above the party; he has been told it enough by idolators and he unquestionably enjoys more popularity than does the party itself.

This being the case he undoubtedly felt on sure grounds in telling the country, in effect, that if it wants him to continue in office to save the world, against what have been widely advertised as his own wishes, then it must accept his judgment on such matters as farm legislation.

But in doing this he has ended his days of playing footsie with the Democrats. Vehement statements by Speaker Sam Rayburn and Senate Leader Lyndon Johnson to the effect that he has shown he is "against the American farmer" shatter any pretense of further cooperation between them. The Democrats have been reluctant to attack the President, they have been afraid to go up against his popularity. As a matter of fact, they have been claiming it was they who put through Congress the President's major legislative accomplishments, that the President had to rely upon them, that he couldn't depend upon his own party. The Democrats seemed to have had no hope of electing a President of their own. Their campaign has seemed to be the return of a Democratic Congress to support a Republican President. Indeed, only a few weeks ago there was being widely circulated a proposal that the Democrats also nominate Eisenhower for President and the two parties nominate their respective Vice-Presidential candidates. And suspicious Republicans were not sure that Eisenhower wouldn't go for this proposal. They felt that he was not really concerned about whether he had a Democratic or a Republican Congress with him. In short, they felt the President was a political entity in himself.

His veto of the farm bill has ended all this. At least it has ended his association with the Democrats. It was their bill and one which they wanted him to veto in order that they would have an issue against him. The President accepted their challenge and he did it on the advice of Republican leaders. It was probably his first major decision on which he completely followed their advice. The Republican leaders should now be brought closer to him and the Democrats, throwing their hitherto caution to the winds, will step up their attacks. There will be no more confining their attacks to Secretary Benson and other subordinate members of the Administration. They will be directed at Eisenhower himself. The President, in turn, will experience a new phase of his political career, something he has not yet undergone. The effect upon him is problematical but it should draw him closer to the Republicans. Together they will fight.

This is not to say that Mid-west Republican Senators and members of Congress are happy about what he has done. They are fearful about their own political skins. They tell you that Eisenhower will probably carry their States and districts just the same because of his great popularity but they will fall. This would be a political paradox but possible. Those who are talking this way voted for the bill. You would think they have protected their political skins. For dissident farmers to vote for the President who vetoed their bill and against those who voted for it would be a strange commentary on human behavior but the distressed Senators and Congressmen say it can happen and it is a fact that it can. But I am inclined to think the gentlemen are worrying too much. Certainly they should rid themselves of their defeatist attitude and start talking about the higher price support levels the Administration is putting into effect to soften the veto.

Scholz Homes, Inc. Common Stk. Offered

An issue of 160,000 shares of common stock (par $1) of Scholz Homes, Inc. was publicly offered yesterday (April 18) by Straus, Blosser & McDowell, Chicago, Ill., and associates at $10.25 per share.

Scholz Homes, Inc. intends to use the net proceeds of approximately $1,920,000 to establish and equip a plant recently purchased in Wilmington, Del., and to establish and equip another plant to be acquired in the vicinity of Memphis, Tenn. Approximately $250,000 will also be invested in the company's wholly-owned acceptance corporation to provide interim financing to builders during the construction period of homes sold by the company. Any funds remaining will be used for general corporate purposes.

The company is presently engaged in the business of designing, manufacturing and selling prefabricated homes through the company's sales representatives to builder-dealers. The company offers a selection of manufactured three and four bedroom homes containing one to three baths for the most part ranging in cost for the ultimate purchasers from $9,000 to $40,000 excluding the land. Net sales for the 11 months ended Jan. 31, 1956, were $8,937,320.

Associated with Straus, Blosser & McDowell in the offering are: Paine, Webber, Jackson & Curtis; Wm. C. Roney & Co.; Baker, Simonds & Co.; and Reinholdt & Gardner.

Credit Is Vital and Sound Tool For an Expanding Economy

By ARTHUR O. DIETZ*
President, C. I. T. Financial Corporation

C. I. T. President avers economic expansion estimates so freely predicted will require domestic consumption and consumer credit increases, and discounts criticism of those who question mass financing in this age of mass production and consumption where consumption is calling the turn in our economy. Instalment credit companies' portfolios after the crash of 1929 proved to be sounder than any other type of investment except U. S. Government obligations, Mr. Dietz maintains, and those concerned about instalment debt do not refer to today's or the past's experience but "cite some supposititious danger in the future" and seem to forget that the industry has proved again —as it has done year after year—it can check itself. Contrasts consumer credit in Great Britain and Soviet Russia and finds instalment buying has helped democratize and enhance real American standard of living.

My topic, which refers to consumer credit as a $36 billion question facing our nation today, is one that requires an answer—or a series of answers. People are asking, is consumer credit sound? Is there too much of it? What will its future be?

Arthur O. Dietz

I come before you as a businessman who is going to talk about his business. To a certain extent I am at a disadvantage, just as many other businessmen would be. The case of the automobile industry will explain my point. Today it is hardly possible to pick up a newspaper without reading some criticism of the way the auto industry is conducted—yet I remind you that in the past 10 years this same industry has been responsible for the greatest peacetime industrial feat of all time.

The auto industry—our Number one industrial force—led this nation out of the wartime economy which prevailed from 1940 to 1945 and did it with such tremendous energy and skill that we completely avoided the postwar depression everyone feared. It has produced 64 million cars and trucks in a decade, making possible the suburbanization wave that has revolutionized our way of life. It has poured at least $10 billion into our economy for new plants and better machinery and equipment. It has fooled all the Gloomy Guses who from year to year have predicted that a Detroit-born depression was just around the corner.

Or take television. No matter where you go you read or hear criticism of television programming. Yet in 10 years this industry has been responsible for a second revolution. It has placed this remarkable instrument for entertainment and education in practically every American home. It offers us more cost-free amusement and excitement in a month than we could have enjoyed in a lifetime in an earlier day. Last year, for example, Mary Martin played Peter Pan to 125 million viewers, surpassing as a great dramatic and communications achievement all previous theatrical, motion picture and even written presentations of this immortal story. Only a few weeks ago, more than 50 million people saw Shakespeare's Richard III on a Sunday afternoon — more people than had seen this play previously in the thousands of times it has been performed in the last three-and-a-half centuries.

*An address by Mr. Dietz before the Commonwealth Club of California, San Francisco, Calif., April 6, 1956.

Mass Financing's Essentiality

It is the same with my business —instalment credit. Now I am willing—in fact I am here—to debate the views of those who have misgivings about our affairs. And I would like to get in on the record, at the outset that the American economy as we know it today would never have come into being if mass financing—time buying—did not exist.

A short time ago, the New York "Times" published a story by its Moscow correspondent on the new Russian effort to overcome the Western nations on the economic, rather than the military front. Here is an excerpt from that story: "It is not unlikely that the Soviet diagnosis of the world capitalist economy is now based on the premise that a major depression is about to break out again in the United States and spread throughout the free world. Soviet writers are emphasizing that such a depression did not occur last year only because of the great growth of consumer credit in the United States, a factor they believe has just about exhausted its force."

I suspect it may not be too long before the Russians announce they also invented instalment credit!

Actually, there is no consumer credit in Russia. They have a long record of failure to meet the material needs of their people and create a standard of living for the ordinary citizen that would be regarded as adequate over here. If the worker, the producer, is not given a fair opportunity to share in the fruits of production—and to aspire to an ever-larger and more satisfying portion of life's good things — a dynamic, self-feeding economy cannot exist. Human ingenuity and industry, particularly in this country, have demonstrated that it is possible to provide almost the entire population with more attractive and more comfortable homes; access to the most exciting entertainment events by way of television and radio, finer, safer motor cars, and household appliances that have eliminated most of the drudgery and much of the waste and inconvenience of housework. Produce these we can—but it is consumer credit, and only consumer credit, that makes them available to the average American and his family.

A few weeks ago a very significant cartoon appeared on the editorial page of the "Wall Street Journal." The cartoon showed a man and his wife living in squalor, sitting on orange crate furniture, wearing patched clothes and with an antique radio as their only visible luxury. In the caption, they were pompously explaining to visitors that they always pay cash for everything they buy.

An exaggerated cartoon very often spotlights the truth. This particular cartoon, published by the nation's most influential business newspaper, demonstrates—in a more effective way than anything I can say—that instalment credit has won general recognition as a mainspring of our consumer economy.

The importance of consumer credit is recognized, also, in President Eisenhower's recent Economic Message to Congress. As you know, he said the development of consumer instalment credit has been highly beneficial to the nation's economy and he recommended that a study be made of this form of credit, with consideration given to the possibility of legislation to authorize Federal controls, on a standby basis, over its terms.

It is in this atmosphere that I come to speak to you today. There is now general agreement—from such varied authorities as the economists of the Soviet Union, the "Wall Street Journal" and the President of the United States—that consumer instalment credit—for better or worse—is an essential element in the American economic system. In less than two generations it has become widely used in the marketing of durable goods of all kinds. The amount of consumer debt outstanding at the end of 1955 was $36,225,000,000, after a climb of more than $6 billion in the previous 12 months.

Extent of Instalment Credit

Approximately $5.5 billion of that $36 billion represents charge accounts and service loans. This is not really consumer term debt at all but simply a billing convenience. It represents the bills we all regularly pay each month to stores, to the doctor, dentist, utilities and so forth. Another $2.8 billion are single payment loans which banks make a business people and investors and which, in my opinion, have few characteristics of consumer credit. The remaining $28 billion properly called **instalment** credit, is divided among automobiles, $14.3 billion; other durables, $6.4 billion; repair and modernization, $1.6 billion and personal loans, $5.5 billion.

As we look at the recent record it must be pointed out that, in the past two years, there has been a significant liberalization of terms in the most important sector of instalment financing — automobile credit. During the 12 months between June 1954 and June 1955, banks and finance companies began accepting down payments on new cars of as low as 25% (with some lower) and maturities running to 36 months. Previously, standard down payments were 33⅓% and normal maximum maturities were 30 months.

I do not condone loose terms nor to try to tell you that they are nothing to be concerned about. By any tested standards we have known in the past, 25% down and 36 months to pay are pretty liberal terms. A few years ago we would have thought them very loose indeed.

I am not particularly alarmed by what happened last year. In the first place, the situation has stabilized. There has been no further drift toward longer maturities and lower down payments for at least six months. Maybe there's been a little stiffening—just a little. The industry has proved it can check itself when it wants to and there is nothing to indicate that any further liberalization is in prospect.

You see, as in almost every other phase of our American business system, checks and balances —inbuilt stabilizers — exist. The pocketbook nerve is the best disciplinarian there is. If credit is granted on terms that are too loose, losses begin to increase in frequency. When any sensible business man finds he is running into losses because of some practice or policy for which he is responsible, he does not hesitate very long — he mends his ways just as fast as he can. Year after year I have seen that whenever someone gets too close to the fire of loose terms, he soon is singed and draws back. That is what protects our economy, the great mass of consumers, and the consumer credit industry itself from serious losses—that and the good judgment of the consumer himself.

Poor Prognosticators

Nevertheless, as I have already reminded you, in good times and bad, there have always been those who viewed the people's credit with misgivings. Leading bankers and industrialists deplored it in the 20's. Roger Babson wrote of the "Folly of Instalment Buying" in the 1930s and he was not alone in his views.

However, up to the present, these warnings have **never** been right. The bankers of the '20s who prophesized that we in the finance business would eventually go broke because, in a depression, our customers would not pay their debts, were proved 100% wrong by the events of 1929-35. The 1937 forecasts of Mr. Babson have never materialized to the effect that:

"If courage did not fail me, I should show that the instalment industry may lead to America's downfall. The desire for ease, which the instalment industry is stimulating, is increasing in the cities and lowering the birth rates. The curse of instalment buying will be eliminated only as the desires of the people are controlled and directed along sane lines."

As I prepared these remarks, I had before me a collection of stories from leading American business publications. My file goes back only to the early months of 1953 but in the past three years there have appeared hundreds of stories in the vein "The business boom is dangerously inflated by credit buying of wage earners who live from one payday to the next." Yet the facts are that the debts of 1953, which were of such concern then, have all been paid —and none of the difficulties which were feared have come to pass. Instead, these same 1953-4 obligations were met and discharged with a delinquency and loss record that is the best on record.

Fears of What "Might" Happen

Those who have these grave concerns about instalment debt never emphasize **today's** experience, and they concede the excellence of the record in the past. Instead, the practice is to cite some supposititious danger in the future — something that **might** happen—but never has. Their criticisms clearly reflect mistrust of the individual consumer's right to decide simple personal questions for himself. There have always been those who cannot trust the ordinary fellow. In the 18th and 19th centuries, for example, there were the intellectual or economic aristocrats who were sure average men could not be trusted with the right to select their own rulers.

Today the anxiety of this type of individual is now focussed on economic issues and particularly on questions of consumption, because consumption is calling the turn in our economy. The critic assumes that he or someone like him knows better than the consumer how much of the consumer's income should be spent for one commodity or service (including credit) as against another, and what is really "best" for Mr. and Mrs. John Jones.

It would be patronizing and downright undemocratic for anyone to express this attitude openly, so it is usually rationalized in terms of the economic health of the nation, or the future of automobile or other durable goods sales, or the level of consumer debt.

The historic prejudices against going into debt for personal pur-

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Industrial Atomic Power And World Peace

By JOHN JAY HOPKINS*

Chairman and President, General Dynamics Corporation

Whether the Free World or the Soviet Bloc will emerge the undisputed world power depends upon who will be first to utilize atomic realities and thermo-nuclear possibilities in building-up industrially the underdeveloped areas, according to Mr. Hopkins in assaying the world economic and political situation. Sees no Soviet weakness in their: (1) disarmament and foreign market acquisition goals; (2) industrial recovery and development; and (3) intent to induce U. S. A. depression by pushing disarmament. To overcome the dilemma of providing maximum defense and planning for substantial disarmament, Mr. Hopkins offers several suggestions to solve the problem—complicated by no pent-up cushion of consumer demand to replace reduced defense spending. Includes atomic power as the matrix of our international economic planning even if it is not competitive, as yet, in the U.S.A. cost-wise with coal-oil power.

It is a great privilege to address this distinguished audience, and a special honor to join with you in the well-merited tribute of American industry to the Industrial College of the Armed Forces. As a representative of that part of American industry which is directly associated with defense, I have a lively appreciation of the significant work which the Industrial College has accomplished over the past 32 years.


John Jay Hopkins

Guiding Democratic Principle

We are fortunate, indeed, that far-sighted individuals such as Newton D. Baker, Jonathan Wainwright, and other statesmen of the past should have recognized that professional competence alone is neither a broad enough nor a strong enough shoulder to sustain the grave responsibilities of senior officers and government officials. In establishing the Industrial College of the Armed Forces, these founders were guided by the principle that for a democratic people wars are not won solely by a weapons superiority, but by an enduring superiority of national character in its broadest social and economic sense.

To the original architects of the Industrial College and to its able administrators since, a war in which Americans are participants has always meant a war in defense of human rights and the dedication to that defense of all our resources—economic, political, and spiritual — of which armies, navies and air forces are the manifests.

In short, to us armaments have always been deterrent instruments in the service of an historic policy of non-aggression, global in approach and application. The titanic physical forces of the Atomic Age — atomic fission and the hydrogen-helium fusion process—coupled with supersonic flight and electronic control, have now amplified—so all the world at last may see—the fundamental issues of good and evil, of aggression and non-aggression, of destruction and creation, and their champions.

Atom Power's Decisiveness

It must now finally be clear to everyone, I should think, that atomic power is the decisive factor in shaping the world's destiny. And far more decisive in its economic than in its military effect.

For the destructive capabilities of hydrogen-helium weapons are so great that they impose severe limitations, both moral and material, on potential antagonists. Broad scale economic warfare affecting billions of people is, therefore, rapidly assuming preeminence among long-range planners as the ultimate weapon. And even now, we can descry its probable course.

Russian leaders are already on record as being willing to bid high in economic terms for the allegiance and eventual dominance of the underdeveloped nations of the world. They well know that the economic development of the huge, untapped human and material resources of the "have-not" nations—through atomic energy in its industrial, medical, biological and agricultural aspects—will swing the balance of world power.

Atomic Industrial Realities

Industrial atomic power is a present reality, and if not yet competitive with conventional fuels except in New England, it is economic, feasible, competitive and practical for virtually every other area of the world, outside the United States. It is gradually becoming clear also that while any practical application of thermo-nuclear power may still be years away, someone may develop a laboratory reactor that utilizes this principle within as short a time as 15 years. And that "someone" may very well be a Soviet someone, or a Chinese. If the power from the fusion of hydrogen atoms to form helium can be controlled, the free world or the Soviet world will have a power source to last for a billion years. When atomic fusion is controlled, a single gallon of sea water will provide the same energy as 300 gallons of gasoline and ships—to cite only one example — will draw limitless propulsive power from the very oceans in which they travel.

These atomic realities and thermo-nuclear possibilities are thoroughly known to Soviet scientists and political leaders. They well understand that present industrial atomic energy — to say nothing of the infinite range of thermo-nuclear power — could within a very short time build up the world's underdeveloped areas industrially, solve many of their serious social and political problems and put them on a favorable balance of payment economy. More than that, these areas are unanimously committed to industrialization as an instrument of national, economic policy.

Importance of Initiative

Whichever group of present industrialized nations gains the initiative—whether the Free World or the Soviet Bloc—will, I am confident, emerge the undisputed economic leader of the world, and hence the undisputed world power pledged either to man's destruction or to his salvation.

Moreover, the underdeveloped nations of the world constitute the **last resources** and especially the **last markets** for any surplus productivity of the industrialized West. Should we be deprived access to these world markets by a successful Soviet foreign economic aggression, and **at the same time be in the process of drastically reducing our defense expenditures** which is a second objective of present communist Sino-Soviet policy, we and especially our weaker allies might expect severe economic problems and dislocations.

Therefore, we are at this time, it seems to me, in very great peril. Our consumer credit—that is, our capacity for consumption of hard goods such as automobiles, appliances, homes—is, in terms of today's salaries and wages, largely committed for the next 36 months. There is no cushion, I would remind you, of consumer demand, of pent-up buying power such as existed after World War II, to absorb the billions of defense spending to which our economy is now geared—should disarmament be suddenly effectuated.

Events of recent weeks behind the Iron Curtain seem to give some credence to Marx's epigram that "history repeats itself, first as tragedy, then as farce." It seems difficult, however, for the western mind to distinguish between the low-comedy and the high tragedy of current communist dogma. Certainly elements of both are present in the "Road-to-India" side show of Kruschev and Bulganin; in Mallenkov's baby-kissing and candy-giving; in the shattering of the Stalin icon; and in bizarre and hideous recantations not merely of men but of whole nations—exposures of inquisitorial error that beggar the "bloody Assizes" of Judge Jeffries. These mad and convulsive changes of face and posture—the tragedy and farce of servile peoples and dead, derided heroes—would seem to betoken either internal weakness of an infinitely cunning and dangerous strength.

No Soviet Weakness

I must say, however, that to seasoned observers there is absolutely no evidence of physical or political weakness behind the Iron Curtain.

All the facts belie any wishful thinking that the Soviet is leading from weakness. I should like to remind you that Russia lost upwards of 10% of her entire population and perhaps 50% of her total industrial plant in World War II. Yet in a scant 10 years time with an almost frightening vitality, this nation not only repaired most of the war damage, but also produced atomic fission and fusion bombs, superb jet aircraft—and is now bidding against us economically for world markets. The free world, it seems to me, would be guilty, indeed, of lunacy if it chose to disregard the proven Soviet recuperative powers, their immense resources and the ability of a totalitarian economy to concentrate on given objectives regardless of internal cost.

We have no choice, I am convinced, but to consider Soviet Russia's new internal and international line as an exhibition of monolithic strength — and above all of long-range subtlety that is economic in character and diabolically opportunistic in motivation.

Disarmament and acquisition of foreign markets are the twin goals of the new Soviet sophisticated aggression. The Summit Conference at Geneva apparently convinced the Kremlin that a *de facto* atomic stalemate existed; that the United States would **never** provoke a global war; and that a continuance of bellicose moves on their part would not weaken but strengthen the economies, technologies and the political stability of the United States and Western Europe.

Clear Facts

Although I am aware how rash it is for an amateur of international relations to attempt to assay world economic and political situations, certain facts seem clear:

Fact one: Since the Korean War, the United States has poured an average of about $40,000,000,000 a year into the economy for defense purposes alone. In proportion to income, commensurate sums have been spent for defense by other free nations.

Fact two: Free economies are controlled essentially by the market place. Their rate of expansion or contraction is determined by millions of individuals. This is not the case with totalitarian regimes which consistently control their economies for whatever purpose the government may determine.

Fact three: Defense expenditures are largely sterile investments and are traditionally considered burdensome by free enterprise economies.

Fact four: Defense needs have expanded the industrial plant and national employment, particularly in the United States, to the extent where the economy is not only supplying adequately an enormous defense market, but also a huge private market.

Now, I do not wish to imply that the defense industry is responsible for our present prosperity. But, I do wish strongly to emphasize again and again that if, under the emotionalism of communist - inspired disarmament and demobilization slogans, there should be any sudden and drastic reduction of defense expenditures, we should have the most serious domestic repercussions.

Indeed, so closely integrated is our modern industrial state and so narrow is the correlation between production and consumption that a sudden, **unplanned** decline of say 5% in purchasing power might conceivably touch off a recession. We seem always to be faced with the paradox of being too efficient agriculturally and industrially for our own good —unable fully to consume what we produce. And the difficult task of maintaining economic stability while stimulating orderly growth has been further aggravated by an inconsistent national policy on preparedness, in a perilous world.

Apart from the purely economic consequences of steeply rising defense peaks and steeply falling post-defense valleys, there is irreparable loss also of those skills, machines and industrial plants without which the United States could not support its obligations to its allies.

An historical analysis of three important segments of our defense industry — submarines, aircraft and shipbuilding — reveals that a significant factor of each is what might be called the "Heroes in War, Orphans in Peace" cycle. This recurring phenomenon—with some variations — runs through seven rather distinct phases, or about like this: First, the United States appears weak to a group of aggressor nations; Second, war is started by the aggressors; Third, we go to war unprepared; Fourth, by heroic methods — involving confusion and waste of heroic proportions — we out-produce the enemy in aircraft, submarines and ships; Fifth, we win the war; Sixth, we demobilize **totally**; Seventh, we cut back almost completely aircraft, submarine and shipbuilding contracts for delivered products, and for research and development. We dismantle our factories and turn adrift our skilled personnel. Then—starting all over again—we appear weak to a group of aggressor nations.

The Soviet is not unaware of this cycle. Indeed, their recent iconoclasm may well result from a realization that Stalin's relentless military pressure against the West was a blunder of the first magnitude; a tactic of crude Russian imperialism in contradiction to sophisticated communist dogma. The legend of Stalin is being wiped from the record, I suggest, because he was neither a sound Marxist nor a good Leninist. He was, ironically, a classic example of right-wing deviationism.

Disarmament and U. S. A. Depression

It is more than mere coincidence that the USSR has altered its political and economic strategy since the death of Stalin and is attempting with persuasive propaganda to initiate world disarmament. Even a slight economic recession in the United States resulting from a sudden cut in defense spending without compensating economic action could spell a tremendous victory for the present Soviet disarmament drive.

I might point out here that in free economies the market place determines product volume. Consequently free economies are far more susceptible to sudden reductions in purchasing power than totalitarian economies. It is quite conceivable that the USSR could actually make substantial cuts in its military spending and suffer no ill effects. In fact, the Soviet Union — convinced of the West's non-aggressive posture — could improve its domestic position by shifting—in perfect safety —a portion of its armaments industry to consumer production. The Free World on the other hand—under the threat of Soviet ruthlessness undeterred by moral principle—and with its economy expanded to the point where both heavy defense and consumer needs must be met, might well be weakened to the point where world communism could score a decisive advance.

I suggest that the critical period ahead calls for the utmost in careful planning to develop as much flexibility as possible. Our defense industry should be prepared for a relaxation of tensions with a consequent decrease in armaments production. Yet only at great and tragic peril to the entire world can we as a nation afford either to weaken our domestic economy or to sacrifice the strength of our defense industry.

Dilemma Solutions

We are faced tonight, I think, with a terrible dilemma: What policy can be devised that will guarantee maximum defense yet also permit substantial disarmament? On the surface this would appear to pose any number of difficult questions. Yet, I believe that in our industrial experience and management concepts and in the immense creative advantage of nuclear power, we will find a correct solution. As I see it, such a program would involve three major points:

(1) Widescale diversification of defense throughout **private** industry.

(2) **Private** ownership of the means of defense production.

(3) The speedy implementation of **private** business of a massive international program of controlled atomic energy aimed primarily at industrializing the world's underdeveloped nations.

It is my contention that not just a few but **all** defense industries should be given the option to purchase all World War II production facilities which they now operate as tenants for the government. And to facilitate these purchases, they should be further permitted the requisite increased profit margins — margins which would still remain far below customary profits in other industries not directly concerned with defense.

Meanwhile, in the absence of such government action — some business men are vigorously at-

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*An address by Mr. Hopkins on the Occasion of Industry's Tribute to the Industrial College of the Armed Forces, New York City, April 4, 1956.

World Experience With Freedom And the Karl Marx Way of Life

By HERBERT HOOVER*
Former President of the United States

Distinguished former President surveys this Hemisphere's common problems, the world's experience with Communism here and abroad, and evaluates the witting and unwitting corrupting role of Socialism including their cults and fronts in: (1) sabotaging free men; (2) crippling judgment of men, initiative and productivity of people; (3) creating more and more Statism to treat self-generating increasing unemployment, debt, taxes and inflation; and (4) helping to pave the way for impotent governments, Fascism and/or Communism. Referring to the Western Hemisphere, Mr. Hoover believes the countries with the highest living standards and freedom are those with the least Statism, and "our problems can be solved only by free men." Submits a philosophy of economic freedom which is held to be "an indivisible part of all freedoms."

I am naturally awed before a convention so representative of the legal profession from the whole Western Hemisphere.


Herbert Hoover

I am not, however, going to attempt to improve your legal minds. I give you this reassurance, lest you fear that I might try reprisals from the brainwashing that I have had continuously from your profession for nearly sixty years. But every lawyer, like every engineer, by the nature of his profession is interested in every phase of government, of economics and of social life—or he ought to be.

Our Common Problems in the Western Hemisphere

We in this Hemisphere have had many problems in common. For more than a century and a half, we had a common struggle to shake off Colonialism. We have had the problems of maintaining defense of our Hemisphere from reassertion of European or Asiatic domination right down to this hour. We have had need to establish our own distinctive form of representative government. And it differs widely from that of our European forebears. We have had to develop new protections to personal freedom on a better pattern than those brought from Europe.

We have had common problems in the development of our natural resources to improve the standards of living, and the general welfare of all our people.

We have sought to make this Hemisphere a refuge for the oppressed of all mankind. These problems have haunted us since we began our independence. We have learned much from each other's successes and failures.

Enter Karl Marx

But a new problem has come across the Atlantic to plague us during the past 50 years. That was the invasion of Karl Marx Socialism. While I do not credit him with the original discovery of this philosophic virus, yet he can be credited as its chief carrier. And today its blight takes many shapes and forms over the world.

Communism

I do not need to take your time with a discussion of the theory and practice of the Communist variety of Socialism. Today it is rotting the souls of two-fifths of mankind. The threat to free men of Red Colonialism, with a supply of fission bombs, needs no emphasis from me. The unity of free nations is the only certain defense.

But the Red citadel in Moscow is right now carrying on aggression against the Western Hemisphere by conspiracies among our fuzzy-minded to overthrow our governments. They comprise a cult of disloyalty. Almost daily do we need pluck out these disgusting things which have crawled into our governments.

For the last year the Kremlin has been exuding peace and good will toward all men. But I have not observed that they have called off these conspiracies and corruptions. In the last month the men in the Kremlin have turned Stalin's face violently to the wall. Their next step to righteousness would be to give us the names and addresses of all his collaborators in the Western Hemisphere.

However, without such a gracious act we can take care of this particular manifestation of Karl Marx—although it is a good deal of a nuisance.

The picture of Karl Marx still appears everywhere in Russia in the place of the old religious icons. Possibly the Russians have not read Karl Marx's writings very attentively. In letters to his friend Engels in January, 1869, Marx said: "I do not trust any Russian." Also, he said: "As soon as a Russian worms his way in, all hell breaks loose." Possibly in time they will discover that they invented Socialism prior to Marx and turn his picture to the wall also.

The Legalistic Socialists

But it is on the other forms of Socialism that I propose to speak briefly on this occasion. The advocates of these other forms proclaim that their difference from the Communists is that they would attain their ends by making use of the legal processes of our free institutions.

Recently a meeting was held in Europe of representatives of legalistic Socialists from different nations. They said that they did not like the Communists. Also they kept Karl Marx's picture on the wall. After all, they maintain his philosophy — only they would tread softly. However, every convention has a right to its own Utopia.

Over recent years the words *Socialism* and *Socialist* have become unpopular words in most of the Western Hemisphere. Many of our political parties under the name Socialist have declined or have been abandoned. They no longer have the courage to proclaim their principles as does the Socialist Labor Party in England. That party frankly declares that its purpose is "Government ownership and operation of all of the agencies of production, distribution and exchange."

Our New Marxian Cults

Instead of frank advocates, our Socialists have developed new and disguised cults in many of our Western Hemisphere countries. These new cults prowl around under many fronts. They are like hermit crabs. They crawl into our long-accepted phrases and proclaim their sole ownership of human progress. They claim to be "liberals" and "progressives," they vociferously advocate real "democracy" and "public welfare." They have a fondness for the threatening word "Action" in the titles of their political organizations.

Our Western Hemisphere nations have stood for the true, and a far more wholesome, definition of such terms and principles, for a century before these hermit crabs were born. And this hermit crab habit is not confined to words and phrases. They crawl into some of our many associations of citizens advancing some cause. Their leadership embraces the Socialist-minded and those who would flirt with Karl Marx. But they include many persons who are genuinely seeking a better world. I do not believe that one in fifty of the members of their captive groups detects the disguise of Karl Marx.

However, some of these cults and fronts are less subtle in their phrases. They advocate "managed economy," "nationalization" of a particular industry, and "public electric power."

I could give them another phrase for use by their cult — that is "Statism." But the Socialist-minded shy away from such a disclosure of the Karl Marx parentage.

Our Western Hemisphere's Economic and Social Philosophy

I suggest to you that we in the Western Hemisphere have developed an economic and social philosophy of our own far different from our Old World inheritances. It has brought fabulous blessings to this Hemisphere. And, for that matter, it is far different from the philosophies against which Karl Marx developed his virus.

I submit to you that our system may be defined as "private enterprise regulated to prevent monopoly and unfair competition."

Free men can no more permit private economic power without checks and balances than governmental power without checks and balances.

And to my definition I would add that "the State must undertake business enterprises in great national emergency or because the size of the undertaking is beyond the abilities of its citizens."

And I submit to you that this philosophy of economic freedom is an indivisible part of all freedoms. You cannot extend the mastery of government over the daily life of men without making it the master of the people's thoughts and souls.

Their Disguised Infiltration

Yet the legalistic Socialists with their disguises claim they can maintain all freedoms except economic freedom. These variegated cults promote creeping Socialism through centralizing government and thus weakening the strength of local government. They strive to absorb the income of the people by unnecessary spending and exorbitant taxes.

They seek to continue and amplify the government business enterprises undertaken in crises or in wars after their emergency tasks are completed. Most of these continuing government businesses pay no taxes, seldom pay interest on the taxpayers' capital invested in them, to pay any return of the capital itself. Thus by any definition they are unfair competition with taxed and regulated enterprise and tend to drive it from the field.

These cults and fronts work to expand every other form of bureaucratic empire. They divert well-meaning associations into pressure groups seeking for special privilege.

All of which dulls the initiative and enterprise of the people. And it undermines the safeguards of free men.

World Experience With Legalistic Socialism and its New Cults

The world in our own times has had some experience with these legalistic Socialists and where their cults and fronts can lead.

The Socialization of England

We have witnessed the great attempt legally to socialize England. There it so reduced the productivity of the British people as to contribute to years of so-called "austerity." That was simply a polite phrase to cover their constant reduction of the standard of living of all the pepole by compulsion from the State. Furthermore, the British Socialists touched the Communist ideal when they passed a law compelling labor to work at jobs designated by the State. Fortunately the British people have revolted from it. But they have inherited continuing injuries to their economic and social life.

The French Experiment

We witnessed another variety of Karl Marx tainted experiment in France. Lenin advocated parliamentary coalitions of the Communists with the Socialists and the other dupes of Karl Marx's disguises. Such was the *Front Populaire* of the Blum regime. Under it the economic and moral life of France was so degraded as to contribute to the humiliating defeat of France in World War II. France still suffers from its aftermaths.

The Case of the Eight Satellite States

But there is another experience in legalistic Socialism or its cults and fronts in the world of even greater tragic consequence.

The peoples of Estonia, Latvia, Lithuania, Poland, Roumania, Hungary, Yugoslavia and Czechoslovakia have descended from free men into the abyss of Communism. There were many steps in common among them during the years of their descent into slavery. And the impulse which the legalistic Socialists or their fronts gave to their downfall has been too little observed.

I have had occasion to deal intimately with the peoples in many of these one-time eight nations at intervals over more than forty years.

The first time was prior to the First World War. I practiced my profession among many of them when they were subject to the old Empires of Russia, Austria and Germany.

The second time was a few years later in 1918 and 1919. Immediately after the First World War, these States had established their independence from the old Empires, with constitutional guarantees of personal liberty and representative government. My duty was to relieve a great famine and aid in their recon-

Continued on page 43

*Address by Ex-President Hoover before the Inter-American Bar Association, Dallas, Texas, April 16, 1956.

THE MARKET . . . AND YOU

By WALLACE STREETE

Irregularity persisted in the stock market this week but it continued to be something of a standoff in that there was generally good balance between the plus and minus signs. For several sessions running the 400-odd plus signs were pretty closely matched by the same number of minus ones. Volume was light and the markets were rather narrow, fulfilling at least part of the classic pattern of a consolidating phase.

* * *

In an almost off-hand way the rail average succeeded in posting a new high since 1929, bettering its previous peak of a couple of weeks ago by a narrow margin, but then subsided without any serious attempt to exploit the feat. The toll taken in the industrials by a couple of setbacks last week was enough to keep the senior index from any serious attempts to duplicate the rail accomplishment.

* * *

Somewhat diverse first quarter earnings estimates made the market even more selective than usual. Union Carbide, for instance, was helped by a record March quarter and did well while du Pont became somewhat out of favor when its operating profit dipped. General Motors, which was able to show a good comparison in earnings, stood its ground in fair determination while Chrysler was backward when it was indicated its profits will be below those of a year ago. And so it went through the list, generating caution rather than a rebound from tax selling.

* * *

Royal Dutch was able to put on some superior showings of strength, in part due to a good earnings statement but even more in recognition that it is selling at far more favorable statistical levels than the larger American companies. Where the American companies like Gulf, Texas Co., Calso and Standard Oil of Jersey have been priced at 12 to 16-times-earnings, Royal Dutch has been available at less than 10-times-earnings at recent prices. The yield on Royal is low, since the dividend payout has been modest, running about a fifth of earnings against the 40 to 50% payout familiar in the American companies. But for the goodly portion of the investing public which is far more interested in capital gains than taxable dividends, the company stands to benefit importantly from the greater percentage increase in oil consumption abroad over the domestic rate.

* * *

Shift From the Bluer Chips

Similarly, much of the culling through the list has been shifting from the best known names to those that haven't participated as fully in the market upsurge up to now and even including those that have been definitely ignored. National Tea, for instance, has been pedestrian all this year, holding in a range of only a bit over half a dozen points and selling recently within reach of its low—this despite achieving sales of well over half a billion dollars last year and projections of this year's sales of no less than $625 millions. Profit margins have been improving steadily, but the stock has retreated more than 20% from its peak of late last year.

* * *

Tobacco stocks, well deflated by the recurring lung cancer scares, still continue to offer far better yields than the general average, a fact pointed up by the recent increase in the R. J. Reynolds payment. The industry leaders as a whole boosted earnings by 17% on the average last year, without sparking any widespread market interest in them.

* * *

Campbell Soup, one of the more famous corporate names that only recently was turned over to public from family ownership, has had anything but an eventful career ever since it came to listed trading in 1954. In all that time the issue has built up a range of a mere half dozen points and so far this year has held in a tight four-point area. It gives little credit to the firm's leading position in the matter of producing profits. Only three others in the food line surpass it in bringing dollars down to net income — A & P, General Foods and National Dairy — although they have to roll up far more in gross volume to turn the trick. In fact, A & P's gross runs nearly 10 times that of Campbell, yet it only manages to bring down around $3 million more to net than Campbell's $29 million.

Spotty Aircrafts

Aircrafts have had a rather spotty time of it, the demand centering largely on those companies that will get the major share of shifting the domestic transport business from the piston to the jet era. It has left some of the promising companies that rely more on defense work in the ranks of the somewhat laggard issues. Bendix Aviation, for instance, at its recent market price was appraised at $269 million. This, as one analyst has computed, is even less than the $282 million spent on engineering and research in four years.

* * *

Sperry Rand, like Campbell Soup, has had an uneventful market life ever since the merger of the old Sperry Corp. with Remington Rand. It has held in about an eight point range ever since. It ignores the fact that the chief benefit of the merger was to take the company out of the category of one getting most of its business from the government. Something approaching half of its business now comes from office machines, office services and farm equipment. The merger also added Remington's technical knowledge to a company already preeminent in the field of electronics. Moreover, despite a somewhat general feeling that the missile field will be the defense mainstay when even plane orders suffer, the new company has featured in little of this discussion although it has something like a dozen missile projects underway at the moment.

An Interesting Drug Issue

Schering Corp., like the other drug issues, has been able to share in pinpoint demand for this group when new drugs are announced. However, there has been little sustained action even though the projections are many that the issue is selling at a below-average price-times-earnings. Some such estimates of an increase to a 10-times-earnings basis would add a score of points to the recent market price on even conservative projections of 1956 results. Its position in producing arthritic drugs is such that several of the other large firms in the field, rather than develop their own compounds, have secured licenses to make the Schering preparations.

* * *

Sterling Drug, which hasn't been able to develop any of the spectacular "miracle" drugs like Schering, has been a definite laggard. It sold at higher levels a decade ago although the industrial average is better than double the peak standing of 1946. The company, however, is a giant in the packaged remedy business which has enabled it to roll up half a century of steady earnings.

[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.]

Juran & Moody Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Anthony G. Psyhogios is now with Juran & Moody, Inc., 93 East Sixth Street.

Connecticut Brevities

The new plant of the Sikorsky Aircraft Division of **United Aircraft Corporation** has been selected by Factory Management and Maintenance for an award as one of the (30) thirty most significant manufacturing plants completed in 1955. The competition was concluded on a nation wide basis and the final selections, based on many factors, were from about 600 nominations.

* * *

Stockholders of **Southern New England Telephone Company** at their 1956 annual meeting voted to increase the authorized capitalization from 6,000,000 to 8,000,000 shares of $25.00 par value common stock. There are presently outstanding about 5,430,000 shares.

* * *

Connecticut Bank & Trust Company has recently announced plans to open a new branch bank in Bloomfield, a suburb of Hartford which does not presently have any banking facilities. The new branch will occupy a building to be constructed for that purpose and containing about 2,500 square feet of floor space on one floor. There will be ample parking space provided and drive in windows to help provide a convenient and complete banking service.

* * *

Stockholders of **Riverside Trust Company**, Hartford, recently approved a recommendation of directors to reduce the par value of the common stock from $25.00 to $10.00 per share and to issue two and one-half shares for each share then outstanding. Stockholders also approved a plan to pay a stock dividend of one new share for each seven shares outstanding after the split. The resulting capitalization will be 80,000 shares outstanding, making total capital stock of $800,000, surplus of $1,000,000 and undivided profits about $175,000. Total resources of the bank are about $28 million.

* * *

Torrington Company has announced the purchase of the business and assets of **Progressive Manufacturing Company**, also located in Torrington. The products of Progressive consist of a line of machine screws, nuts and bolts as well as "cold headed" special screws, rivets, studs and similar parts for many industrial uses. Some of the products of Progressive are similar to those of Torrington's English subsidiary. The Progressive business will be operated as a division of Torrington and brings to 11 the total number of Torrington plants in the United States, Canada, England and Germany. Torrington's total employment is about 7,000 of which 4,000 are at Torrington.

* * *

The **Smyth Manufacturing Company**, and its subsidiary Sigourney Tool Company have announced plans to move their entire operations to a new plant to be constructed in Bloomfield. Smyth has long been a leading designer and manufacturer of machinery used in the book publishing business.

The **Connecticut Chemical Research Corporation**, Bridgeport, has acquired 40,000 square feet of space in a former Locomobile plant. The company which produces various aerosol products for use in this country and for export, has found it necessary to obtain the additional space to meet increased bookings of its contract Packaging Division.

* * *

Flight Enterprises Inc. has indicated that it expects to increase its level of business from about $2,000,000, in 1955 to some $5,000,000 in 1956. The company is engaged in airplane maintenance work at Bradley Field, the second largest maintenance base on the east coast.

* * *

Recently **Colt's Patent Fire Arms Company** sold its Autosan Machine Division to **Vulcan-Hart Company** of Louisville, Ky. Vulcan-Hart has announced its intention to continue operations of Autosan in Hartford. The Autosan Division produces dishwashers for commercial establishments and employs approximately 100 persons.

Krensky Elected to Young Presidents

CHICAGO, Ill.—Arthur M. Krensky, 28, President of Arthur M. Krensky and Co., Inc., stock brokers, has been elected a member of the Young Presidents Organization.

Arthur M. Krensky

Members of the Young Presidents Organization are heads of firms that have gross sales in excess of $1 million annually. They must be under 40 years of age.

Mr. Krensky formed his company less than two years ago when he was 26 years old. Within the last year, the firm has opened offices in Princeton, Ill.; Grand Rapids, Mich.; Fort Wayne, Ind.; El Paso, Texas, and Washington, D. C.

John M. Stine Now With La Montagne & Co.

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, Calif.—John M. Stine is now associated with La Montagne & Co., 71 Building D, Stanford Shipping Center. Mr. Stine was formerly a partner in Colvin & Stine, San Francisco.

Donald Sloan Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Howard A. Mader is now with Donald C. Sloan & Co., Cascade Building.

W. H. Loftus Opens

SHERBORN, Mass.—Walter H. Loftus is engaging in a securities business from offices on Coolidge Street. Mr. Loftus was previously with Gibbs & Co.

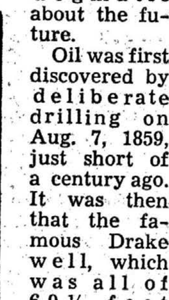
Petroleum for the Future And the Role of Government

By W. H. MILLER*

Assistant General Manager of Sales and Advertising
Standard Oil Company (Indiana)

Oil sales official forecasts 1975 oil demand, reaching 13,700,000 barrels per day compared to 8,000,000 barrel rate in 1955, will be met at prices somewhat higher than at present but will remain reasonable so long as competition, and not government controls, continues to serve as a governor. Mr. Miller expects that: (1) off-shore lands offer only major domestic oil discovery source; (2) increasing drilling costs will be offset by better techniques and methods; (3) commercial extraction may be feasible from almost limitless oil shale and sand deposits, and research may turn up cheaper process to convert liquid fuel from coal reserves; and (4) a Texas plant may soon be able to synthesize gasoline profitably from natural gas.

Probably it would be wise to look back over our shoulder briefly. A look at the past will make us a little more leery about being dogmatic about the future.



W. H. Miller

Oil was first discovered by deliberate drilling on Aug. 7, 1859, just short of a century ago. It was then that the famous Drake well, which was all of 69½ feet deep, was completed on a farm outside Titusville, Pa.

Petroleum—literally rock oil—had been known for thousands of years before then, of course. As a matter of fact it's mentioned in the Bible. It was petroleum that provided the pitch with which Noah pitched the ark without and within. It was petroleum that was the bitumen lining the basket in which the infant Moses floated among the reeds.

But the Drake well proved that petroleum could be found in relatively large quantities through drilling, so it really established the petroleum industry.

This was in 1859, remember.

Twenty-five years later anyone asked to speak about petroleum's place in the future of farming would have had an easy time of it. One sentence would have done the job—"Petroleum itself has no future, so it's never going to be important in farming."

This sounds more than a little strange today, but at the time the facts seemed obvious to anyone willing to look at them. Pennsylvania's production of crude oil had hit a peak two years before and was beginning to decline sharply. There were no prospects for other oil discoveries anywhere else. In fact one prominent oil man at the time even offered to drink every barrel of oil that would ever be found west of the Mississippi. So you could figure it for yourself: For 10 or maybe 20 years the oil industry could continue to get by on a decreasing supply there in the state of oil's discovery. Then that would be that. The industry would be dead before it was even out of knee pants.

That thirsty oil man with his offer about drinking all the non-Pennsylvania petroleum is lucky that no one took him up on it.

In 1885 — 26 years after the Drake discovery—oil was found in Ohio near the town of Lima. It wasn't so desirable as the crude that had been known before, to put the case mildly. The truth is that it had so much sulfur that it was usually described vividly as "skunk oil." But the Standard Oil refinery my own company built at Whiting, Ind., in 1889, used a process for taking out the sulfur. From the evil-smelling crude came the Perfection kerosene that lighted the lamps of the Middle West.

False Predictions

You'd imagine the experts would have been a little more cautious about predicting doom for the oil industry after that first experience. They weren't. They went right ahead with their obituaries, year after year after year.

In 1891, for example, the U. S. Geological Survey sadly announced after long study that there was little or no chance of ever finding oil in at least two states. About some states they were doubtful, but they were sure on these two. One happened to be Kansas. The other was Texas. Between them these two states have so far produced well over 20 billion barrels of oil.

In 1914 an official of the U. S. Bureau of Mines made some careful calculations and came up with a conclusion: Total future production of oil in the United States, he said, couldn't possibly come to more than 5.7 billion barrels. From that time to the present we've produced more than 50 billion barrels of oil—and we have proved reserves of more than 35 billion barrels left.

In 1939 radio broadcasts by the Department of the Interior gravely warned that we'd be completely out of oil in 13 years, which is to say by 1952. During that year when the wells were supposed to run dry we produced more than two billion barrels of oil. Last year we produced 2.7 billion barrels of crude and gas liquids, over seven million 42-gallon barrels a day.

So one thing a glance at the past makes extremely clear: We have to approach any predictions about petroleum supply with a great deal of caution. You can't just run the existing curves off to the edge of the graph paper and be sure this will give an accurate picture of what's ahead.

As it happens, this is also true of forecasts about petroleum's uses.

Suppose someone in 1900 had decided to deliver himself of a prediction about petroleum's part in farming's future. If, like me, he'd been in Sales and so was naturally optimistic, he'd undoubtedly have painted an extremely bright picture.

The use of kerosene, he'd have said—and kerosene was then the principal petroleum product—will multiply tremendously in the years ahead. Glowingly he'd have described the utopia in which every farmhouse in the nation would have the blessings of two kerosene lamps in the kitchen, a kerosene stove in the parlor, and kerosene heaters in the upstairs bedrooms.

Farm roads, he'd have said, will be much more pleasant to travel. Of course he couldn't have held out any hope that they'd even be passable in the wet seasons. But at least in summer they'd be much better, because road oil would be used to lay the worst of the dust.

If he'd wanted to take off into the wild blue, this optimist might have gone even farther. He might have predicted that gasoline-powered engines in the barns would relieve the farmers of some of their back-breaking labor. This wouldn't have been entirely a flight of fancy. There were a few such engines then in use. Oil-company salesmen, anxious to get rid of the troublesome byproduct gasoline, had actually managed to sell some people on the balky contraptions.

Could this 1900 visionary possibly have gone any farther than this? Not much, surely. He couldn't have imagined that the internal-combustion engine, run on petroleum, would remake the whole agricultural economy. He couldn't have foreseen that mechanization would let a single farmer raise and harvest enough food to support himself and 14 city-dwellers. He couldn't have pictured the asphalt-paved roads — another dividend from petroleum—that would, along with the family car and the truck, all but erase city-farm boundaries. He couldn't have imagined that the railroads would roll on diesel fuel, and of course he couldn't have dreamed there'd be petroleum-powered planes. He couldn't have guessed that the farms would be electrified thanks in large part to generators run on petroleum. And even had he been risking his prophecy as late as 1930, he couldn't have forecast the important role petrochemicals would play in agriculture. Anhydrous ammonia, which produces a quadruple yield on investment, returning $40 in extra crops for every $10 spent on the fertilizer? He wouldn't have heard of it. Insecticides and herbicides and fruit-fixing sprays from petroleum? He couldn't guess they might be made.

We take for granted today an economy in which more than 96% of all work is done by machines, less than 4% by the muscles of men and animals. We forget that just a century ago the ratio was reversed—96% of the work was done by men and animals, only 4% by machines. We also take for granted the fact that crude oil and natural gas together supply a full two-thirds of all the mechanical energy we use and furnish in addition materials for 2,734 different basic products. To the bright-eyed youth of 1900 such a situation would have seemed fantastic, and no one could blame him.

I hope that by this time I've hedged enough. I've pointed out the danger of prophesying anything about petroleum supply on the basis of present supply and the known reserves. I've tried to make it clear that foresight's none too reliable when it comes to trying to predict what uses may be made of petroleum in the future.

Oil's New Outlook

With these reservations in mind, let's look at what may—and I stress that word—let's look at what may be petroleum's immediate future.

You may now brace yourself against a small slug of statistics.

As late as 1920 this nation was using only 1.4 million barrels a day of crude oil. And I say only advisedly. True enough, this was, all by itself, a tremendous quantity—58,800,000 gallons every day for the entire year. But we hadn't seen anything yet. By 1930 demand was up more than 100%, and we were using almost three million barrels a day. You'd probably guess that demand fell off in the next decade. It was, after all, marked by severe depression and even in part by a kind of industrial stagnation. Yet even so the demand for oil continued to climb. From 1930 to 1940 it increased by 33%; in 1940 we used just short of four million barrels a day. Then there were many who looked for a sharp fall-off after World War II, when the combat planes stopped flying and the convoys tied up at dock and the tanks were quiet. That fall-off never came. Instead, from 1940 to 1950 the demand rose by still another 66%, so at the beginning of the '50s we were using 6.5 million barrels a day. Last year we used around eight million barrels daily, imports included.

I've often thought what a man-sized job it would be if it were my sole responsibility to sell or distribute all eight million barrels of the stuff every 24 hours. It is at times like this that I thank my stars there are more than 42,000 separate companies competing in the oil industry.

Well, what of the future? Shall we look now for a leveling off of this demand? Not if the Paley commission can be believed — and that group's findings on facts, if not all its recommendations, have found wide acceptance. After taking a long look at our economy and the direction in which it's moving, the commission came up with this startling estimate: By 1975 this nation will be using 13,700,000 barrels of crude oil and liquid condensates daily. Turn all of that one-day supply into gasoline, put in into the tank of the average automobile today, and it would take the car around the world more than 300,000 times.

This 13,700,000-barrel figure is not a rash estimate. It takes account of the probable increase of other energy sources, particularly hydroelectric power. Only the improbable sudden development of cheap, efficient solar energy could throw the estimate off. Due account has been taken in it of such factors as, for instance, nuclear power — about which I won't speak since there's a real expert on the program. Only when I'm more than 50 miles from home do I try talking about things like atomic energy.

So we'll be needing 13,700,000 barrels a day of petroleum in 1975, much of it — very much, presumably — on the nation's farms. Will we be able to supply it?

If petroleum were only a peacetime commodity, it'd be easy to answer that question. All we'd have to do is look to the almost fabulous Middle East. There, it's conservatively estimated, the reservoir rock now holds 312 billion barrels of proved reserves. The average oil well in the United States today pumps about 14 barrels a day. The average oil well in Saudi Arabia, Iraq, Iran, Qatar, Kuwait, and Bahrein flows 5,000 barrels a day without the need for pumping.

I am showing off now, of course, in saying those Middle Eastern names. They give an exotic flavor to the talk, and you might even be misled into believing that I've been over in the Persian Gulf area. I haven't been. Even from here, though, I can see —as you can—that if we wanted to rely on Middle Eastern oil, we wouldn't have to worry about supply for the next 75 or 100 years.

But petroleum isn't just a peacetime commodity. It's

Continued on page 24

*An address by Mr. Miller before the Council of Agricultural and Chemurgic Research Conference, Chicago, Ill., April 11, 1956.

Sees No Immediate War Threat in Middle East

Ralph E. Samuel, after six week survey of five Mediterranean countries, holds Israel is determined to avoid large-scale hostilities and Egypt fears risking military adventure with Western World watching for any sign of conquest or aggression.

A prediction that there will be no outbreak of war in the Middle East, in the near future, was made by a leading New York financier, Ralph E. Samuel, on his return from a six-week survey of five Mediterranean countries.

Ralph E. Samuel

Mr. Samuel is President of the Energy Fund, Inc., a mutual fund specializing in investment in domestic and foreign energy industries, and is head of the stock brokerage firm of Ralph E. Samuel & Co., which manages the Fund.

Following a swing through Italy, Greece, Turkey, Israel and Egypt, with a brief stopover in strife-torn Cyprus, Mr. Samuel concluded there will be no early war because Israel is determined to avoid it and Egypt dares not risk a military adventure with the Western world watching for any sign of conquest or aggression.

Mr. Samuel's country-by-country survey follows:

"ISRAEL, surrounded by Arab countries, is thoroughly frightened, apprehensive of being attacked and amazed at American failure to supply defensive arms—fighters to repel bombers, anti-tank guns to repel tanks, etc. The little nation apparently has no intention of initiating a preventive war, but with high morale and a dedicated citizenry feels confident she cannot be overcome.

"Nothing seems to faze them. They plant trees by the tens of millions, bring water over a 100 miles, from Lake Hula in the north down to the Negev in the south (postponing for at least five years the Jordan River project which threatened serious trouble with Syria). They transform barren, rocky lands to flourishing farms; their roads are excellent; the newer housing is attractive; and the centers of learning such as the Weizmann Institute and the Hebrew University will, I am sure, prove to be amazing assets for Israel and the free world.

"The Israelis feel that economic cooperation could mean much for the Arabs, but after talking to bankers in Cairo I concluded that the basic reason for hostility toward the idea of economic cooperation with Israel is that it would be too disturbing to the Arab pattern of life and would mean the eventual end of the Pashas. No Arab leader, not even Nasser, is strong enough today to risk discussions with Israel on this subject.

"The greatest concern in Israel is the officer clique surrounding Nasser. This group is pushing him toward war with Israel to 'save face' and revenge the 1948 defeat. It is probably this group that is sending officers to Czechoslovakia and other Soviet-dominated countries for training in the use of Soviet-supplied arms to the Arabs.

"In EGYPT, however, neither her morale nor the quality of her military forces appears strong enough to warrant successful warfare now. In Cairo, one sees an extraordinarily large number of men in uniform, and the drill-fields, military schools, etc., nearby were very busy. The equipment looks modern and the soldier neatly dressed, but compared with the Israelis he seems an inferior military type. The Arabs appear to be as clever and capable as they have to be, but a veteran British banker in Cairo pointed out that they are extremely weak as organizers and administrators.

"Actual war would bring the Soviet influence into more effective contact than ever with the Arabs, and both Nasser and the other Arab leaders realize the Communist threat to their pattern of life.

"In threat, stalemate and blackmail of both East and West lie their greatest advantage. And so Nasser, an able and determined man, stirs up North Africa against the French, Jordan against the British, and all the Arab nations against Israel. Up to here, unfortunately, this has proven effective.

"Nasser's ultimate ambition is said to be to dominate the Arab world and exercise control right down into Central Africa.

"ITALY unquestionably is stronger than it was two or three years ago, despite continuing unemployment. The government seems firmer and morale is better. Recent oil and gas discoveries are expected to contribute much to the country's economy in future years. Imports of petroleum products will probably end soon, and with completion of a $30 million chemical plant Italy will be an important producer of artificial rubber, another item formerly imported.

"GREECE is rife with complaints that American aid has stayed up 'on top' and not trickled down to the grass roots.

"Greece seems to feel alone and friendless, though the Communist influence appears not great. The Greeks feel that the United States, Britain and Turkey do not see Cyprus their way, and there is a general belief that nothing, domestically or in foreign relations, is going right. The bitterness toward the British about Cyprus is extended toward the Americans, because the two English-speaking countries are bracketed in the Greek mind.

"TURKEY indeed has economic worries. A widespread and dangerous inflation has reduced the open market Turkish pound to ten to the American dollar, as against the official rate of three-and-a-half to the dollar. The unhappy fiscal condition stems from two successive crop failures, a government program that has perhaps attempted too much too quickly (though with no reform touching the still untaxed wealthy landowners), and the heavy military preparedness program which has caused a severe budgetary imbalance.

"Turkey, guardian of the Bosphorus, with borders up against the Iron Curtain, considers herself the real 'frontier' of the Western democracies. It is felt in Istanbul that the United States should pay for more of the heavy defense item—that an American loan should be made soon.

"In general, Turkey seems firmly democratic. A rationalizing of the government's budget, however, will be of more obvious benefit to the country than any dependence on American loans."

Continued from page 12

Industrial Atomic Power And World Peace

tempting and succeeding, despite restrictions, to diversify, to attract equity capital and to pursue research and development programs and to construct with private funds that industrial plant and those facilities which cannot help but strengthen the over-all defense effort as well as improve the economic welfare of the nation.

But there is a limit to what the American defense industry or all industry for that matter can accomplish; if say even a few billions of dollars a year in government purchasing power were suddenly to be removed from our economy. This is why American Government and American industry should immediately take drastic steps to improve our trade position with foreign nations. Little or nothing beyond normal increments can be expected in American trade with Western Europe. The real market, it seems to me, lies in underdeveloped Latin America, Africa and Asia where 75% of the world's people are forced to live on a bare subsistence level. Atomic energy is the only means sufficiently compelling to score a psychological victory for the free world—or its adversaries—sufficiently powerful to industrialize these nations in time for them to absorb our surplus productivity on a mutually profitable basis.

Matrix Role of Atomic Power

Atomic power—not conventional power—must be the matrix of our international economic planning, even as it remains the core of our military planning.

There is a grave danger, it seems to me, in underestimating the immense psychological, humane and practical advantages of socio-economic atomic energy simply because it is not generally competitive cost-wise with coal-oil power here in the United States. May I repeat again—atomic power is competitive abroad and it is ideally suited to meet the needs of the underdeveloped nations.

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

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

No one knows whether the Soviet Union's latest series of moves are propaganda or not. But we must be prepared for a sudden acceptance of disarmament on the President's well-publicized terms. Should the Russians adopt a peaceful guise which would accord visibly with our official admonition of "deeds and not words," we would have no alternative but to accede also. If the Russians could then by a policy of atomic opportunism beat us to world markets, and by a policy of economic exclusionism price us out of and permanently block us from the world's markets, and at the same time bind us by moral commitment previously made, to mutual disarmament, we and our allies might then drown in the inexorably rising tide of our own unallocated productivity.

Ethically and morally and economically we should not, cannot and must not wait for Soviet strategy to force our hand.

The defense industries and other industries of the free world must join with their government leaders and those of the underdeveloped nations to launch now a multi-purpose, multi-phase program of world-wide atomic-powered industrialization. For the amelioration of living standards, the conquest of disease, of war, and turmoil springing from ignorance and despair is in the highest tradition of the world's great spiritual and ethical covenants.

In such a cause and such a purpose we cannot fail against the amoral expediency of our rivals. The free world would do well to remember that a faith in freedom is infinitely stronger than a belief in tyranny that truth must always displace falsehood, good must always triumph over evil, and that for the army of the righteous "the stars in their courses fight against Sisera."

Gov't Embarks on New Method of Financing Buildings to Be Used by Federal Agencies

Acting pursuant to so-called Lease-Purchase Act, General Services Administration will receive bids for financing and for construction of $2,000,000 Post Office and Court House at Rock Island, Ill. Government to lease this and similar buildings on a rental basis over 25-year period.

General Services Administration is trying out on the financial community the first of the Federal building projects under the Lease-Purchase Act of 1954, as it is popularly known.

Under this Act the Federal Government buys buildings on the installment plan, designs them for a specific Federal use for tenancy exclusively by Governmental agencies. Contractors are asked to bid on constructing the buildings in the same manner presently employed. The difference, however, is that the 1954 Act sets up a new method of financing instead of paying for Federal buildings as they are completed out of Congressionally appropriated funds, institutions or individuals agree to pay for the cost of putting up these buildings. The Government will reimburse those making the loans in 25 annual instalments of principal and interest designed to liquidate the loan over the 25-year period.

During the 25-year period the successful bidder will remain legally the owner, although the Federal Government will occupy the building. The 25 instalments will take the form of annual rental, although a rental exactly equal to a 25-year diminishing balance loan with interest at the rate put in the successful bid, plus local real estate taxes. Congress obligates itself to pay annually a sum equal to these 25 total instalments and liquidate the loan with the agreed rate of interest instead of paying for 100% of the contract cost of the building in one lump sum upon completion as at present.

General Services Administration, which administers the Act, asks for either separate financing or construction bids or for a joint bid on both construction and financing.

In other words the invitation to bid asks some one to offer to finance and legally own, during the contract period, the specific first project, a United States Post Office and Court House at Rock Island, Ill., to cost $2,000,000. At the same time bids are solicited from contractors to construct the building or, if some one can do both the financing and the construction, that will be satisfactory to GSA.

Franklin G. Floete, GSA administrator, announced that the $2 million Rock Island Post Office and Court House building is only the first of 26 projects approved under the Lease Purchase Act, which are estimated to have a total aggregate cost of $91,436,330. It was indicated that following the first trail with the Rock Island project, GSA will rapidly seek financing and/or construction bids for the remaining 25 projects.

The lowest cost to the Government for a 25-year term is GSA's goal.

On Tuesday, April 24, the necessary materials on which to base a bid will be available at Room 1304, GSA Bldg., 19th and F St., N. W., in Washington, and at the GSA Regional Office, 219 South Clark St., Chicago, Ill. The closing date for the bidding is May 29. Financial bidders said GSA will state the rate of interest they require on the financing and carry out the rate to three decimal points.

Each set of bidding documents carries the necessary forms for separate financing, separate construction, and combined financing and construction.

Robt. Watson Joins Reynolds in Chicago

CHICAGO, Ill.—Robert H. Watson has joined Reynolds & Co., 39 South La Salle Street, as a registered representative, it was announced.

Mr. Watson has been in the investment business for 32 years, recently with Rodman & Linn, specializing in institutional investment accounts.

Hogle Sells Motor Lines Common Stock

J. A. Hogle & Co., Salt Lake City, Utah, it was announced on April 10, has completed an offering of 50,000 shares of common stock (par $1) of Interstate Motor Lines, Inc. at $10 per share.

The net proceeds are to be used for general corporate purposes.

Jos. W. Hicks Opens

DENVER, Colo. — Joseph W. Hicks has opened offices at 1115 Mile High Center to conduct a securities business. Mr. Hicks was formerly a principal of J. W. Hicks & Co., and Hicks, Newton & Co., Inc.

How Reliable are Trends in Forecasting the Future?

By WALTER SONNEBERG

Nondependability of economic trends in forecasting is explored by Mr. Sonneberg in describing the many factors affecting trends and the difficulty in accurately measuring their full effect. Mr. Sonneberg contends: (1) wage increases should be based only upon contributions to productivity; (2) it is costly and strenuous to keep up with advancing standard of living unless "earned" rather than "wished"; (3) exporting know-how tends to limit international trade, and (4) transit companies pursue incorrect methods to regain lost traffic.

Those who can take a trend or leave it alone are safer doing the latter. Trends are usually dependable merely as straws in the wind, pointing the present direction of things. The uncertainties of the times, a change of government, unforeseen developments, and vagaries of human nature can reverse the course of the most promising trend. Trends which largely color popular speculations about the future were better taken with several grains of salt before being swallowed.

Walter Sonneberg

Darrell Huff. — "How to Lie With Statistics" — demonstrates the trickiness of trends. The trend to now may be a fact, he writes, but the future trend is an "iffy" proposition.

Persistence of the present prosperity trend for instance, is contingent upon the continuance of a number of precarious factors, the uncertainty of which is attested by the reluctance of business prophets to predict for more than a year at a time.

There are no reliable gauges for registering accurately the full effect on the economy of higher wages, easier credit, bigger debt, greater installment buying or any other factor from which enthusiastic boosters draw rosy conclusions.

It has been remarked how imposing arrays of figures—, statistics in support of a particular position, — may look good on the surface but may conceal more than they reveal. In 1954 quite a few business concerns reported larger sales but showed smaller profits.

Prosperity hounds can smell a trend a mile off. Give them a stock market boom — supposedly the barometer of good business — and a set of corroborating statistical tables and there's no limit to the heights they can scale.

Purchasing Power Fallacies

This school of thought, diverted from realities by the magic of big money, puts undue emphasis on the volume of purchasing power. Familiar only with the casual aspects of purchasing power they disregard significant implications. We will later find that purchasing power has a frame of reference which includes the way money originates—its source—and the way money is spent—its destination—as important influences.

The popular proposition for increased government spending and at the same time for tax cuts is the prize exhibit for widespread devotion to financial magic.

The present rapidly growing population, another standby upon which great dependence for continuance of prosperity wave is placed, waxes and wanes with war and peace, with booms and depressions.

According to Darrell Huff, even Lincoln, guided by the figures for increased population furnished him for the 1790 to 1860 period, in his second message to Congress, estimated a United States population of over 251 million people by 1930!

Mark Twain, on the basis of the Lower Mississippi shortening itself 242 miles in 176 years, shows how ridiculous it would be to assume that in 742 years the Lower Mississippi would be 1¾ miles long — joining New Orleans and Cairo together.

Wage Increase Spiral

Here is another trend you may not relish; milk and bread wagon drivers strike for more pay which boosts prices, then shoemakers find they need higher wages to buy milk and bread, then textile workers demand pay increases to buy milk, bread, and shoes, then the steel workers join the procession—just one round of slaphappy price boosting after another, with wages in elusive pursuit of prices. A story reminiscent of the three little pigs where the big bad wolf (reality) came along and huffed and puffed 'till he blew the house down.

Experience does not justify expectations of those who look forward to an ever-increasing standard of living—eventually yachts and mansions for everybody. On the contrary the strain of keeping up with the standard, its costliness in terms of fulfillment, raises many questions.

It led to more women working outside the home, more divorces, deteriorating homes and increased juvenile delinquency. Women sought jobs outside the home to pay for cars, televisions, air-conditioning and other costs of high living, an unforeseen circumstance discounting some of the enthusiasm for the high standard.

According to the latest statistics men are doing an increasing share of the housework. The career woman's husband is rapidly becoming a part-time maid, assuming charge of the dishpan, the sweeper and the stove. Continuance of which trend promises a scarcely advantageous reversal of roles.

There is one desirable trend—the adoption of sound economic principles for keeping the industrial system working on its own motive power that awaits intelligent development. A standard of high living consistent with a stable, prosperous economy cannot be wished into existence, it must be earned.

As to the prosperity trend a great deal hinges on whether we elect to meet demands for needed reappraisals and adjustments on their merits or permit ourselves the luxury of self-deception and eventual let-down.

Some More "Trends"

A financial man points out that if the redistribution of income should continue at the same pace as it has since 1929, the country would in the course of a quarter of a century be on an "equalitarian" basis with all persons receiving the same amount of income.

On the other hand Senator Byrd of Virginia posts a warning against attempts at spending our way into prosperity. Deficit spending has been justified by the emergency of war or depression. Today, though the nation is riding the top of the prosperity wave, "the Federal debt is still soaring upward!" If this debt trend continues, the hope for preserving our free enterprise system will turn sour.

The trend of department stores to the suburbs, would if continued, eventually empty the cities of these emporiums. But already a slowing down of this movement is reported. Some of these branches did not pay.

It is reported that the national crime rate climbs steadily 10% a year to a record two million major offenses, distributed over the country. Set your own date-line when jails will outnumber hotels and apartment houses.

Now that Western Europe has been put successfully back on its feet it is beginning to send more and more manufactured goods to the United States from the very industries which America has helped rehabilitate. We suddenly discover that exporting "know-how" tends to limit international trade.

Whether to buck or back a trend is now the question before the house in railroad circles. Whether it were better to buck the trend of travel away from the railroads to airplanes, cars and trucks by spending a lot of promotion money to hold their own against heavy odds, or accept the trend and adjust to prevailing conditions. The irony of the situation is that the railroads pay high taxes for subsidizing their competitors, airplanes and highways for cars and trucks.

A shift of the eating habits of Americans away from meats to fruit, vegetables and milk has already set in. Will the cattle ranch and the pig pen disappear?

Some enthusiasts, on the basis of the percent trend toward shorter hours and higher pay, predict that in a few years workers will be getting $500 for a five hour week. Why not figure that in 500 years workers will be paid a half-million for five minutes work? That everyone will have his own private yacht and three ring circus.

"Borrowing From the Future"

Mr. C. Sligh, former President of the National Association of Manufacturers, recently observed that the public has been subject to a heavy barrage of propaganda advocating dressed-up versions of "the fallacious purchasing power theory." Backed by this false purchasing power theory—taking little account of the significance of the origin and use of the money involved—the prosperity wave by that measure jeopardized its place in the trend of the future.

In other words the big current fund of purchasing power's fiscal pedigree is not what it should be. It takes substance via credits — borrowing from the future—and allows claims on the system by leeches and parasites and non-contributors. Industrial production unaccompanied by actual contributions to production is the chief weakness of the present set-up.

Confusion on this point is manifested in the various ways commentators have reacted to the new Ford union contract. Some of the commentators, under the spell of purchasing power magic, view the contract as a world-shaking contribution to progress. Others consider it as merely another step in union monopolistic political pressure; still others question whether the economy can stand the gaff.

Views of Secretary Weeks

Among the latter Secretary of Commerce Weeks challenges the philosophy back of the movement. He is willing to ride with the new union formula but suggests postponing celebrations until the returns are all in. "When you load the economy with factors that are going to be a brake on it, then nobody benefits."

It should be apparent, then, that the prosperity trend is largely conditioned by several factors. From the vantage point of the future, if needed adjustments are not made, this period conceivably may be looked upon as one of lost opportunities.

This is a grand country. Let's try to keep it that way—and not upset the apple-cart through stupidity.

Plight of Transit Companies

Speaking of trends, city transit companies, caught in the squeeze between steadily rising, unearned labor exactions for higher pay and declining passenger traffic, are up against a "chronic" problem. A situation created by the rush into large-scale operations before the economic principles involved were understood, or adequate disciplines were engaged or labor's share in the profits were realistically assigned.

Transit companies, instead of businesslike accommodation to the situation, attempt blindly to buck the trend. Expensive promotions for coaxing passengers back into buses from automobiles manifests an unwarranted confidence in advertising and a lack of knowledge of human nature.

Many economists agree that higher wages accompanied by inflationary overextensions of credit and big debt soaring on wings of hope are unsafe props for the standard of high living.

Extension of the higher wage trend on any other terms than actual increased contributions to productivity on the part of workers would jeopardize further progress toward a free, prosperous economy.

The currently popular climb to higher and higher standards of living without adequate equipment or knowledge of the ground could precipitate a disastrous avalanche.

J. A. Hogle & Co. To Admit Partners

SALT LAKE CITY, Utah.—J. A. Hogle & Co., 132 South Main Street, members of the New York and Salt Lake City Stock Exchanges, on May 1st will admit Herbert A. Dewitz and Donald G. Cole to partnership. Mr. Dewitz is manager of the firm's underwriting department. Mr. Cole is manager of the San Diego office, 1030 Sixth Avenue.

Joins Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Joseph J. Berg has joined the staff of Goodbody & Co., National City East Sixth Building.

E. S. Hope Adds

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Daniel H. Sullivan has become associated with E. S. Hope & Co., Inc., 415 Laurel Street, members of the Los Angeles Stock Exchange.

With D. F. Greene

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Allen E. Anderson has joined the staff of D. F. Greene & Co., Russ Building, members of the San Francisco Stock Exchange.

LETTER TO THE EDITOR:

Shull Refutes Gold Standard Views of New York Group

In differing with N. Y. Chamber of Commerce Committee gold findings, New Haven monetary scholar agrees with Webster's charge that fraud is committed whenever value is imputed to paper money "one single moment longer than such paper is redeemable . . . ;" approves of gold coin circulation; maintains fixed gold content should provide "yardstick-of-value" to measure price changes; does not fear run on gold; and quotes W. Randolph Burgess to refute Committee's use of a statement by him.

Editor, Commercial and Financial Chronicle:

The article in your issue of March 1, 1956, entitled "Return to Gold Coin Standard Opposed by New York Chamber of Commerce Committee," is amazing. It causes me to wonder how prominent bankers, composing a majority of the seven gentlemen who signed the article, can possibly prefer **irredeemable paper money in place of money redeemable in gold.** Don't they know that the Dollar has been on a basis of **redeemability in gold** for the greater part of our history as a nation from 1792 right down to 1933, until the New Deal gave us our present dishonest printing press paper-money? And are they unaware that Daniel Webster told the U. S. Senate, in 1834, that "any attempt to give value to any paper of any bank one single moment longer than such paper is redeemable on demand in gold and silver is a miserable, abominable, and fraudulent policy?" How much longer must we put up with our present "fraudulent" money?

Frederick G. Shull

The article in question was occasioned by a resolution proposed on Oct. 6, 1955, by Colonel Edward J. W. Proffitt, asking the New York "Chamber" to support "restoration of a permanent Gold Standard in the United States." The article goes on to say:

"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."

It so happens that an organization of the highest repute, the "Economists' National Committee on Monetary Policy," whose membership comprises some 70 leading economists from coast to coast, wants exactly what Colonel Proffitt has proposed, as expressed in the preceding paragraph. Can it be possible that these bankers want to dictate what shall constitute sound money? Why, it's the Constitutional duty of Congress "To coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures." And if professional economists aren't the best advisers on this subject—free from any bias that could prevail among some of our bankers—it is, indeed, amazing! And were all of those great leaders of the past—Alexander Hamilton, Daniel Webster, John Sherman, Andrew D. White, Henry Cabot Lodge, President Theodore Roosevelt, Andrew Carnegie, Andrew W. Mellon, and the greatest monetary expert of the 20th Century, namely, the late Professor Edwin W. Kemmerer—entirely wrong in supporting a currency **redeemable in gold?** When we lose faith in those great Americans we had better close up shop.

The article says: "A return to the pre-1933 gold coin standard would involve the circulation of gold coins, . . ." What could possibly be wrong with that? Such coins would, naturally, have to be adjusted to $35 an ounce of gold, and would therefore be a little smaller than the pre-1933 coins. But **how much better** that would be than **no coins—at all!**

Again, the article says "Under the pre-1933 gold coin standard, the United States experienced wide fluctuations in the levels of commodity prices even during periods of peace." But that will always be true as long as there is a **law of supply and demand.** It is not the function of a currency to supplant that "law"—the function of a currency is to provide a yardstick-of-value for measuring the relative values of commodities and services; and it can best perform that function if its **value** is firmly fixed in terms of a definite weight of gold per unit of currency, and **redeemable on demand** at that fixed "value."

And here is another bugaboo in the article. It reads: "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." Foreign nations and banks already enjoy the privilege of converting their American dollars into gold at the U. S. Treasury—and with seemingly no detrimental effect on our gold supply; and it is doubtful that foreign individuals could avail themselves of enough of our Dollars to make any appreciable dent in our stockpile of nearly 22,000 tons of gold.

The article continues: "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." There were those who expressed this same fear back in the 1870's prior to our returning to the Gold Standard in 1879; but the new law went into effect on Jan. 2, 1879, returning our currency to a gold basis; the banks stacked their counters with the shining yellow coins on that date and, in effect, said "come and get it"; and the result was that the people were thus reassured that paper-money was again **as good as gold,** and the great majority were perfectly happy to leave their money in the safe-keeping of the banks rather than as gold in a mattress. It is a matter of record that the Treasury's supply of gold increased, almost immediately, from that return to the Gold Standard.

Again, according to the article: "Safeguarding the dollar against a decline in value is a complex and arduous undertaking, . . ." But, if left to the **money managers,** it is bound to be "a complex and arduous undertaking." And that is the very function of the Gold Standard; it is the reason why Alexander Hamilton and his co-workers gave the Dollar a definite **value** of 24.75 grains of fine gold right at the start, in 1792, so that "money managers" could not perform that important function; it is why the Dollar was firmly held to a **value** of $20.67 an ounce of gold from 1837 to 1933; and it is why Andrew W. Mellon, in 1924, stated it to be the policy of his administration "to maintain the gold standard unimpaired."

Finally, the article says: "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." But the article fails to mention another very "pertinent" statement that Mr. Burgess made at that same "March 29" meeting. Here are those words, drawn from the published statement by Mr. Burgess:

"From the founding of our nation until 1933, with interruptions of serious war, the dollar was firmly attached to gold. The gold value of the dollar, established under Washington and Hamilton, was not changed, except fractionally, for over 140 years. The confidence in the value of the dollar which this helped instill in our people and the people of other countries was one of the foundations of the Nation's spectacular success."

If, in those words, Mr. Burgess hasn't expressed one of the strongest possible arguments for return to the Gold Standard, I would hardly know where to look for a better one. It's high time the general public get into this argument, rather than leaving it to the Bankers—who could be doing a little **axe-grinding** for themselves.

FREDERICK G. SHULL

2009 Chapel Street,
New Haven 15, Conn.
April 18, 1956.

Douglas Reed Joins Hooker & Fay

SAN FRANCISCO, Calif.—Douglas S. Reed has become associated with Hooker & Fay, 221 Montgomery Street, members of the New York and San Francisco stock exchanges and other leading security and commodity exchanges.

Mr. Reed has been in the securities business for the past 28 years. He was associated with Davies & Co. as a general partner. When Davies & Co. was merged with Reynolds & Co., Mr. Reed became resident manager of Reynold's San Francisco office.

Joins Jamieson Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Benjamin I. LaFlare is now connected with H. L. Jamieson Co., Inc., Russ Building.

McClure & Co. Formed

FT. DODGE, IOWA—Samuel M. McClure has formed McClure & Co. with offices at 10 South Tenth Street to engage in a securities business.

Joins Lawrence Block

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Hyman Barnett has joined the staff of Lawrence Block, 174 North Canon Drive.

With Columbia Secs.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Cameron H. Duncan is now associated with Columbia Securities Co., Inc., of California, 225 South Beverly Drive.

Public Utility Securities

By OWEN ELY

Montana Power Company

Western and central Montana, served by Montana Power with electricity and gas, is famous as having probably the country's greatest deposits of copper, zinc, manganese, chrome and other metals. The state is also noted for its vast wheat fields and livestock, its timber possibilities (lumber production has increased 249% in the last 10 years) and its beautiful vacation lands.

Montana Power serves electricity in 131 communities and surrounding areas, natural gas in 42 communities, water in two communities, and steam heating and telephone service in one community each. The service area includes 90,000 square miles—almost twice the area of New York State—and nearly three-quarters of the state's population.

In addition to its leadership in the nonferrous metals industry, Montana now leads in the production of chromite and vermiculite and is developing substantial amounts of tungsten, talc, fluorspar and phosphate products. The Anaconda Company dominates the nonferrous mining industries, with its world-famous copper and zinc mines in Butte's "richest hill on earth," its enormous smelters, refineries and other plants. Anaconda has huge reserves—an estimated 180,000,000 tons in the Kelley Shaft, 100,000,000 tons in the new Berkeley Pit, plus large amounts in Butte Hill. Montana Power supplies all the electric power and natural gas required by Anaconda at Butte, Anaconda and Great Falls, under contracts which extend for the life of the operations. A new gas contract now is being negotiated.

Montana's population has increased 33% in the last decade, compared with an average growth throughout the United States of 18%. In the same period, residential electric customers served by the company increased nearly 40%, indicating that the population gain in the Montana Power service area has been considerably greater than for the State as a whole. This population increase was principally in the larger cities, as indicated by Billings' gain of 85%, Havre's 51%, Great Falls' 50%, etc. Billings now is the State's largest city with a population of 60,415, followed by Great Falls with 56,406 and Butte with 41,349.

In the last 10 years, the Montana Power Company has added 932 new industrial customers and new industrial customers develop at the rate of 90 to 100 each year. However, revenues from residential, commercial and other customers increase nearly twice as rapidly as revenues from the Anaconda Company and all other industrial customers. By 1955, Anaconda revenues had dropped to 23% of the total, and all industrial revenues were 33%.

The Company's 1956 construction program calls for an expenditure of about $17 million. Major items in that program include the start of the company's 60,000-kilowatt Cochrane hydroelectric project on the Missouri River (as soon as an FPC license is received) and extension of the natural gas system to serve approximately 12,000 new customers in western and central Montana. The company also is associated with three other utilities in organization of the Pacific Northwest Power Company, which has applied for an FPC license to construct the 1,183,000-kilowatt Mountain Sheep-Pleasant Valley project on the Snake River in Idaho and Oregon. The Company expects to spend $86 million in the next six years in the development of electric power and natural gas resources, compared with $94 million in the last decade.

Power is supplied from 12 hydro-electric plants, one steam generating station, a 20-year contract with the Bonneville Power Administration, and a six-year firm contract with the Bureau of Reclamation. Total capability is 611,000 kw including 470,000 kw of hydro power, 66,000 kw steam, and 75,000 kw purchased.

Twenty-six per cent of the Company's 1955 revenues came from natural gas operations. Extension of the Company's gas system to western Montana and other areas now is under way, to serve some 12,000 additional customers in 1955-56. Gas sales last year were approximately 31 billion cf of which 19 billion cf were produced from Company reserves and 12 billion cf were purchased. In Canada, Canadian - Montana Gas Company, Ltd., conducts production operations and Canadian-Montana Pipe Line Company the transmission; both are wholly-owned subsidiaries. The Company in southeastern Alberta has leases or licenses on 210,000 acres of land, including the five proven gas fields of the Pakowki Lake area. Extensive gas is available in southern Alberta, and the availability of an adequate gas supply to meet future requirements appears very promising. The Company is developing its Madison Gas Storage project on the Madison River.

Total revenues of Montana Power Company have nearly doubled since 1946, and income available for common dividends grew from $1.81 to $3.02 per share. In 1954, however, revenues were sharply reduced by the longest strike in more than 20 years of Montana's nonferrous mining industry, and by high stream-flow in the Pacific Northwest which reduced sales of power to utilities in Washington and Oregon. As a result share earnings dropped to $2.53 in that year.

Of the $86 million to be spent on construction during the six-year period through 1961 (including the Pacific Northwest Power project) some $55 million will be generated internally and about $31 million will be raised by sale of bonds. The company does not expect to sell any common stock unless a small amount is made available to local residents of Montana. The present equity ratio is about 35%.

The dividend rate was increased to $1.80 at the end of 1955. At the recent price around 41, the yield is 4.4% and the price-earnings ratio only 13.6.

Timmers Now With North American Secs.

CHICAGO, Ill.—Harold J. Timmers, Jr. has been appointed wholesale representative for North American Securities Company in its midwest territory with headquarters in Chicago, 135 South La Salle Street. This company is manager and distributor for Commonwealth Investment Company and Commonwealth Stock Fund, two mutual funds with total assets exceeding $100,000,000.

Prior to joining North American, Mr. Timmers was staff manager for Johns-Manville Sales Corporation in the Chicago area.

Joins Real Property

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Martin M. Hyman is now connected with Real Property Investments, Inc., 233 South Beverly Drive.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The recent rise in the discount rate was not wholly expected, even though there had been a certain amount of "discount rate jitters" around each Thursday afternoon. It is indicated that some money market specialists had made out very good cases as to why a rise in the Central Bank rate was not to be expected at this time. However, since the element of surprise is one of the tricks in the bag of the monetary authorities, it was not so unusual to have the discount rate increased. The advance in the Central Bank rate implies a signal by the powers that be, that the policy of active restraint is still very much in force and will continue to be so until conditions change. It means that there will be further tightening of credit and this is generally not a bullish factor as far as Governments and other bonds are concerned.

Uniform 3% Discount Rate Envisaged

The screws were given another turn in the money tightening operation of the powers that be when the discount rate was increased. The rate, which is charged by Central Banks for borrowings by member banks of the system, was increased by one-quarter of 1%, except in the case of San Francisco and Minneapolis, where it was upped by one-half of 1% to bring about a 3% discount rate. This was the fifth time that the Federal Reserve Board has approved an increase in the discount rate in the last 12 months. These anti-inflationary monetary moves began about a year ago when the Central Bank rate was moved up from 1½% to 1¾%. The 3% rate instituted by the Federal Reserve Bank of San Francisco and Minneapolis may mean that the other Central Banks in the System will eventually raise their borrowing rate to that level. There is past precedent for such a development taking place.

Move Dictated By Inflation Threat

The Federal Reserve Board officials stated that the rise in the discount rate was allowed to take place because the inflationary pressures were growing stronger and must be checked before they undermine the boom. It was pointed out that prices are moving up and, in order to maintain the purchasing power of the dollar, the excessive demand for credit must be curbed. The boost in the discount rate will make it more expensive for business and consumers to borrow. Banks and other lenders responded to the increase in the discount rate by raising the rates they charge customers. It is hoped that the higher interest rates which resulted from the upping of the discount rate will cut down the demand for credit and in that way help to relieve some of the inflationary pressures which are bearing down on the economy.

Prime Bank Rate Now 3¾%

Not very long after the discount rate was increased the "prime bank rate" was pushed up one-quarter of 1% to 3¾%. This is the rate which is charged by commercial to large borrowers with the best credit ratings. The last increase in the prime rate by New York City banks took place on Oct. 14, when the rate was moved up to 3½%. This was almost six weeks after the Federal Reserve Bank of New York jumped the discount rate to 2¼%. The last increase in the discount rate in November of last year was not followed by a rise in the prime bank rate. The higher rate which the commercial banks will be charging prime customer risks will bring about increased rates for all others that borrow from these institutions, including less well rated customers.

Impact on Treasury and other Bonds

The rise in the discount rate, the prime bank rate and other borrowing rates put the pressure on the bond market, which includes governments, corporates and tax-free obligations, because these borrowers of funds must compete with those that are obtaining credit from the deposit institutions. However, it is believed in some quarters that it should not be too long before quotations for Government obligations will be finding levels where, with the clues that should be developing, they will give some indication as to where the bottom reaches of these issues are going to be. To be sure, with interest rates climbing, bond prices will be inclined to seek lower levels because of the competition for available funds. On the other hand, there is a level in here somewhere that will signal the end of the decline in quotations for Government issues, and this most recent rise in borrowing rates might be pointing the way to such an area.

Merrill Lynch Offers Consol. Cement Stock

Offering of 150,000 shares of Consolidated Cement Corp. common stock (par $1) at a price of $27.25 per share was made on April 17 by an investment banking syndicate headed by Merrill Lynch, Pierce, Fenner & Beane.

Net proceeds from the financing will be applied by the company toward the reduction of bank loans, and the balance will be used in connection with its construction program. Now under-way, is the erection of a new cement manufacturing plant near Paulding, Ohio. This new plant will have an estimated annual productive capacity of 1,250,000 barrels of regular Portland cement.

Consolidated Cement Corp. is engaged in the manufacture and sale of the usual types of Portland cement and masonry cement. Cement manufactured by the company is sold largely to building materials dealers, contractors, ready-mix concrete plants, oil well cementing companies, railroads and Federal and State government agencies, and is distributed in bulk and in paper bags. The company currently owns and operates two cement manufacturing plants, one located at Fredonia, Kans., and the other at Cement City, Mich. The third plant, now under construction at Paulding, Ohio, is expected to be in operation in July or August of 1956. Aggregate annual productive capacity of the company's present plant is an estimated 3,500,000 barrels of regular Portland cement. Upon completion of the new plant at Paulding, Ohio, such capacity will increase to an estimated 4,750,000 barrels.

For the year 1955, the company had net sales of $6,717,937 and net profit of $1,217,518.

Mtge. Debt Termed Sound and Anti-Inflationary

George C. Johnson, Dime Savings Bank President, finds: (1) Home ownership provides a better and more stable national economy; (2) systematic mortgage principal repayment adds to savings; (3) mortgage debt has added twice as many billions of dollars of real wealth to the economy; and (4) debt is not inflationary, unsound, or too high, as millions have shifted from rent to mortgage payments.

The $88.7 billion which American families are presently carrying as their home mortgage debt is a vital support to the nation's economy and is not an unsound factor, it was asserted by George C. Johnson, President of The Dime Savings Bank of Brooklyn.

George C. Johnson

"Actually, this $88.7 billion is an investment in America's Future, and it will grow larger as the nation grows larger," he declared. "The mortgage debt is neither inflationary nor beyond the ability of those borrowers to pay.

"It is only 11.2% of total personal savings, and is only 22.3% of the present rate of Gross National Product," the banker continued. "Creation of this home mortgage debt has added perhaps twice as many billions of dollars of real wealth to the nation's economy, and it has developed for American homeowners a form of enforced, systematized saving which is one of the strongest supports of the economy we have."

Asserting that the home mortgage debt is sound and anti-inflationary, Mr. Johnson declared:

Credit Standards

"Home-buyers are decent, fine American families who are improving their living conditions because steady employment and good wages enable them to do so. They do not regard themselves as statistics.

"My 40 years experience with thousands of home-buying families prove to me that they consistently will meet their obligations.

"In all those years, I have never seen home-buyers make a more careful study of what they can afford than at present. They are extremely well-informed as to the carrying charges of a home and the relation of these charges to their incomes.

"Furthermore, no intelligent banker will allow any family to buy a home it cannot afford. Likewise, the Federal Housing Administration and the Veterans Administration have established and insist on sound credit standards.

"People are not beguiled by liberal mortgage terms. They are buying homes to improve their living standards only after careful and intelligent consideration.

"Amortized mortgages and liberal terms, soundly based on the borrowers' ability to pay, enable increasing numbers of families to attain their longing for home ownership without hardship."

Debt Not Too High

Mr. Johnson said his comment was inspired by "recent assertions from some quarters" to the effect that home mortgage debt is too high.

"These alarmists simply will not or do not examine the truly important economic factors involved," he asserted.

The principal factor overlooked is that millions of American families have shifted from the status of rent-payers to the status of home-buyers, according to the man whose bank originates and holds more home mortgages than any other savings bank in the world.

Mr. Johnson explained the situation thus:

"Those who claim that home mortgage debt is too high apparently overlooked the fact that sme 15 million families have ceased being rent-payers and have become home-buyers in the past 15 years.

"This is the real and basic reason why home mortgage debt has risen $71.4 billion since 1940. Almost all of the total rise is simply the substitution of rent payments for mortgage payments.

"The obligations assumed by rent-payers have not and cannot show up in any mortgage debt studies, which only measure the obligations of home-owners. But rental obligations are just as much a part of the over-all economy as mortgage obligations.

"So far as I can learn, relatively few economists have analyzed and reported on that fact, except the people in our own statistical and economic section and Nathaniel Rogg, chief economist of the National Association of Home Builders.

"From these sources I find that in 1940 the home mortgage debt amounted to $17.3 billion. It was carried by 11 million families, which meant an average indebtedness of $1,573.

"Today, the home mortgage debt of $88.7 billion is spread among more than 26 million families, so the average indebtedness is $3,412 per family.

"However, it must be remembered that since 1940, personal income has more than doubled. Therefore, in relation to 1956 income, the average home mortgage debt per family is less today than it was in 1940.

Adds to Savings

"Furthermore, nearly three of every five families in the United States today own or are buying their homes. In 1940, the situation was almost exactly reversed. Fifteen years ago, approximately three of every five families were living in rented quarters and they had nothing to show at the end of the year except a dozen rent receipts.

"At least $7.8 billion each year is now being added to the savings of home-buyers today as they make payments on the principal of their mortgages.

"What this all adds up to is that home ownership and home buying makes a better and more stable national economy.

"I believe that President Eisenhower's economic report to the Congress two months ago summarizes the situation completely, when he said: 'A nation in which so many millions of families have growing investments in their homes and neighborhoods is likely to be governed by a high sense of responsibility.'"

John F. Holian Joins Lee Higginson Corp.

Lee Higginson Corporation, 40 Wall Street, New York City, members of leading securities exchanges, announces that John F. Holian has become associated with the firm in the institutional bond department. His prior associations have been with L. F. Rothschild & Co., Auchincloss, Parker & Redpath, and Salomon Bros. & Hutzler. Mr. Holian is a graduate of the New York University School of Commerce and has been active in the securities business for many years.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The **Chemical Corn Exchange Bank of New York** has concluded arrangements for the purchase of the present head office building of the **Chase Manhattan Bank** at 18 Pine Street, New York, according to an announcement made jointly on April 12 by Harold H. Helm, Chairman of Chemical Corn Exchange and John J. McCloy, Chairman of Chase Manhattan. This building at the corner of Pine and Nassau Streets is shortly to be air conditioned and will be occupied by Chemical Corn Exchange Bank as its head office when Chase Manhattan's new building is completed. The purchase price and other terms of the agreement were not disclosed. The building, rising 34 stories above ground, has vaults and work space extending four floors below street level. Chase Manhattan's plans, as recently announced, call for the redevelopment of a two-square block area bounded by Pine, Nassau, Liberty and William Streets, with the bank's new head office building to be located in the northern segment of the area. With the exception of the structure now to be acquired by Chemical Corn Exchange Bank, the remainder of the large site will become an expansive open plaza at street level.

* * *

Edward J. Gresser, a Vice-President of **Manufacturers Trust Company of New York** celebrated 50 years with the trust company and a predecessor bank on April 14. Mr. Gresser began his banking career with the **Germania Bank** on April 14, 1906. This institution later changed its name to the **Commonwealth Bank** and Mr. Gresser came to Manufacturers Trust in 1927 through a merger of the two banks. In 1945 Mr. Gresser was advanced to Assistant Comptroller and last year was appointed a Vice-President. He is a past Chairman of the Bank Management Conference of the New York Clearing House and has been active for many years in the New York City Bank Comptrollers and Auditors Conference.

* * *

Pending completion of permanent quarters on the main and lower level floors, a temporary **Bankers Trust Office, New York,** with complete accommodations to service the needs of mid-town customers, opened on April 17 on the northeast corner of 48th Street and Madison Avenue in Manhattan. The temporary office, the 17th in Manhattan and the 43rd in the Metropolitan area, operates from the second floor at 415 Madison Avenue in a newly constructed building and will be headed by Paul Bonynge, Jr., Vice-President, who has been with Bankers Trust for over 25 years. The new office is the second of two new branches opened by Bankers Trust during 1956, the other having been opened in February at Van Wyck Expressway and Queens Boulevard in the borough of Queens. Mr. Bonynge, who will head the new office, was previously located at the Fifth Avenue and 44th Street office of the company. Prior to that he traveled the middle-west district of the bank's Out-of-Town Division. He began his career with Bankers Trust in 1930.

* * *

The American Trust Company at 70 Wall Street, New York City, announced on April 13 the election to its Board of Directors of Robert B. Riss of Kansas City, Mo., the President and Chairman of the Executive Committee of Riss & Company, Inc. Mr. Riss is also a director of the Astor-Broadway Holding Corporation of New York and other companies.

* * *

Establishment of two commingled employee benefit trust funds under a new plan said to be the first of its type to be offered by a New York City bank was announced on April 18 by **Guaranty Trust Company of New York.** It is what is termed the only commingled fund arrangement offered here for the investment of pension, profit sharing and other employee benefit funds which does not freeze all participating trusts in the same diversification pattern. There is it is added no maximum dollar limit on the size of the individual trust that may participate. One of the new funds will invest only in common or capital stocks; the other in investments other than common or capital stocks. Participation in the commingled funds is restricted to pension, profit sharing or other employee benefit trusts of which the Guaranty Trust Company is sole trustee, which by their terms specifically authorize investment through the medium of the commingled funds and which have qualified as tax exempt under the Internal Revenue Code. The Guaranty it is noted has received a ruling that the commingled funds are exempt from tax.

* * *

George O. Nodyne, President of **East River Savings Bank, New York,** announces that at a meeting of the Board of Trustees on April 12, the by-laws of the bank were amended to provide that trustees now serving on the board will automatically terminate trusteeship at the age of 75. In the future, trustees elected to the board will vacate office at the age of 70. The East River Savings Bank, it is said, is among the first of the mutual savings banks to adopt this by-law as a forward looking tenet in bank management. The amendment is designed to formalize the philosophy that while mature judgment is essential to trusteeship, an active board depends also upon the mental and physical energies of each individual member. In discussing this action, Mr. Nodyne said, "All members of the Board of Trustees were in full accord with such an action."

* * *

Promotions of five employees of **The County Trust Company of White Plains, N. Y.** to officer ranks and the advancement of one officer to a higher standing were announced on April 16 by Andrew Wilson, Chairman. Named Assistant Treasurers were: Donald F. Brown of Yonkers, Assistant Manager of the Hartsdale office; Joseph C. Bonney of Tarrytown, Assistant Manager of the Washington Irving office in Tarrytown; Edward H. Jackson of Scarsdale, Manager of the Ardsley office; and Gerard T. Meehan of Ossining, Manager of the Briarcliff Manor office. Nicholas J. Boccumini of White Plains, Assistant Manager of the credit department, was made an Assistant Secretary and James F. McCarthy of White Plains, head of the advertising and public relations department, was advanced from Assistant Treasurer to Assistant Vice-President.

NATIONAL BANK OF WESTCHESTER, WHITE PLAINS, N. Y.

	Mar. 31, '56 $	Dec. 30, '55 $
Total resources	133,713,216	132,805,515
Deposits	120,848,726	119,816,882
Cash and due from banks	16,137,626	14,353,610
U. S. Govt. security holdings	41,542,364	41,468,608
Loans & discounts	48,548,346	49,987,715
Undivided profits	1,337,247	1,233,037

* * *

The sale of $50,000 of new stock by the **First National Bank and Trust Co. of Ridgefield, Conn.,** has increased its capital from $150,000 to $200,000 as of Feb. 10.

* * *

The rights to subscribe for 3,000 of additional shares of the new common capital stock of **The First National Bank of Toms River, N. J.** at $60 a share offered to the shareholders expired on April 16; 2,992 shares, it is stated, were subscribed for by the holders of the subscription warrants, representing 99.733% of the 3,000 shares offered. The remaining eight shares unsubscribed for were sold at public auction on April 16, at an average price of $75.68 per share. The sale of the 3,000 additional shares increased the capital, surplus, undivided profits and reserves of the bank to $3,400,913.

* * *

The Trust Company of New Jersey, at Jersey City, N. J. a State member of the Federal Reserve System, merged under its charter and title with the **Peoples National Bank of Secaucus, N. J.** on April 2. The plans for the merger of the Peoples National Bank with the Secaucus office of the Trust Company were noted in these columns March 15, page 1343.

* * *

Invitations to its new **Southgate Plaza Branch Bank** and the new Southgate Plaza Shopping Center upon the occasion of their formal opening on April 18, 19 and 20 were issued by the **Peoples Trust and Savings Co. of Fort Wayne, Ind.** A brochure presenting some of the special features of the new branch bank has been issued by the officials of the bank, which reports deposits of $42,931,383 as of March 31, 1955 compared with $473,591 on March 31, 1904. Donnelly P. McDonald is President of the institution.

* * *

The sale of new stock to the amount of $50,000 has increased the capital of the **First National Bank of Mt. Vernon, Ill.** from $200,000 to $250,000, effective March 21.

* * *

The First Farmers and Merchants National Bank of Columbia, Tenn. reported on Feb. 23 a capital of $300,000, increased from $200,000. The additional capital, resulted from the sale of $100,000 of new stock.

* * *

William R. Hoffman has been elected Vice-President of the **Citizens & Southern National Bank of Atlanta, Ga.** The promotion was announced by President Mills B. Lane following a meeting of the bank's Board of Directors in Savannah. Mr. Hoffman, who has been with C&S since 1947, was until recently, the small business service officer at C&S's Broad and Marietta Street Office in Atlanta. In March he was transferred to C&S in Savannah to head that bank's Installment Lending and Small Business Service operations.

* * *

The First National Bank in Waycross, at Waycross, Ga., increased its capital as of Feb. 13 from $100,000 to $150,000. Part of the increase, viz: $25,000, resulted from the sale of new stock, while the further $25,000 was due to a stock dividend.

* * *

Increased from $425,000 the **American National Bank of North Miami, at North Miami, Florida,** reported on March 27 a capital of $500,000, the increase having been brought about by the sale of $75,000 of new stock.

* * *

New stock to the amount of $50,000 has increased the capital of the **First National Bank of Greenville, Miss.** from $150,000 to $200,000, the latter having become effective on March 28.

* * *

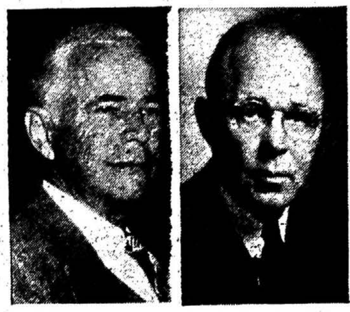
The Fort Worth National Bank of Fort Worth Texas, is offering to its stockholders of record April 17 the right to subscribe to 150,000 shares (par $10) of common stock at $22.50 per share at the rate of one new share for each 4⅔ shares then held. Subscription warrants evidencing such right will expire on May 3. Subject to certain conditions, the underwriters have severally agreed to purchase any unsubscribed shares from the bank.

Under the plans approved by the Comptroller of the Currency the increase in common stock will be from $7,000,000 to $8,500,000; a like increase in surplus from $7,000,000 to $8,500,000; and the addition of $375,000 to undivided profits. As of Dec. 31, 1955 the bank reported total deposits of $269,867,168.

Next Decade's Capital Needs Put at $300 Billion

Continued increase in plant and equipment outlays described as "most favorable indication for business" in annual report of Merrill Lynch, Pierce, Fenner & Beane. Brokerage firm reports higher gross income and slight drop in net profits during past fiscal year.

The nationwide investment firm of Merrill Lynch, Pierce, Fenner & Beane on April 17 reported higher operating income in the firm's new fiscal year ended Feb.



Charles E. Merrill Winthrop H. Smith

29, 1956. Because of a sharp increase in expenses, however, net profits available to partners declined slightly.

Operating income in the fiscal year was put at $81,973,000 or 17% above the full calendar year 1954 and almost double 1952. Operating expenses rose 29% to reach $55,394,000, compared with $42,901,000 the preceding full calendar year.

In addition to regular salaries, the firm distributed $7,464,000 in cash bonuses and to the Employees' Profit-Sharing Plan in the 14 months ended February, compared with $6,555,000 in the calendar year 1954.

Besides substantial contributions by individual partners the firm itself made charitable and educational contributions of $1,619,000 in the fiscal year compared with $1,006,000 in the year 1954.

Estimated Federal income taxes of the partners were $12,500,000 compared with $13,400,000 in 1954.

After all deductions, balance of net income available to partners was put at $4,555,000 compared to $4,861,000 in 1954.

Merrill Lynch is one of the very few investment firms which makes a full annual financial report to its customers. The 1956 report is signed by Directing Partner Charles E. Merrill and Managing Partner Winthrop H. Smith.

Reflecting the continued growth and importance of research, the firm devoted a large portion of its 1956 annual report to a full story on its Research Division. A major function of Merrill Lynch research is more information for investors.

In presenting the annual report, Managing Partner Winthrop H. Smith stressed the continued rise in capital expenditures by American business. According to Mr. Smith, these will reach a record $35 billion this year. Moreover, this total comes atop the $233 billion American business has spent on expansion and modernization since the end of World War II.

Mr. Smith stated, "This is a most favorable indication for business."

Mr. Smith pointed out the continued great demand for additional capital meant this country needs more investors to help supply this capital. Over the next decade American business will need at least $300 billion of new capital and billions and billions of dollars of this total must be supplied by investors.

Mr. Smith asserted that over the years the firm of Merrill Lynch had done its best to attract new investors. Among other things, the firm has spent $15,000,000 on advertising and public information services in the past 15 years.

Nonetheless, there are only 7,500,000 investors in this country and Mr. Smith stated "We know our nation would be best served if more people invested in America. We pledge our continued efforts."

Kelly Heads Dept. for Reynolds in Chicago

Daniel M. Kelly

CHICAGO, Ill. — Daniel Kelly has been appointed Manager, Commodity Department, of Reynolds & Co., 39 South La Salle Street, it was announced.

Mr. Kelly was formerly with Merrill Lynch, Pierce, Fenner & Beane.

Bardon Higgins Co. Succeeds H. Collins

DULUTH, Minn.—Bardon Higgins & Company, Incorporated, Torrey Building, has been formed as successor to the investment business of Homer Collins & Company, Inc. Officers of the new firm are Bardon Higgins, President; Homery Collins, Vice-President; Haviland Gilbert and Lloyd J. Roy, Vice-Presidents; L. C. Peterson, Secretary and Treasurer.

La Morte, Maloney Admit

La Morte, Maloney & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, on May 1 will admit Peter E. Ryan to partnership.

Penington, Colket Admit

On May 1, Penington, Colket & Co., 70 Pine Street, New York City, members of the New York Stock Exchange, will admit Joseph M. Tolces to limited partnership.

P·G and E· 1955

FIFTIETH ANNUAL REPORT

Excerpts from 1955 Annual Report . . .

The year 1955 was one of the most satisfactory in the Company's long history. The feature of the year's operations was the upsurge in the rate of growth, following only moderate gains in 1954. Sales of both gas and electricity were materially larger than those of the previous year. The gain in gross operating revenues exceeded that of any previous year, as did the number of new customers.

* * *

Many do not realize the magnitude of taxes as an element in the cost of utility service. In 1955 they absorbed almost 26% of our gross operating revenues from all sources. Taxes were substantially more than double all wages and salaries paid to operating employees, and were equivalent to about seven dollars per share of common stock outstanding. These figures serve to emphasize the substantial subsidy granted government-owned utilities, which enjoy virtually complete tax exemption in the conduct of their operations.

* * *

There is no significant body of public opinion in our service area which favors the establishment of government in the commercial power business. This view is confirmed by a poll taken among our customers last year by an independent outside agency which revealed that only one out of seven of our customers favored government ownership in the power business.

* * *

We shall continue our long-established policy of co-operating in the development of worthy water projects, as we believe it to be clearly in the public interest. On the other hand, whenever necessary, we will resist those who are intent upon forcing government into the power business on a tax-exempt basis in competition with its own citizens.

* * *

It is essential that the Company's securities find a ready market among institutional investors, as they constitute an important source of capital for American industry today. Nevertheless, we believe it is healthy and desirable that individual investors participate directly in our ownership, and we shall continue to encourage such ownership, particularly on the part of those residing in our service area.

Chairman of the Board — N. R. Sutherland, *President and General Manager*

Summary Showing Sources and Disposition of Income

	Year 1955	Year 1954
Sources of Income		
Electric Department revenues	$289,710,000	$265,419,000
Gas Department revenues	151,508,000	118,846,000
Revenues from other operating departments	2,282,000	1,979,000
Miscellaneous income	804,000	1,035,000
Totals	$444,304,000	$387,279,000
Disposition of Income:		
Wages and salaries of operating employees	$ 53,612,000	$ 50,994,000
Power purchased from wholesale producers	2,917,000	6,377,000
Natural gas purchased	94,947,000	73,980,000
Oil and other fuel purchased	12,222,000	8,442,000
Material and supplies, services from others, etc.	19,143,000	20,345,000
Provision for pensions, insurance, etc.	9,114,000	7,776,000
Provision for depreciation and amortization	43,372,000	39,090,000
Taxes, including provision for federal taxes on income	108,264,000	93,186,000
Special charges in lieu of and for deferred federal and state taxes on income	6,284,000	4,504,000
Bond interest and other income deductions	23,394,000	19,546,000
Dividends paid on preferred stock	17,102,000	16,266,000
Dividends paid on common stock	35,763,000	35,553,000
Balance retained in the business	18,170,000	11,220,000
Totals	$444,304,000	$387,279,000
Average Number of Shares of Common Stock Outstanding	16,255,733	16,160,533
Earnings Per Share on Average Number of Shares Outstanding	$3.32	$2.89
Dividends Paid Per Share of Common Stock	$2.20*	$2.20
Retained in the Business, Per Share of Common Stock	$1.12	$0.69

**Quarterly dividend rate, applicable to the first quarter of 1956, increased from 55c to 60c a share on March 21, 1956.*

Highlights

OF THE YEAR'S OPERATIONS

Gross operating revenues reached a new peak of $443,500,000, exceeding those of the previous year by $57,255,000, or 14.8%. Higher gas rates and colder-than-normal weather contributed to this record growth in revenues.

Construction expenditures totaled about $133 million, compared with an average of $170 million over the past five years. This reduced level of construction expenditures was made possible by the substantial completion of our program to build up adequate operating reserves.

Sales of electricity to customers totaled 16,399,000,000 kilowatt-hours, an increase of 9.0%. In addition we delivered 1,392,000,000 kilowatt-hours for the account of others. Combined sales to customers and deliveries for others exceeded those of 1954 by 11.3%.

The cost of out-of-state gas, effective April 15, 1955, was further increased about $8 million annually. Pursuant to an authorization of the California Public Utilities Commission, the Company increased its rates in May 1955 in an amount which should substantially offset this increase in the cost of out-of-state gas.

Sales of gas to customers totaled 286,792,000,000 cubic feet, an increase of 17.8% over the previous year. In addition, 95,232,000,000 cubic feet of gas was purchased and transported for use as fuel in our steam-electric generating plants.

Nuclear energy continued to engage the Company's attention. The Nuclear Power Group, Inc., of which the Company is a member, received approval from the Atomic Energy Commission to build the largest all-nuclear power plant yet scheduled for construction.

The net gain in customers was 151,158, which includes 15,080 customers added as a result of the dissolution on December 31, 1954 of Vallejo Electric Light and Power Company, formerly a wholly-owned subsidiary. At the year-end the Company was serving 3,124,748 customers.

Stockholders totaled 217,821 at the year-end, a gain of 485 for the year. It was the sixteenth consecutive year in which we experienced a gain in the number participating in our ownership. Of the total, 88,320 were preferred stockholders and 129,501 common stockholders.

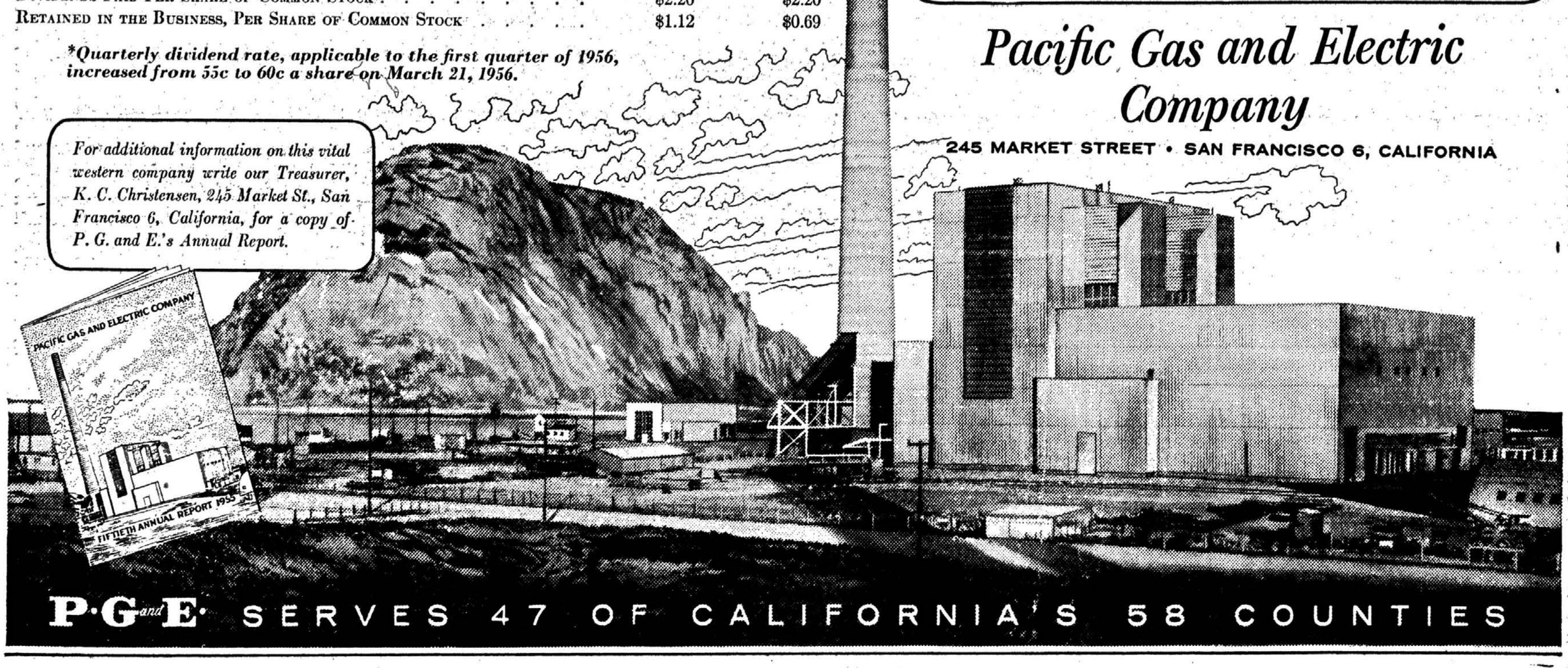
Bonds and preferred stock with an aggregate par value of $75 million were sold to finance our continuing construction program. This brings to approximately one billion dollars the amount of new money obtained to finance our post-war construction program.

Net earnings for the common stock were equivalent to $3.32 a share on the 16,255,733 shares of common stock outstanding throughout the year. This compared with earnings of $2.89 a share on an average of 16,160,533 shares outstanding in the previous year.

Pacific Gas and Electric Company

245 MARKET STREET • SAN FRANCISCO 6, CALIFORNIA

For additional information on this vital western company write our Treasurer, K. C. Christensen, 245 Market St., San Francisco 6, California, for a copy of P. G. and E.'s Annual Report.



P·G and E· SERVES 47 OF CALIFORNIA'S 58 COUNTIES

Realigning Disarmament Notions In View of Automation's Impact

By PAUL EINZIG

Noting automation provides considerably shorter margin of rearmament time and greater output, Dr. Einzig advises that even with genuine international disarmament control it would be inadvisable for democratic countries to reduce unduly their actual armed strength since totalitarian countries would be in a better position to rearm on short notice. Suggests democratic countries offset this advantage by not slackening pace of military research, design development and prototypes of modern weapons, and by keeping industrial war potential and automation progress up to date.

LONDON, Eng.—Even though the disarmament discussions with the Soviet Government are making but slow progress, there is a possibility that some understanding may be reached for a limitation of armaments, and possibly even for a reduction in the armed strength of the leading powers. Before the war, and even much more recently, the prospects of any such agreement would have carried the possibility of an economic recession. As things are at present, however, such is the degree of inflationary pressure in most countries that their economies could easily absorb a reduction in the activities of industries concerned with arms production. Men released from the fighting services could easily find employment in industry working for the satisfaction of apparently unlimited consumer demand, and for the production of capital goods.

Dr. Paul Einzig

Guns and Butter, Too

Our present problem is not so much the economic effect of disarmament as the possible effect of recent economic developments on disarmament. As a result of the progress made by automation in recent years, a new situation has been created, and it would be well if the governments of the democratic countries were to take the change into consideration before making their final decisions on disarmament.

As a result of the adoption of labor-saving automatic equipment, the conflict between civilian and military requirements has become less acute than it was before the development of automation. It has become possible to divert more productive capacity and manpower to military requirements without having to reduce unduly the output for civilian requirements. Indeed, judging by the experience of the years that followed the Korean War, it has become possible fully to maintain and even to increase civilian production in spite of the use of more manpower and productive capacity for military production. The chances are that automation will make further considerable progress within the next few years, so that it should become possible to increase civilian production materially even in the absence of any drastic cuts in military production. Needless to say, such cuts would greatly facilitate the raising of the standard of living. But the standard of living would increase even if the governments concerned were to find it impossible to come to agreement about a substantial reduction in armaments.

Automation Speeds Military Output

The main significance of automation from the point of view of war potentials lies in the fact that it has greatly speeded up the pace of arms production. Thanks to automatic machinery it is now possible to produce arms in large quantities in a much shorter time than it was a few years ago. It is true, the development of designs and prototypes necessarily takes time. Even from that point of view, automation has accelerated progress, because the use of electronic computers has speeded up military research. Once the prototypes are ready it is now possible to equip the armed forces with the latest weapons in a short time. Had Hitler assumed power in 1953 instead of 1933, he would not have needed six years for completing his preparations for war.

This means that it would now take relatively little time for a disarmed nation to rearm. The industrial capacity is there, and once it is switched over from military to civilian production, rearmament could be accomplished in a remarkably short time. In theory, all industrial countries would be in a position to rearm rapidly. In practice the advantages would be overwhelmingly on the side of the totalitarian potential aggressor. Even on the assumption that the reduction of armaments is carried out faithfully and that international inspection of armed strength is reasonably efficient, Soviet Russia would be in a better position to rearm at short notice than either the United States or Britain. Parliamentary control, free press and the presence of a large number of Communist sympathizers with access to information would make it impossible for a democratic country to rearm in secret to any considerable extent. Soviet Russia is well in a position to do so, especially since, as a result of automation, the time required for rearmament has become much shorter.

It may well be that, since disarmament has become an emotional issue, the democratic governments will find it necessary to consent to a material reduction in their armed strength as part of an agreed international scheme even though they are aware of the risks involved.

What matters is that reduction in the size of armed forces and in the quantity of their weapons should be accompanied by intensified military research and development of designs and prototypes of modern weapons. In no circumstances must this branch of military preparations be neglected or abandoned under any international agreement. Also the industrial war potential of the country should be maintained and kept up to date even if the actual arms output does not justify the maintenance of such a producing capacity.

Position of Democratic Countries

Over and above all, it is of vital importance for the democratic countries from the point of view of their national security, to press ahead with automation. Considerable progress has been made in that sphere in the Soviet Union and in some of its satellites, and their progress is certain to continue at an accelerated pace. It is of the utmost importance for the democratic countries to possess an industry fully equipped with the latest labor-saving machinery. This is necessary in order to be able to rearm at short notice. The advantage of taking the initiative for rearmament, in violation of disarmament agreements, will be on the side of the totalitarian states. They will have the additional advantage of secrecy, at any rate, during the early stages of their rearmament. These advantages could only be offset by the democratic countries if they were to maintain the superiority of their industrial war potential. With the aid of a superior producing capacity they might be able to catch up with the potential aggressor before the latters' preparations have secured him a decisive superiority. Even so, in the light of the new situation created by automation, it would be advisable for democratic statesmen to think twice before consenting to an unduly heavy reduction in their actual armed strength, even if it were possible to come to agreement on an international control of disarmament. They must remember that the safety margin of time between the decision to break such agreement and the achievement of a decisive superiority in the armed strength has been cut too short by automation.

A. C. Purkiss Sr. V.-P. Of Walston & Co.

The election of Albert C. Purkiss as Senior Vice-President of Walston & Co., Inc., members of the New York Stock Exchange and other leading securities and commodity exchanges has been announced by V. C. Walston, President of the firm. Mr. Purkiss, in charge of the Eastern Division of the nation-wide investment organization, will continue to make his headquarters in the New York office, 120 Broadway, Mr. Walston said. Mr. Walston also announced that Donald Caldwell, Vice-President in the New York office, will be admitted to the firm as a voting stockholder on May 1.

Albert C. Purkiss

Founded originally in San Francisco in December, 1932, Walston & Co. started operations with only three employees. Today, the company is composed of almost 900 employees, with 42 offices from coast to coast and in Switzerland. The company engages in all phases of the securities business as underwriters, brokers, dealers and distributors and its extensive private wire service connects with all of its offices. In point of commission business executed on the New York Stock Exchange for non-member clients, it is believed that the firm is among the top 10 brokerage houses in the country. Its home office is still located in San Francisco, while its main office, through which all of its transactions are cleared, is in New York.

With Hamilton Managem't

BOSTON, Mass.—Roy F. Shiepe has become associated with Hamilton Management Corporation, 127 Fremont Street.

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Inescapable Trends in Business Jeopardize Our Way of Life

crease the monetary supply of the economy by additional debt creation.

We have learned a good deal about these and similar economic policies. We still do not know all the answers to them; but we do know that they can be used to offset deflationary trends, at least in the early stages of such pressures.

When we are talking inflation, we of course draw the line of inflation — European style — which all too often in the past has resulted in the complete destruction of a currency with desperate consequences for the population of such countries. Here, again, we feel quite secure behind the bromide that it cannot happen here.

What we fail to see—or perhaps just do not want to see—is that when it comes to inflation, there are differences in degree but not in principle. Inflation is bad in all its forms because it is the most inequitable and unfair form of taxation imaginable. It is a cruel hoax on the public and in the end it usually involves punishment also for the "smart boys" who believe that they can play the inflation game to their benefit—*ad infinitum.*

We have come to accept the experimentation with various kinds of inflationary methods as a matter is course. "Our type" of inflation is variously described as the "lesser of two evils" (the other being temporary unemployment), or as a painless way of guaranteeing uninterrupted economic growth. Yet, it is always insidious; it is always dangerous; it is always unfair to broad sectors of the population; and it is always destructive in the end.

Inflation consciousness — and that we definitely have in this country—encourages the build-up of private debt. It puts a premium on owing money, particularly long-term, as there is a constant expectation that such money can be repayed in dollars of lower purchasing power.

We have had one deliberate devaluation of the dollar. It took a long time to adjust the price level or the purchasing power of the dollar to that deliberate action. Nobody is envisioning another similar step in the foreseeable future, but the threat does not have to be that drastic to be an effective force in the development of contemporary economic thought. **A virtual guarantee of uninterrupted business growth does just as well in encouraging increases in debt and the build-up of vested interests in inflation.**

We may not always realize it —and certainly we can't always see it—but any form of inflation which creates advantages for some, does so at the expense of somebody else.

No question of legality is involved here; moreover, it is certainly not unethical for individual business to use their operations—and their borrowings—on the expectation of continued economic growth. As far as they are concerned, there will always be a risk involved in such operations; they may gain handsomely, but they could also lose heavily, should their speculations go wrong.

Where the question of morality enters, is at the Government level. Because inflation usually begets more inflation, isn't it intolerable to have any Government adopt economic policies that openly and frankly are based on the principle that economic emergencies should be met and overcome by methods that involve encouragement of debt expansion beyond reasonable proportions, encouragement of deficits or encouragement of price increases to offset wage boosts, commonly described as the wage-price spiral?

We may have the best of intentions to keep such steps "under control"; nobody wants more than a little bit of inflation at a time; perhaps as little as 2 or 3% annually. But just as with any kind of drug, this one will have to be applied in ever larger doses if it is to keep its effectiveness.

As things stand at present, warnings that there must be an ultimate pay-off, probably will be laughed at. **Organized labor** believes it can outsmart any inflationary trend. The **farmers** believe they can outsmart such a trend by use of their political power. Many **business men** believe that they, too can outsmart such a trend by utilizing more and more debt expansion.

There is sound economic growth, and there is the unsound or inflationary type. Far too many of us are not ready to accept the challenge that lies in keeping economic progress sound. Moreover, just because there is no imminent danger, it is all too easy to shrug off any possibility of ultimate trouble. **Reliance on inflation is no solution to the business cycle.**

Nor is inflation the only danger inherent in current trends. There are others and at least one of them constitutes a definite depression trap for some time in the future.

V

The Profit Squeeze

Inflation is usually identified with higher prices. As a matter of fact, in our terminology, higher prices and inflation are synonymous.

Actually, however, even more serious long-range threats may be created if the economy does not have the outlet of rising prices. This may sound like a paradox, but actually leads us into one of the most puzzling features of the current boom: its repercussion on **small business.** Small, that is, in comparison to Big Business proper; not just small in the sense of the corner grocer or the small country auto repair shop with just a few employees. There is no exact definition of smallness in this sense. Enterprises with fewer than 500 employees or with assets totaling less than $5 million or sales volume of perhaps double that amount are "small companies" in this sense. Moreover, figures up to three times these amounts still leave an enterprise in the "medium" classification. To complicate matters still further, these yardsticks vary from industry to industry.

The danger inherent in the present trend is that the big ones will be getting bigger; the small ones smaller.

This is inevitable in an economy that puts a high premium on standardization and rationalism; that not only favors but demands constant expansion of plant and modernization of equipment to stay in the competitive race. It takes more money all the time to improve worker efficiency. Only those companies which are financially and competitively strong can easily push their advantages further. These advantages are cumulative. The weaker companies are bound to fall behind in the competitive race, particularly if competitive pressure makes it impossible for them to raise their prices in order to strengthen their profit position and, thereby, either increase their own funds available for reinvestment or make it easier for them to borrow.

Thus, a vicious circle is started. It is the profit squeeze which is rapidly becoming an ominous threat to the small or medium-sized enterprise in our rapidly expanding, debt-financed economy.

To be sure, there are many things smaller companies can do better than the big ones. **Traditionally, the smaller companies are supposed to do relatively better than the big ones in periods of boom.** That is why the present situation offers plenty of food for thought. Not only are the failure statistics compiled by Dun & Bradstreet showing disturbing increases, but reports of uncomfortable situations developing among the many smaller and medium-sized companies are increasing. **In the face of staggering profits on the part of the real big companies, it is often overlooked that the profit picture is not nearly as strong further down the line in company size.**

Thus far, there are no indications that the unions are ready to make allowances for this in setting up wage scales. Consequently, it must be expected that the plight of the smaller companies will become increasingly worse.

The unions' panacea of ever higher and higher wages to create more purchasing power to take care of maximum production will not solve this problem, as it will actually intensify the problems of those companies which cannot pay higher wage scales unless they are able to raise prices—which they can't do because of growing competition on the part of the more efficient large low-cost producers.

It does not take much imagination to foresee the possibility of serious trouble as the result of this progressive profit squeeze within another few years.

This trend contains a greater unrest to employment than automation can create during the next decade.

Something will have to be done about it—and soon. But this **"something" is not the dismemberment of Big Business.** The quandary in which we now find ourselves lies in the fact that Big Business is the primary mover on the road to higher living standards; and continued gains in the standard of living is one of the things we must depend on as one of the bases for further economic growth. Yet at the same time, the very strength of big business is bound to create serious transition problems elsewhere. How to resolve this controversy is a problem for the politicians to ponder. Perhaps it will require more wisdom on their part than we have any right to expect from them.

VI
Conclusions

This then is the picture: Our headlong rush into an ever-expanding economy is creating some problems that ultimately may yet prove our undoing—temporarily, because they tend to aggravate rather than alleviate the errors in judgment already built into the economy in over 20 years without any serious correction.

The hope that the **end of the business cycle** will spare us the necessity for such corrections is exactly that—just a fond hope. We can delay the day of reckoning by using inflationary panaceas of one kind or another every time the facts of life threaten to catch up with us. That is bound to help some sections of the population—at least temporarily, but only at the expense of others. And in the end, we shall still be confronted with the grim possibility of both economic and moral bankruptcy.

If these remarks shocked you—that is exactly what they were intended to do. There is no need to get panicky because such trends take time to unfold and to develop. It is none too soon, however, for business management to take the leadership in the development of sounder economic thought. We can't leave this to the politicians and we can't leave it to the professional economists. We cannot expect it from the union leadership and we can't expect the farmers to look at more than their own problems.

That leaves the problem strictly up to the business leadership of the nation which is primarily responsible for the preservation of the American free enterprise system. Unless business leadership finds an answer, we may still end up in a **full scale experiment with a planned economy.** And that would most certainly mean curtains for everything we have cherished in the past, it would certainly mean the sale of our heritage for a mess of pottage.

Calif. Investors Add

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Hugh M. Haggart and Herbert P. Ross have joined the staff of California Investors, 3924 Wilshire Blvd.

Joins Reynolds Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Ellis M. Joseph has become affiliated with Reynolds & Co., 425 Montgomery Street.

Now With Reynolds Co.

(Special to The Financial Chronicle)

WINSTON-SALEM, N. C. — Wyatt A. Armfield, Jr. has become connected with Reynolds & Co., Reynolds Building.

Remmele-Johannes Adds

(Special to The Financial Chronicle)

GRANVILLE, Ohio—Clyde B. Gray has become associated with Remmele-Johannes & Co., 118 East Broadway.

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Petroleum for the Future And the Role of Government

weapon of war. That was proved as early as World War I, when Lord Curzon said that the Allies floated to victory on a wave of oil. It was doubly proved in World War II, when 80% of the total tonnage shipped from American ports to the fields of battle was petroleum tonnage.

So we can't light-heartedly commit ourselves to depend on overseas oil. It's too risky. Canadian crude oil undoubtedly would be pretty safe in case of war; only if Canada wound up as our enemy in the conflict would we be cut off from the supply, and I, for one can't imagine such a circumstance. But even South American crude can be an unreliable source in wartime. Nazi U-boats demonstrated that fact very dismally and very certainly in World War II. Middle Eastern oil, since it's located right on the historic crossroad of battle, would naturally be much, much more unsafe.

Domestic Priority

Consequently we have to give priority to the development of our domestic resources unless we're willing to throw ourselves on the mercy of any enemy. And when you try to decide whether or not we can develop United States oil to the point required, the crystal ball gets exceptionally cloudy. It clouds up, not because of the physical unknowns in the supply equation, though there are those too. What gets in the way of forecasts more than anything else are the governmental unknowns.

Let's look at the physical factors for just a moment. And here I'll be borrowing wholesale from what others have written or told me. I know about sales, not about seismographs, and about point-of-sale advertising, not about stratigraphic traps. But what I give you now is the inside truth from the experts.

It's true, they say, that oil becomes increasingly difficult to find here in the United States. As a result the whole business of production becomes constantly more costly. All of the likely sources of oil and most of the unlikely ones have been explored by now to the full extent of present technical knowledge. And we're up against the fact that oil isn't a self-renewing resource. We can't even plant a field over with oil seeds the way you can plant cut-over timberland for a long-pull recovery. Each oil field that's been found inevitably has subtracted one from the total of findable fields. By this time it's generally recognized that only the off-shore lands offer hope of a new major find within our own country. That's not too happy a hope when you figure the average off-shore well costs $500,000 to drill, and you can never be sure it'll find oil.

What is also true, though, is that the amount of oil discovered year after year has always been proportional to the amount of exploration done. As men have searched harder for oil, drilled more wells and drilled them deeper, they've found more oil. They've consistently found enough, not just to replace the year's consumption, but to add an additional amount to our reserves. That's why those who've cried doom over the years have been so wrong in their repeated predictions that we'd soon be out of oil.

Slower Rate

Recently there's been a slight slackening in the rate at which we've added to reserves. We've still found as much as we were using and a little more, but the little more hasn't been quite as big as it used to be. But it's likely that this short-term trend can be reversed, at least for the foreseeable future, as our technology improves.

Back in the '20s men were convinced that a 4,000-foot well was at the practical limit of depth and a 6,000-foot well was at the theoretical limit. You just couldn't go any deeper than that. Yet only a few months ago a Louisiana well was bottomed at 22,570 feet—more than four miles into the earth. In a footnote I'd point out that this well cost more than $2 million and still hasn't produced a quart of oil, though it still may. Even the average depth of wells drilled increases by 100 to 200 feet a year.

Back in the '30s men were convinced that you were doing well if you could recover as much as 50% of the oil trapped in a given sand. Today, thanks to greatly improved water-flooding, Hydrafracing, acidizing, and other secondary-recovery methods, we can wring out as much as 80% of the oil.

It seems possible—looking at it only from the physical requirements—that we'll continue to be able to find more and more oil. We'll develop even better drilling techniques and even better production methods in all likelihood. These will again topple what presently seem like insurmountable barriers to further expansion.

Other Supply Sources

But even if this hope should be blasted, as it might be, we've some other strings to our bow. The known reserves of oil shale and oil sands, for instance, hold enough hydrocarbons to supply the nation with liquid fuel for somewhere between 100 and 300 years. Industry experimentation today is at the point of just about permitting commercial application of processes for extracting this oil. Our coal reserves, which for all practical purposes could be called unlimited, could even now be converted to liquid fuel if we didn't have to count costs. Further research in that area will almost certainly turn up cheaper methods. And right now my own company is readying a Texas plant that will, if our calculations are right, be able to synthesize gasoline profitably from natural gas.

Given only the physical factors, then, we'd have no difficulty in answering the question about supply. One way or another the industry can furnish all the oil our economy will demand at prices the economy can afford. Probably those prices will be somewhat higher than at present. That seems almost inevitable in view of the growing costs in production and the much greater expense involved in producing higher octane gasolines, to give just two examples. But as long as competition continues to serve as a governor, the prices will remain reasonable.

Competition's Shadow

Right there, however, is where you run up against the catch: Will competition be permitted to continue to serve as the governor? I hope so. With all the conviction I can muster I'm sure this is our best avenue toward progress. But over the years some groups have tried to force into the petroleum equation those other factors I mentioned — the governmental. That's the one consideration that makes the entire future shadowy.

On one front, for example, government intrusion into our industry already is an accomplished fact. I hope it will be only a temporary fact, but it is a fact. After 16 years of maneuvering, the control-mongers finally succeeded, through a split Supreme Court decision, in fastening direct Federal utility controls on the natural-gas producers.

This present Congress did what it could to undo the damage. First the House, then the Senate passed the Harris-Fulbright reasonable-price bill. This bill would have freed the producers from the strangulation of unworkable direct controls on their operations. But it would have guaranteed gas users full protection against unreasonable field prices for natural gas.

You all know, I'm sure, that this is the legislation President Eisenhower finally vetoed because of some questions about a South Dakota campaign contribution.

I'm not going to try to discuss the merits of that veto—or its demerits. I'm not even going to try to discuss all the many arguments for the bill. But I'd like to quote just two sentences from the veto message. Legislation such as this is needed, the President said, "because the type of regulation of producers of natural gas which is required under present law will discourage individual initiative and incentive to explore for and develop new sources of supply. In the long run this will limit supplies of gas, which is contrary not only to the national interest but especially to the interests of consumers."

Natural Gas Controls

Will there be enough petroleum to fuel the farm of the future? Much depends, as the President himself observed, on the status of controls on the industry. If utility controls stay on the natural-gas producers—if, as could all too easily happen under such circumstances, those controls are extended to oil producers and then other producers — then the answer to the question of supply may be no.

On another front an old attack on the industry is being mounted again. This involves the percentage depletion allowance, which is granted for income tax purposes on part of the return from the **production** of oil and gas. Just the production, mind you, not the transportation or the refining or the marketing of anything else besides production.

Depletion Tax Laws

The principle of depletion allowance has been part of our tax laws since 1918. Percentage depletion allowance itself has been in those laws since 1926, and it's been periodically reviewed by Congresses of every conceivable political complexion ever since. Each successive Congress has approved the allowance as essential to provide the incentive for highly risky oil and gas exploration. Yet once again the opponents of the allowance are trying to wipe it out or slash it arbitrarily even if they happen to cripple the oil industry in the process.

Again I don't have time to review the arguments in any detail. It's significant, though, that in recent hearings before Congress's Joint Committee on the Economic Report, all the opponents of this allowance played variations on a single theme. They didn't argue that the 27½% deduction on gross income from production made the oil companies rich. They couldn't do that; the figures are there to prove otherwise. In spite of the tall tales about oil zillionaires, the fact is that oil companies on their domestic operations make only average — and often below average — profits. But the three university professors who assailed the allowance did it on the ground that this tax provision was overstimulating investment in exploration for and development of oil and gas. We should, they said, either let petroleum products prices soar upward to cover the risks of production; or —and this they seemed to prefer —we ought to rely on imports.

Maybe you could sleep easy of nights even if you knew we were depending for our oil on Middle Eastern wells that the Russians might take over tomorrow. I for one couldn't. Oil's too important, too necessary in time of war, to let me face that sort of prospect cheerfully. This I know: **If** we are to keep ourselves close to self-sufficient in this important resource, we have to encourage the domestic expansion to expand and then expand some more.

With that if we're back again to the question: Will there be enough petroleum products to fuel the farms of the future, to run the factories, to power our transportation? And the answer again is the same: Much depends.

Believe me, I'm not at all happy about having to raise doubts like these. I really am optimistic by nature, or I wouldn't be able to stay in the sales department for more than a month. And it should be obvious by now that I'm not just happy that I'm a salesman; I'm proud of being one. I think sales is a bum-rapped, underestimated vocation. Naturally, then, I'd much prefer to dwell on the challenging promises of an expanding, expansive future. There it is, though—the threats of interference right before us, and they won't go away if we just try pretending they aren't around. "Business is business," we used to be able to say, but we can't say it any longer. Today government decisions, government policies have an overriding importance, and we have to recognize them for the major factors they are.

Still, this much I know for sure: In the less than 100 years that have passed since Col. Drake and Uncle Billy Smith found oil near Titusville, a mighty industry has been built on oil in this nation. It's been built on foundations of free enterprise and the two essentials that go with freedom—daring in the face of risks and competition in the public interest. Left free, encouraged to take risks, permitted to compete, the industry can build an even better future.

Of course, when I say that word **industry**, some people react with a fanciful picture. They think automatically of giant, impersonal corporations that look like the octopuses some newspaper cartoonists draw. I feel sure you'll make no such mistake. When I say "oil industry," what I really mean is, "the people in the oil industry." That may include a few people who could trade in their Cadillacs when the ash trays get full. Of course there's a few like that in every business. But primarily it includes people who are just simple jokers like me, come off the farm to work my way through school and get a toehold in business by becoming a service station attendant. There are 1,700,000 of us in the industry, 1,700,000 people—men and women who are directly employed in the day-by-day job of fueling the nation's farms and factories. There are I don't know how many others engaged in the industry, all the millions of people who own stock in oil companies. We are the industry, and I take it that by and large we move on the same motives that stir most people. We want to help make a better America for ourselves and even more for our kids. We want to make a stronger America, a surer, safer nation. All we ask is the opportunity.

Fortunately we've people like you to count on as we try for that opportunity. There's a close interdependence between petroleum and agriculture. Neither of us could function very well in these days without the other. If we'll lay stress on our unity of purpose and if we'll continue the cooperation that has marked our long-standing partnership, we can't miss. Petroleum and farming together will go on to a truly satisfying tomorrow.

Two With McCormick

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Audrey S. Brownson and Frank P. Merritt, Jr., have become associated with McCormick & Co., Security Bldg.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Insurance Stocks

Extended coverage insurance took another jump in volume of writings in 1955. On the basis of such reports as are in, Alfred M. Best Company, a leading insurance statistical service, estimates that this line will have reached a total of about $460,000,000 among the stock fire and casualty companies. This compares with slightly over $400,000,000 in 1954, $370,000,000 in 1953, and $313,000,000 as recently as 1951. Another relatively unfavorable year was registered, as the combined loss and expense ratio was 116.5% for a group of fleets that account for about three-quarters of the business in this line underwritten by the stock companies.

Extended coverage continues to be the problem child of the industry, for of the past seven years only one, 1952, resulted in a favorable profit margin, 7.2%. The other six years, including 1955 at the above estimate, averaged a loss and expense ratio of about —26%. The year 1955 was another one of severe storms, and, while it has already been pointed out that unlike previous years in the high-value northeastern areas, 1955 brought much more flood damage than wind devastation, nevertheless there was sizeable insured damage in that section to add to the tornado losses elsewhere in the country.

Parenthetically, it may be added here that 1956 has made no mean start so far as tornado damage is concerned, for we have already had severe wind storms through a large area in the mid-west states. As the populace is becoming steadily more storm-conscious, the exposure factor so far as the insurance companies are affected continues to be unfavorable.

The hazardous element in this line of the business is that, unlike straight fire or the automobile lines, no amount of education or preventive effort stops a hurricane or a tornado, and there is little that the companies are able to do to compensate for the widespread losses that tornados and hurricanes cause, except, of course, seek rate increases and resort to the use of deductibles. The latter would eliminate the large volume of small claims, such as for damaged trees, loss of roof shingles, etc., but many of the larger losses would continue to be of such value as to plague the underwriters.

One thing is sure: without the heavy weight of extended coverage losses in recent years, the fire companies would have had a succession of highly profitable years. Relatively new as a major line, it will take time for the insurance companies to orient it into the other lines; but the insurance companies have overcome worse problems in the past, and will work out this one.

If extended coverage had developed at a slow pace as, for example, the various automobile lines did, it is probable that the companies would have encountered fewer headaches with it, but nature so altered the hurricane paths within a comparatively few years that a normal growth was not possible. Areas such as Florida had long suffered from these catastrophic storms, but there were until recently few high value areas such as are now being harassed by these blows in the New England area and New York and New Jersey.

Better geographical diversification of risks will also be helpful. Those companies that have concentrated a substantial proportion of their extended coverage risks in the storm-affected areas have, of course, sustained large loss ratios. Also, those units that are concerned more with volume than with the quality of risks will necessarily suffer if the line continues to be an unprofitable one.

Continued from page 3

Surging Spending Effect Upon Economy and Solvency

persons in our country will have increased by 63 million, bringing the total to 228 million.

While providing a strong business stimulus, the growth of population together with the shift in age groups and the migration of people presents many challenging and pressing problems that must be faced.

Strain on Our Resources. The steady increase in our population and demand for ever-higher living standards impose a strain on our natural resources. A shortage of water threatens with the growing personal and civilian needs. It is predicted that water consumption will increase around 90% by 1975. Water ground levels are sinking at such a rate that many billion dollars must be spent for water resource projects. The problem we face was succinctly expressed by President Eisenhower in the establishment of an Advisory Committee on Water Resources Policy, when he said: "If we are to continue to advance agriculturally and industrially we must make the best use of every drop of water which falls on our soil or which can be extracted from the ocean."

The soaring demand for raw materials, as a result of our economic progress and military needs, has pressed harder and harder on available supplies and forces us to become increasingly dependent upon foreign sources. With only 6.5% of the world's population, the United States consumes nearly one-half of the free world's volume of materials. The drain on our resources is indicated by a report of the President's Materials Policy Commission in 1952, which pointed out that in 1900 this country had a production surplus of materials of 15%. By 1950, our consumption exceeded production by 9%, and by 1975 it is estimated that the production deficit will have grown to 20%.

Highway Congestion. The surging population is creating serious congestion on our highways which are built for 30 million cars but are forced to accommodate 58 million. It is estimated that by 1975, 85 million cars will be on the roads. To avoid choking the arteries of commerce, the Federal Government has recommended an expenditure of $37 billion for a highway program over a 15-year period.

Mass Migration to the Suburbs. A sensational growth has taken place in the suburbs because of the extension and improvement of transportation facilities as well as a prolonged period of prosperity which has been characterized by a substantial increase in income, particularly of the middle-class group who have been the principal suburban newcomers. It is estimated that of the 63 million increase in population by 1975, 38 million, or 60%, will be absorbed by the suburbs. To express it in another way, while the country as a whole is expected to show a gain of 38% in the next two decades, the suburbs may increase by 85%. This rapid growth will mean a prodigious demand for new houses, schools, hospitals, sewer and water systems, transportation facilities, utilities, parks and playgrounds, and will have a severe impact upon suburban and, particularly, upon central city finance. The situation is aggravated by the fact that about 90% of local tax revenue comes from levies on property. The worst impact will be upon the central cities, which are losing businesses and the middle-income population to the suburbs. At the same time, suburbanites are imposing increasing burdens on the city for services, which must be paid in many instances from a shrinking tax base. The result is that many aging cities face a critical financial condition.

Shift in Age Groups. The depression and the war period have had a profound influence upon the population pattern. In the 1930's, births were abnormally low, while since 1940 the growth of the baby population has exceeded all previous records. This is reflected in a sharp variation in trends of different age groups. For instance, those in the census age classification 15 to 24—born during the 1930's—declined by more than 8% between 1940 and 1955, while those under 15 years of age—born since 1940—showed a gain of 45%. Since immigration is now a minor factor, the original number in each of these age classifications will set the population pattern of that group for many years to come.

The most significant shift is in the age group 30 to 49. This segment is highly important to our economy since it includes workers in a vigorous period of life, and also a large proportion of our leaders in industry and trade. It is disturbing to find, however, that the government census projections indicate that this group will show a gain of only 2 million in the next two decades as against a gain of 10 million in the preceding 20-year period, while its proportion to the total population will decline from around 27% in 1935 and 1955, to 21% in 1975. In view of the expected shortage in manpower from this source, a growing share of business responsibility will of necessity be shifted to younger and older shoulders in the years ahead.

The over-all labor force, according to predictions, will show a gain of only 20 million in the next two decades, as against a gain of 30 million for the nonproductive group, which includes those under 15 years of age, and 65 years of age and over. This means a growing burden on the workers.

The shift that has taken place in age groups will cause a modification in the balance between consumption—which is stimulated by the rapid increase in population since 1940—and production, which is affected by the slow population growth in the 1930's. With a smaller labor force in relation to population, it means that the per man-hour productivity must increase in order to avoid lower standards of living.

Increased Productivity

Urgent Need for Increased Productivity Requires Sound Policies. Not only is the labor force growing at a smaller pace than the general population, but also there is a strong demand for a shorter work week and for lowering still further the age for retirement, while the demand for all kinds of social benefits is increasing at a disquieting rate. In view of this pressure on our productive system, it is imperative that sound policies be followed. It should be obvious that the depression doctrine of a mature economy, with its theories of over-saving and under-investment, is now obsolete. The situation clearly calls for a dynamic economy with a continuation of the prevailing favorable political climate that will induce huge investment in plant and equipment and for research to meet the growing demands of the American people. It will require rapid technological progress, the adoption of an extensive scale of automation and atomic power, a better utilization of our human and material resources, and the elimination of waste in all branches of government.

In our grappling with the population problem in its many ramifications, there should be a clear realization that in order to win against a levelling off or a decline in productivity in the years ahead, American ingenuity and productive know-how must be given every opportunity to meet the challenge before us.

Growing Demands Reflected in Government Finance

The growing demands upon the economy find their reflection in government finance. The soaring cost of government over the past three decades should be of deep concern to all because of its impact upon the economy and upon our national security. Government expenditures — Federal, state, and local—for the calendar year of 1955 aggregate more than $97 billion. This amount is $50 billion more than it was in 1946, and represents a gain of 107% for the period. On a per family basis, governmental costs last year were $2,320, as compared with $1,326 in 1946, $548 in 1939, and $372 in 1929. Furthermore, the debt of state and local governments since 1946 has nearly trebled to over $38 billion, and is headed sharply upward.

A combination of powerful forces is responsible for the upturn in state and local expenditures, including record high birthrates since 1940, two decades of neglect of government-financed capital facilities, and a growing demand for government services. But where is the money coming from? The Federal Government takes 74% of total taxes, leaving only 26% for state and local governments as against their share of 66% in 1929. With the Federal Government invading nearly all tax fields and taking such a large proportion of the funds available, state and local governments are so hard pressed to finance their operations that they are compelled to turn to the Federal Government for hand-outs to finance such items as highways, public welfare, schools, health, and the like.

Government Finance Critical. That government finance has reached a critical stage is indicated by four outstanding facts:

(1) Over-all taxation has apparently reached the limit, as is manifested by the strong popular demand for relief.

(2) The dependence of state and local governments upon Federal aid has tended strongly upward.

(3) The Federal debt has again and again passed the statutory ceiling set by Congress.

(4) Total government expenditures are increasing at a much faster rate than the productive powers of the country can create new real wealth.

Despite the fact that taxes have been imposed upon the American people to the critical limit in relation to income, and that double or treble levies have been made upon many of the principal sources of revenue, aggregate government receipts have fallen far short of meeting expenditures. The governments, in consequence, have been forced to run heavily into debt. Since 1939, total public debt—Federal, state, and local—has increased more than 4½-fold.

Total Over-All Debt Approaching Trillion Dollars

The extent to which this nation and its people have gone into debt is cause for serious reflection. Total public and private debt is now approaching the trillion-dollar mark. Since 1939, the rise in total indebtedness in this country has exceeded the rise in national income by more than $220 billion. While it is impossible to state at what point the accumulation of debt may reach a crisis, there are already indications that all major segments of the economy are under some degree of strain. The Federal Government apparently has reached the limit of taxation, while state and local governments are so hard-pressed that they are increasingly dependent upon the United States Treasury for aid. Corporate debt has more than doubled since the end of World War II, while indebtedness of individuals has increased five-fold during this period.

Rescue by Federal Government. The Federal Government is concerned about all forms of indebtedness since it has been charged with the responsibility of using its resources to maintain a stable economy, and must come to the rescue in the event that borrowing excesses should precipitate a depression, as they have so many times in the past. To shift this responsibility to the Government imposes a great potential burden upon it. Total debt and contingent liabilities of the Federal Government now equal the tangible wealth of the country, according to Senator Byrd.

New projects are added each year to the budget. While many of these items are desirable in themselves, they involve additional Government intervention in the economy and a greater load on the budget, which is already laden with more burdens than it can carry. This is indicated by the fact that the Federal Government in the past quarter of a century has been able to balance its books in only three years. That the ceiling on taxation has apparently been reached is manifested by the public clamor for tax reductions.

Tax Limit

Government No Magic Source of Funds. Attempts have been made in some quarters to give the impression that the Government can by some hocus-pocus provide something for nothing, or that the wealthy will pay the bills. This is a cruel hoax. The Government has no magical source of income but has at its disposal only those funds obtained from the American people in the form of taxes or borrowings. "Soaking the rich" has been a favorite means of obtaining revenue. But the days of "easy plucking" have gone forever. The additional amounts that can be taken from those in the upper income brackets are relatively small. In fact, higher levies would likely result in diminishing returns. If every cent of income after taxes of those receiving $20,000 a year and over were appropriated, the aggregate would be about $12.5 billion, or an amount sufficient to pay the Federal Government's current bills for only about 68 days.

The Poor Eventually Soaked. It stands to reason, therefore, that as our tax burdens expand, individuals in the middle- and lower-income groups will not only have to spend an increasing number of days working for the government but also will be forced to bear an increasing proportion of any additional taxes. Time and again it has been demonstrated in the so-called "welfare states" that the poor are soaked for the benefits handed out by their government.

Wasted Public Funds Parasitical. Public money wasted is parasitical as it robs the schools, hospitals, highways, public works, and other essential projects of the money that could otherwise be made available for their use. The time has come, if this nation is to remain solvent, when hard choices must be made on government expenditures from money provided by the American taxpayers. Appraisals should be made of services and facilities being advocated, with priority given to the most urgent and deserving needs. It would be well for the social agencies, educators, clergymen, and others deeply concerned with the promotion of social welfare to campaign against extravagance and the waste of public money.

American People Should Battle for National Solvency

It has been said that the disease from which our country suffers is both deadly and curable. The hope lies in the words of Abraham Lincoln: "Let the people know the facts and the country will be saved." The facts that provide a basis for relieving the strain on the American taxpayers are provided in the final report to Congress of the Hoover Commission on Organization of the Executive Branch of the Government. Based upon an exhaustive and careful study, this bi-partisan commission developed recommendations that would reduce the cost of government by $5½ billion annually, or nearly as much as total Federal expenditures for the fiscal year 1934. To be effective, however, these recommendations require action by Congress and the Administration. All liberty-loving people should take a definite stand with the Hoover Commission, and zealously work for better government at less cost. The opportunity should be grasped to do something constructive about getting our national fiscal affairs in better shape by writing our Congressmen and insisting that the squandering of taxpayers' money be stopped.

As a matter of enlightened self-interest, the American people should join in the crucial battle for the preservation of the nation's solvency, for upon this depend not only the survival of free enterprise and our democratic form of Government, but also the hopes of freedom-loving people everywhere.

To Be Partner

Maxwell B. Roberts, Manager of the research department, on May 1 will become a partner in Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

American Secs. Corp. Appoints Three V.-Ps.

William Rosenwald, Chairman of the Board, and Emmett F. Connely, President of American Securities Corporation, 25 Broad Street, New York City, has announced the appointment of Ernest W. Slifer, Elisha C. Wattles and John R. Woolford as Vice-Presidents of the firm. Mr. Slifer manages American Securities' Boston ofifce, 53 State Street. Mr. Wattles is the manager of the Hartford office, 75 Pearl Street; Mr. Woolford is manager of the Philadelphia office, 123 South Broad Street.

A. Bernstein Opens

WASHINGTON, D. C.—Abraham Bernstein is engaging in a securities business from offices at 701 Kennedy Street, Northeast, under the firm name of A. Bernstein & Co. He was formerly with Theodore T. Ludlum and Associates, Ltd.

With A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—James S. Becker has become associated with A. M. Kidder & Co., 938 Broad Street.

Two With Sheffield

(Special to THE FINANCIAL CHRONICLE)

NEW LONDON, Conn.—Courtenay R. Willett and Dean E. Zanni have become connected with Sheffield & Company, 325 State Street.

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American Foreign Trade Policies And a Healthy, Strong Economy

owners' equities in these assets increased, chiefly because the value of farm real estate continued to rise. Average values of farm real estate on Nov. 1, 1955, were 6% higher than a year earlier and above the previous peak reached in 1952.

I believe the farmer is entitled to his fair share of the general prosperity. This Administration has proposed a far-reaching program attacking the principal causes of the present farm dilemma.

These causes are: (1) production and market distortions as a result of wartime production incentives too long continued by the previous Administration; (2) current record livestock production and near-record crop harvests piled on top of previously accumulated carryovers and (3) rising costs and high capital requirements.

Congress is currently trying to write a farm bill that will help the farmer share in prosperity, and, in so doing, to help assure continued prosperity for the nation as a whole.

There is a further important policy of this Administration that is a factor in fostering a healthy economy; the Federal Government is getting out of business activities in which it never should have engaged in the first place. Barge lines, rubber plants, ice cream factories, clothing factories, paper mills, formerly operated by the Government in competition with private enterprise, are being liquidated and disposed of at a fair market price.

All of these things are signs of a healthy economy. Furthermore, they have been accomplished without endangering our national defense.

I want to say just a word about reductions in Federal personnel. A little over three years ago, we inherited a great sprawling bureaucracy. We found tremendous amounts of duplication. We found functions which were unnecessary or obsolete. Since that time nearly 300,000 Federal employees have been eliminated from the public payroll.

When one reviews the progress which has been made in a brief period of time in restoring fiscal stability to our country and removing the uncertainty of inflation and recession, the program has indeed been effective.

Foreign Trade

I come now to the second of the three important issues—foreign trade.

First of all, I know that we are gathered here as people who have common feelings on the need for protecting American industry from low-cost imports. When the textile industry of this country has over two million people working for it, our import problems demand not only your attention as industry representatives but the attention of Americans in all walks of life.

As Spencer Love of the Burlington Industries, one of your spokesmen, recently said, "The strength of the American textile industry is a part of the strength of America. It is a part of this nation's essential system of defense." No clearer statement of necessity can be made when we consider the effect of foreign economic policy on industry and employment in this country.

Now, the last session of Congress saw our Trade Agreements Act extended for another three years. As you all know, it was the subject of bitter debate in both the House and Senate, even to the point where President Eisenhower felt it necessary to publicly state that "No American industry will be placed in jeopardy by the administration of this Act."

When it was referred to the Senate, there were many of us who felt that our domestic industries needed a greater measure of protection than was spelled out in the Bill, that certain changes would be necessary to preserve the reciprocal and selective principles of the Trade Agreements Program. There were a great many amendments offered and considered. Perhaps the most constructive of these were the nine amendments that I introduced with Senator Pastore of Rhode Island.

Of these nine, eight were accepted by the Senate Finance Committee and passed on the Floor of the Senate. I will not list them in detail for you. However, I do want to point out that their adoption certainly made the Bill more responsive to a sound and realistic continuation of the Trade Agreements Program.

The present session of Congress has before it other legislation which is important to all of you, and the textile industry generally. I should like to mention just three of these Bills. I am sure that most of you are familiar with them.

The first of these is known as the Customs Simplification Act. It passed the House of Representatives late in the last session. You should watch it closely for, as it is written, there exists the threat of tariff reduction through indirection. It could result in our present Congressional safeguards being circumvented.

I shall not dwell on it at length, but I will make the prediction that if Senate Floor action takes place on it before adjournment—and there is a possibility that it will not—the bill will be modified from its present form in several respects.

Now, the second of these bills is one which the American Cotton Manufacturers Institute and I view with deep concern. It calls for United States participation in the Organization for Trade Cooperation.

OTC, as it is known, would administer the General Agreement on Tariff and Trade. Now, it must be remembered that GATT is an international trade agreement entered into by some 35 countries, including our own. It has never been approved by the Congress despite many efforts. Few people —and not too many members of Congress—fully realize the implication of this bill.

Twenty-two years ago, Congress virtually surrendered control of trade policy to the State Department. The results have not been happy. Now, by approving OTC, we are asked to take the final step and transfer that power to an organization subject to the control of foreign governments.

As Roger Milliken, President of Deering-Milliken and Company and a leader in your organization, recently testified before the House Ways and Means Committee, "We regard OTC and GATT, viewed separately or in combination, as instruments designed to suppress our national freedom in international trade and our freedom as a nation to govern the internal economy of the United States in accordance with the Constitution and the laws of Congress." He could not have described this situation more accurately.

Let me give you just one illustration of what I mean. The United States, as a participating member of GATT, would have only one vote out of 35 in any dispute arising over, for example, the revision of tariff levels—and not even that if we happened to be a party to the dispute. Other countries which would participate in such decisions with a vote equal in every respect to our own would be, to name a few, the Duchy of Luxembourg, Rhodesia, India, and believe it or not, Communist Czechoslovakia.

The President has called for the passage of this bill, and as much as I should like to, I cannot share his views. I cannot avoid the feeling that he has not been fully advised as to its breadth and implications. **I have no choice but to oppose it in the Senate of the United States.**

Now the third and last bill I shall mention is the one that Senator James Eastland introduced. It has the bipartisan support of 62 other Senators, of which I am one. It seeks to do two things:

(1) Have our government maintain a fair share of the world market for United States cotton, and

(2) Limit the importation of cotton into this country by the establishment of quotas.

The second of these two proposals is a relatively new approach to the problem of low-cost foreign competition. As a measure of its importance, I think you all know that the Japanese textile industry has already suggested establishing its own voluntary quotas. You can be sure that this proposal has them worried.

I am not going to hazard a guess as to what its chances may be, for House action must take place first through a companion bill. However, there is increasing sentiment for Congress to look long and seriously at its potential.

Before closing this subject, I want to leave with all of you this one word of warning. It is this: Those of you who favor the establishment of quotas should not be misled into making any concession on OTC and GATT legislation for your own near-term purposes. It would be a serious, and possibly later, a fatal mistake.

In any session of Congress, and particularly in this one, we in the House and Senate count on you people to keep us advised. We seek your counsel and guidance. It is virtually impossible to predict accurately the trend of events this year. This is a presidential election year, and much of the time, thought, and effort of Congress will revolve around that fact.

We will not have time to do all we should. We need advice, facts, and recommendations on a broad policy basis. You can help us in many ways. Your knowledge of these situations can be invaluable to us. The more that you can do as a group, the greater help you will be to us in the Congress—and the more certain you can be of attaining the results that you seek.

National Defense Policy

Regardless of the fact that our foreign relations have improved, I would be unrealistic if I did not tell you that we are living in a world of crisis.

We might as well face the fact that the American system cannot co-exist with Communism. The basic doctrine of Communism is class struggle. Their eventual plan calls for revolution throughout the world.

We might as well recognize Communism for what it is—a conspiracy. It is a conspiracy that has been growing for nearly a hundred years and there is no reason to assume that it will end tomorrow.

I believe we have made some terrible mistakes in dealing with this conspiracy. In 1945, we emerged from the bloodiest and most costly war the world has ever known. We emerged as the acknowledged leader of the free nations. We had the best equipped and strongest Army, the greatest Air Force and the most powerful Navy on earth. In addition, we had sole control of the atomic bomb — the new weapon which could be used to control the world.

In 11 short years, we squandered away most of these advantages. We appeased, we compromised, and we condoned and sheltered traitors in our midst.

We are now faced with the fact that Soviet Russia has the capability to manufacture atomic and hydrogen weapons, and there is every indication that they will use those weapons, if and when they consider it profitable to do so. It may not happen tomorrow —it may not happen for 10 years —it may never happen. However, the potential is such that we can never again afford to go to war without adequate preparation or the ability to wage war.

In view of these basic facts, it has been necessary to revise our planning for national defense. It now is apparent that we must plan for an indefinite date in the future.

There are those who advocate an all-out crash defense program —more planes, more guns, more ships, more men in service, and more expenditures. They would have us spend $100 billion a year for several years. True, we could make this nation invulnerable if we turned it into an armed camp, but we could lose the struggle against Communism without a shot being fired if we burden our economy to the point of breakdown.

I think the Communists have made it entirely clear that they hope to precipitate our economic destruction, as an easy and cheap means of overthrowing our government. It follows then that we must be realistic in planning for an adequate, yet economical, defense program. The course we are following now is both logical and intelligent. We have abandoned—I hope for once and for all—the old theory of national defense which was based on feast and famine.

As I have indicated, we never again will have a year or two in which to prepare our defenses. In the same breath, we cannot afford to spend ourselves bankrupt.

Basic Aims of Defense Program

This is a period of extended tension. We may reasonably expect that this tension will continue indefinitely. For this reason, we have devoted ourselves to a program which:

(1) Provides us with armed forces capable of deterring an aggressor.

(2) Provides a well trained and professional defense force, immediately available to handle whatever situation develops and to repel any national attack.

(3) Establishes an increasingly stronger continental defense program.

(4) Establishes and develops a powerful military man-power reserve.

(5) Provides a strong industrial economy working for peace, but ready for conversion to war.

(6) Increases our superiority in weapons and techniques.

It has become increasingly apparent that our superiority must depend upon our technological ability. We cannot hope to compete, on a man to man basis, with countless numbers of Russians and Chinese. Our greatest hope is our continued superiority in the fields of nuclear weapons, guided missile, and all the other modern devices of war.

I can summarize the national defense picture by saying that we are fundamentally strong, and are growing stronger every day. Yet, this has been accomplished at tremendous savings to the taxpayer by cutting waste and extravagance.

These three general areas — fiscal stability, foreign relations, national defense — are all interrelated. Each is tremendous in scope and complex in nature by itself. I have personal knowledge of the time, energy, and thought which must be devoted to these problems, and I can give you my personal assurance that their solution is a matter of the gravest concern to the Administration and the Congress.

Bridges-Byrd Amendment

In company with the distinguished Senator from Virginia, Senator Byrd, I have introduced a joint resolution proposing an amendment to the Constitution of the United States. Without going into the technicalities of my proposal, it may be simply explained as follows: This legislation, if adopted, will require the imposition of Federal taxes sufficient to provide for revenues which will be equal to appropriations. By this simple Constitutional Amendment, we will require that the President submit to the Congress a budget which shall not exceed the total of the estimates of the receipts of the government during the coming fiscal year.

In the event that the Congress makes appropriations which exceed the estimates of the receipts of the government, it shall be mandatory upon the Congress to enact measures to raise an amount of additional revenue at least equal to the excess of appropriations over receipts.

This proposal further provides that the Congress shall not recess or adjourn for a period of longer than three days, until such action has been taken.

This nation is prosperous. Our people are well-clothed, well-fed, well-housed. We are in a period of abundant employment. **There is just no reason why we cannot pay our operating expenses.** I should think that every American would wholeheartedly support this constructive suggestion which merely states that the government is obliged from now on to collect at least as much as it spends.

Senate Bill 1343

I have also introduced another bill to require that whenever a committee of Congress reports favorably on a measure authorizing the appropriation of money from the Treasury, that the Department or agency of government concerned submit a printed report to include an estimate of the probable cost of carrying out the legislation.

The purpose of this Bill is sound in principle and easily understood. Only too often Congress has enacted legislation without the faintest idea of how much money would be required to carry out the intent of the legislation.

There is not one of us who would sign a contract with an automobile salesman until we knew the price of the car. Why in the world should the government pass laws without knowing how much it is going to cost to implement those laws?

Senate Bill 1341

Another of my Bills is one requiring that every year the Federal budget shall include a special analysis of all long-term construction and development projects authorized by Congress. This analysis would show the total estimated cost, the actual or estimated amount expended during previous fiscal years, the amount needed during the current fiscal year, and the amount needed in subsequent years.

With these figures available, the Congress will have the kind of information which any individual needs when he undertakes to build a house. Any intelligent person would want an estimate of the total cost, how much had already been spent, and how much he would have to spend in the future. I can see no possible objection to giving the Congress of the United States this very same information.

I agree that these measures are not the kind which call for headlines in the sensational press. They are, in my opinion, much more important to our future security than so many items of sensational but temporary interest.

Conclusion

In conclusion, let me say this: I cannot avoid the conviction that the stability and national security of this nation is dependent upon a sound economy.

We must never forget that the Communist manifesto, known as the Bible of Communism, written in 1848 by Frederick Engels and Karl Marx — predicted that economic factors would determine the course of history. It states that Capitalism is doomed to destruction because of its inability to maintain a stable and productive economy.

The comrades in the Kremlin hope and pray that we will waste our resources and spend our way into financial collapse. I am convinced that such a result need never take place.

As a representative of a thrifty New England state, with considerable experience on the national scene, I am convinced that the last three years have put us back on the track. I feel justified, therefore, in leaving you on this hopeful note.

This country of ours is the greatest and strongest on earth. It was made that way through the qualities of courage, intelligence, morality, and plain common sense of individual Americans. We are sometimes slow to act, and too often leave the impression that we are soft. The world is beginning to understand that our humanity is not softness—that the fibre of America is no less strong than it was in 1776.

H. W. Meers Director

Henry W. Meers, a partner of White, Weld & Co., internationally known investment banking

Henry W. Meers

firm has been elected a director of Kroehler Mfg. Co., Naperville, Ill.

He is also a director of Continental Telephone Company, North American Life Insurance Company, and Inter-Canadian Corporation. Kroehler is the nation's largest furniture manufacturer.

With FIF Management

(Special to The Financial Chronicle)

DENVER, Colo.—Dale C. Hart, George C. Noble and Charles B. Shaffer have joined the staff of FIF Management Corporation, 444 Sherman Street.

Now With E. H. Hansen

(Special to The Financial Chronicle)

WHITTIER, Calif. — John M. Ayala has become connected with E. H. Hansen & Co., 124 North Bright Avenue.

Joins Stone & Webster

(Special to The Financial Chronicle)

HARTFORD, Conn. — Leverett C. Clark, Jr., is now with Stone & Webster Securities Corporation, 36 Pearl Street.

New York Inv. Ass'n Lecture Course

The Education Committee of the Investment Association of New York is sponsoring a course on "Securities and Investing" at Cooper Union College beginning Tuesday, April 24. Already over 500 persons have enrolled in this six lecture course which is open to the general public. This program of investor's information will discuss the following topics: Types of Securities—the risks and rewards; Role of the New York Stock Exchange and the Broker; When and How to Begin an Investment Program; How to Read the Financial Page; Sound Methods of Investing in Securities and Advanced and Speculative Investing Techniques. The Investment Association of New York is an organization of over 400 men in the Investment Banking industry who are under 35 years of age.

The Education Committee's Speakers Group, composed of over 40 members will be glad to provide a speaker for any club or organization interested. Vance Van Dine of Morgan Stanley & Co., 2 Wall Street is Chairman of this committee and should be contacted for further information.

Ball, Burge Branch

AKRON, Ohio.—Ball, Burge & Kraus, members of the New York and Midwest Stock Exchanges, have opened a branch office in the First National Tower Building, under the management of Roy J. Reyant and Fred A. Shorsher.

R. H. Davis Opens

WASHINGTON, D. C.—Robert H. Davis is conducting a securities business from offices at 3445 Thirty-Eighth Street, Northwest. Mr. Davis was previously with Bellamah, Neuhauser & Barrett and Federated Plans, Inc.

Julius Farber Opens

WEST NEW YORK, N. J. — Julius D. Farber is engaging in a securities business from offices at 441 Fifty-First Street. He was previously with First Investors Corporation.

Merrill Lynch Adds

(Special to The Financial Chronicle)

ATLANTA, Ga. — R. Carl Kish is now with Merrill Lynch, Pierce, Fenner & Beane, 23 Pryor Street, Northeast.

City Club of N. Y. Announces Meeting

The City Club of New York, New York's oldest civic association, wishes to announce that its next regular meeting will be held at the Hotel Russell, 37th Street and Park Avenue, on April 26, at 8:15 p.m.

The guest speaker will be Louis Broido, Chairman of the Advisory Committee, Gimbel Brothers, Inc., whose topic will be "A Business Man Looks at His City."

Form Inv. Income Service

LEWISTON, Idaho — Arthur E. Birnel and E.F. Perry have formed Investment Income Service to engage in a securities business from offices here.

Continued from page 2

The Security I Like Best

1,426,700 shares of capital stock and it is listed on the Montreal Stock Exchange.

As to the rest of the Hanna portfolio, besides its general enhancement by substantial percents, its two major holdings of National Steel and Pittsburgh Consolidated Coal have increased their regular dividend rates for 1956, and several of the lesser holdings have done the same. While dividend income increased only from $11,200,000 in 1954 to $12,500,000 in 1955, current larger rates should make the figure much bigger in 1956 even if no further increases are established. Hanna's own net operating income increased more than dividend income did in 1955, and exceeded 1954 figures by well over 10%, after all charges and taxes. Income taxes in 1955 were over $6,000,000 vs. about $3,000,000 the year before.

Balance sheet changes between the two year-ends include about a 5% increase in investment in Iron Ore Co. of Canada, and a gross increase of about 10% in the company's own plant which is almost exactly offset by a similar increase in reserves for depreciation, etc., to make almost no change in the net figure. Most important change in the balance sheet is the elimination of the 4¼% preferred stock issue of $8,000,000, which was redeemed for cash in late 1955.

Net current position is about 10% under the previous year for a decrease of about $3,000,000. Fixed debt is up about $1½ million, but the redemption of the preferred stock and a $5 million increase in investments, more than offset the two adverse figures cited.

Admitted book value of Hanna stock has gone up only from about $35 to $37 per share during 1955, but the portfolio has enhanced to an amount equal to about $15 per share at the recent year-end, and more than double that, if figured to date in 1956. Hanna stock has itself risen about the same number of points in the intervals involved and is currently around 135 vs. about 100 when my previous piece was written.

If the Quebec-Labrador ventures of both Hanna and Algoma evolve anywhere near their present outlook, and if such holdings as Standard Oil of New Jersey, National Steel and Pittsburgh Consolidation Coal continue to act well, much higher prices for Hanna stock are not hard to envision.

At the present writing Hanna's portfolio is as follows, in round figures:

Security	No. of Shares	Market Price	Approximate Value
National Steel Corp.	2,000,000	73	$146,000,000
Pittsburgh Consol. Coal. Co.	2,260,000	42	95,000,000
Industrial Rayon Corp.	341,500	48¼	16,500,000
Standard Oil of New Jersey	482,000	58	28,000,000
Seaboard Oil Co.	187,500	60	11,250,000
Hooker Electrochemical Co. (Formerly Durez Plastics)	191,400	42	8,000,000
Algoma Steel Corp., Ltd.	69,500	115	8,000,000
Phelps Dodge Corp.	80,000	72½	5,800,000
Other securities			10,000,000
Total			$328,550,000

As Hanna has outstanding about 3,090,000 shares of its own A and B stock, the portfolio is currently worth about $106 for each share of Hanna. Book value of all other assets is about $18, but that must be a very conservative figure.

As has been the case for many years past, Hanna stock is not now selling at any particular premium from its real worth. When one considers how many of the other popular listed stocks sell at several times tangible value, and when one also considers that Hanna would seem to have as bright a future as almost any one of them, the stock in this company still appears a comparative bargain.

Continued from first page

The Constants and Variables Of Real Foreign Trade

you will find that the dollar volume of international trade, taking exports as its measure, doubled between 1938 and 1946, and doubled again in the following nine years. So far, so good.

Real Per Capita Trade

But of course, the dollar isn't exactly what it used to be, and anyone interested in real volume has to compare the present dollar with its old purchasing power. If so, you will find that compared with 1938 the real volume of trade has risen by barely more than 60%, instead of quadrupling. At that, 1938 was a bad depression year, its total exports below those of a year earlier. Now, let us go a little further back and look at the volume of trade, at the real volume, in terms of per capita population. We will find that the per capita physical volume of world trade today, speaking of exports and discounting price changes, is somewhere between one-half or two-thirds of what it was in 1913, on the eve of World War I. In dollar terms, there has been since a tremendous rise. But in per capita physical terms, which are what matters, the trend is downward, if with interruptions. In a world which is producing rising figures along almost every line, in outputs, national incomes, gross national products, absolutely and relatively, per capita foreign trade has been declining ever since the onset of the era of World Wars.

Now, of course, average figures can be misleading. That reminds me of the story about the cavalry officer who was drowned in the averages. He believed the statistics that showed that the river is on the average 12 feet deep. He rode his horse into the river and hit a spot 14 feet deep.

The trend is different by countries. There are a few countries in which per capita exports have risen compared with 1913, or with 1929; outstanding among them are Canada and New Zealand. The United States does slightly better than to hold its position in per capita physical volume of exports as against 1913. But do I need to point out how everything else has skyrocketed in these United States? Compared with the growth of manufacturing industries, communications and transport facilities, or of money, credit and debt volumes, and with the per capita real national income, exports are lagging even in the United States and in Canada. Even countries which have made lately great progress in exports, like Great Britain and Germany, are far behind thier "real" levels of 1913 or 1929. Belgium and Sweden hold their own approximately. But the world total—always per capita—is falling. It does so not because of the Iron Curtain. The share in world trade of the countries behind it is probably less than one-half of what it used to be. But that share never has amounted to more than some 14% of total exports.

Soviet Is Blameless

No, if foreign trade is in effect a receding industry rather than a progressing one, we cannot blame it on the Soviets. Their contribution to the negative trend is minor and should be more than offset by factors working obviously in the opposite direction. In the last 40 years, a number of countries and a number of commodities have entered the system of international exchanges and should be boosting its volume. I am not referring to the new export business of Monaco; it is too small in physical volume, although very high priced, to be relevant. I mean the export of eligible princes. (Or maybe that sort of business should be classified under "tourist traffic.") Nor are the exports of the most recent and smallest sovereign area, huge as they are in physical volume, of interest to us. They command no price. I am speaking of the sovereign area called Lake Success, better known as the U.N.O., whose ceaselessly flowing but priceless exports consist chiefly of duplicated files.

Seriously, the grand total of exports, per capita and otherwise, should be statistically much higher than it was some 40 years ago. Consider the fact that there are a great many new countries. Trade among Austria, Czechoslovakia and Hungary was domestic trade then, and is foreign trade now. Similarly, between Finland and Russia. Or take the more significant case of colonies which became independent, or semi-independent. Typical is the situation of the Arab countries and of Israel, all carved out of the former Turkish Empire. Excepting Egypt, the countries of the Arab League only entered world trade since World War I, since the automobile and the diesel engine have revolutionized transportation and created a vast volume of trade not only in vehicles but especially also in oil, by no means merely substituting it for other things such as coal.

What oil and other raw materials can do to a so-called underdeveloped country's export is illustrated by Venezuela, whose exports have risen from some $180 million only 18 years ago, to nearly $2 billion *pro anno* at present. Yet, to repeat, the world's per capita foreign trade declined substantially, and not because of a rise in the birth rate either.

Current Trade Boom

But, you may say, all that decline is past history. Presently, international trade is booming and zooming. Especially so, since trade and exchange liberalizations, currency stabilizations and tariff reductions got underway. Why, Germany alone boosted her exports in a single year, last year, by more than 10%. Japan is just coming around the world market corner. Even the Soviet regimes, thanks to the glorious but not-so-peaceful Co-Existence, are turning friendly and export-minded, if largely in such consumer goods as tanks, guns and jet planes. Just wait, nay, just take a look at the foreign trade figures of the last four or five years, and you will see that the downward trend has been reversed, they say.

Very true, indeed. But I submit that the world's current export boom since the last war is a flash in the pan; that its pace cannot be maintained for any length of time; that, in fact, it could be deflated in no time.

Foreign Aid

That brings up the second great constant in the contemporary picture of world trade, the one that is responsible for the mild interruption of the declining trend. A constant element it is, approaching as it does its 16th birthday, and the President of the United States has proposed to make it a law of the land that it shall continue for another ten years, this in addition to raising the ante by a couple of billions. I am speaking of American Foreign Aid, more precisely of the whole set of subsidies by which openly or in a camouflaged fashion we finance about 40% of our exports. And we are not the only ones doing that. Practically all industrial nations, and a number of others, dump some of their wares on foreign markets by one technique or another.

Officially, net U. S. Government donations and loans to foreign nations run at an annual rate of some $5 to $6 billion. But another $3 billion or so are, in effect, also "give-aways," such as the paychecks of the American civilian and military personnel stationed abroad—a sort of compulsory tourist spending. The net total of our governmental outlays for foreign benefit run at the rate of about $8 billion a year, which does not even take into consideration publicly guaranteed private exports, such as by the Export-Import Bank, nor the fact that our government at times finances the exports of other countries—to these shores, thereby providing dollars to buy our exports.

All told, probably as much as two-fifths of our $20 billion-plus exports would not exist without Uncle Sam's generosity (at the taxpayers' expense). What other countries do along similar lines, namely, to bolster their exports by way of guarantees, governmental insurance programs, tax reductions, dollar retention schemes, and so forth, must help to swell the volume of world exports by a few more billions. In my estimate, probably 15% of the world exports, which are now approaching a grand total of $90 billion, is to be credited directly to governments, with Washington in the lead, as usual. If world trade were carried on as a genuine one, as it was before World War I, where would be the apparent improvement in its per capita volume since World War II?

Liquidity Factor

Included in the above total of global exports is the estimated trade of the Soviet countries; needless to say, it is largely dumping business. In any case, the fact is that international trade walks on one wooden leg, as it were. A commentator of the New York "Times" invented a "scientific" name for Foreign Aid, calling it the Liquidity Factor of international trade. Does anyone know what a Liquidity Factor is? One knows, of course, liquidity, physical or financial; and the word factor is familiar, too. Yet, the two together do not appear in any dictionary. However, it does not take deep thinking to figure out what it means: it is simply "Greek" for the fact that foreign aid provides additional purchasing power to certain people who otherwise would not have it. But then, is it not smart to call it by a dignified name no one understands rather than by its commonly intelligible name which is—Handouts.

To understand the Liquidity Factor's full impact on the world markets, a constructed but by no means unrealistic example will do. Suppose we give $50 million to Italy with no strings attached. In other words, the Italians do not have to buy American goods with that money; they may use it to purchase factory equipment from Germany. There will be $50 million additional German exports. The Germans turn around and use the same funds to buy in Holland, let us say, dairy products; that produces $50 million worth of additional Dutch exports. They in turn, may buy woolens from the British, who may use the same funds to shop for metals in Canada, and Canada may very well use the same sum to pay for imports from the U. S. In short, the Liquidity Factor of $50 million put into the stream turned around five times, generating $250 million in the international export statistics. In the lingo of modern economics, this should be called the Multiplier Effect of the Liquidity Factor. And it makes no difference whether the aid consists of cash or of physical goods; in the latter case, the recipient country has saved the equivalent amount of foreign exchange and can use its own as if it had been donated in cash.

How far this "multiplying" goes, no one knows. But it would not be surprising to find that if one takes the Liquidity Factor out of the picture, world trade would drop by as much as one-third or more. Now you will understand why Congressmen can make speeches against Foreign Aid, but in the end vote for it. It is just like with the farm subsidies: once well ingrained, they cannot be removed without hurting someone badly. So, it will go on and on—or will it really? Like inflations, huge subsidies have the natural tendency to commit suicide. In order to maintain the distorted price structures and unnatural economic processes which they generate, their costs are bound to cumulate. You can hear the loud clamor asking for a Marshall Plan for the under-developed countries, for more economic or more military aid in one area and in another. (The latest proposal comes from the German heavy industry, reviving a 1929 idea of Dr. Schacht: the U. S. should finance at 2% to 2½% long-term loans to underdeveloped countries—to permit them to buy equipment from Europe.)

The sensible thing to do would be to stop the cumulation and to avoid the subsequent reaction by gradually diminishing the aid, such as by half-a-billion a year, and I mean the total aid, not just one title or the other of it. If that is done systematically, the readjustment to normal, genuine, international business relations could take place without overly painful repercussions.

Consequences of Aid Abroad

Sooner or later it will have to be done, because the unexpected and unheralded chickens hatched by the Liquidity Factor are coming home to roost—on both sides of the financial fence that separates the donor from the beneficiaries. Abroad, it breeds credit inflation. Take Britain, as an example; virtually the whole of Europe is in the same boat. The British are making near-desperate efforts to restrain labor's demands which threaten to inflate their whole price structure and to upset their exports. They fully realize that the labor trouble is due to Full Employment. And what makes for Full Employment? The answer is: our Foreign Aid.

Here is how it works. On the average, since 1950, the outer world's annual dollar deficit on commercial accounts is running at five to six billion dollars. But our government hands out Liquidity Factors to the tune of some seven to eight billions, the lion's share to Europe. With the result that we not only fill the holes in the European balances of payments, but on top of that provide them in a single year with over $2 billion of "hard cash," thus enlarging their monetary bases. Which is what permits them to expand credit lustily and to finance the Full Employment. Now, they are up against their own credit inflation that has been made possible by adding in a little more than three years some $8 billion of gold and dollar balances to their monetary reserves. To put Europe's houses in order, at least this excessive outpour of funds ought to be stopped. Instead of helping Europe to get on its own feet, our Aid, the Liquidity Factor, disrupts its monetary systems and international accounts. And it does something to this country, also.

Effect Upon U.S.A. Gold

What it does to us, to the dollar, is in a nutshell, this. Of the excess dollar funds Europe receives from us, the major portion returns — into American bank balances and portfolios of American securities, both owned by foreigners. As a nation, we are indebted to the outer world up to our ears. At latest count, we owe $13.6 billion on short-term alone; and foreigners own more than $11 billion worth of American securities and similar "liquid" assets, mostly government bonds and shares of "blue-chip" stocks. Our gold stock of $21.7 billion carries a visible mortgage of nearly $25 billion, plus an "invisible" one consisting of a large amount of dollar notes held in private hoards abroad. True, we also have private investments in foreign countries estimated at $26.6 billion, and our government has claims valued nominally at some $8 billion. However, all but a mere $2.2 billion of these investments are of the long-term type; and how much of even the short-term kind could be mobilized in a pinch? We have reached the point, in effect, of having no gold that we could call our own. What if some international crisis should occur, and a wholesale liquidation of foreign claims gets underway, as it did happen (in a moderate way) during the Korean crisis? But we have shut our eyes to the danger, and hang the elementary safety rule of protecting a reasonable gold reserve—in order to strengthen the gold and dollar holdings of Allied and not-so-allied nations.

All of which brings to my mind a story among the "Little Stories" (*Les Historiettes*) of Tallemant des Reaux, of the time of Louis XIV. It happened during one of the many wars of the Sun King. A young Officer, the son of the commanding Marshall, suggested to his father that with a moderate number of troops at his disposal, he could destroy the major part of the enemy forces. "You are right," said the Marshall, "but that would end the war. And if there is no war, what are we good for?" If the dollar-short world, Europe in particular, would end its dollar shortage, as it very well could, then there would be no dollars forthcoming free of charge. What is more, trade barriers would have to be lowered, exchange restrictions scrapped, reckless subsidies and socialistic policies abandoned, monopolies destroyed, productivity raised, and organized labor's ruthless policies trimmed. All of which is called deflation, that is being abhorred as antisocial and contrary to the spirit of the Age.

Halsey, Stuart Group Offers Eq. Tr. Ctfs.

On April 13, a group of underwriters, headed by Halsey, Stuart & Co. Inc., offered $2,880,000 of 3⅜% equipment trust certificates, series Q, of Chicago, Rock Island & Pacific RR. at prices to yield 3.37½ on all maturities. The certificates are dated May 1, 1956, and will mature semi-annually Nov. 1, 1956 to May 1, 1968, inclusive.

Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following equipment estimated to cost $3,860,780; 200 70-ton covered hopper cars; 100 50-ton box cars; 25 baggage cars; two diesel cars, and 50 flat cars.

Participating in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Freeman & Company; McMaster Hutchinson & Co.; Wm. E. Pollock & Co., Inc., and The Illinois Co., Inc.

Joins du Pont in Miami

MIAMI, Fla.—Howard L. Solomon has joined the staff of Francis I. du Pont & Co., 121 Southeast Second Avenue.

Expects Favorable Level of Activity in Securities Business

Annual report shows net income of A. C. Allyn & Co., Inc., in 1955 was double that of 1954.

CHICAGO—A. C. Allyn and Company, Incorporated, last year served more investors than ever before, approximately doubled its net income over 1954, and expanded its capital to a new high, A. C. Allyn, Chairman, disclosed in the annual report.

A. C. Allyn

Net income for 1955 amounted to $2,609,118 against $1,325,328 in 1954. Combined capital of the company and A. S. Allyn & Co., its affiliated organization, increased $2,292,621 to $13,708,170 at the close of 1955.

"Both the capital requirements of the economy and the flow of funds seeking investment are likely to be well maintained this year, and we anticipate a favorable level of activity in the securities business," Mr. Allyn remarked.

Gains were registered in the number of both individual and institutional investors, Mr. Allyn said. The firm, which maintains twenty-four offices in addition to its Chicago headquarters, increased listed transactions last year 19.64%, against a 13.29% gain for the New York Stock Exchange.

The long term capital market, while active in 1955, was "not at the boom level recorded by most segments of the economy," Mr. Allyn noted. The Allyn organization took part in corporate and municipal issues with a total value of $4,936,624,081 in 1955. The firm's participations amounted to $95,893,631. Allyn's equity financing increased in both preferreds and commons, in contrast to smaller bond financing.

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As We See It

theory of central bank management, it is not particularly difficult to find circumstances in the state of affairs which could well be responsible for it. Stock prices, already regarded by many as high, had for a good while been rising much faster than business indices. Reports had it that consumers were planning to duplicate last year's record in the purchase of the things they want, and business was said to be planning to exceed by far the outlays it made last year for enlargements and improvements. In general a revival of a boom psychology was and still is quite evident.

All this, we should suppose would have been appraised by the Federal Reserve authorities in light of the events of 1955. It seems clear in retrospect that we escaped serious inflationary damage in 1955. At the same time it is equally clear that the battle was not easily won. An immense amount of borrowing occurred. By and large saving appears to have been adequate, although barely so. Interest rates moved up sharply—Treasury bills from 1.174% to 2.562%; 3-5 year governments from 1.94% to 2.83%; high grade corporate bonds (Moody's) from 2.90% to 3.15%; and commercial paper from 1.31% to 2.99%—but business operations, though for a time seeming to hesitate, were certainly not stifled. Federal Reserve credit outstanding rose moderately, and the increase in member banks reserve was not great. Demand deposits at commercial banks rose but hardly more than was to be expected in view of the larger volume of business. Overall, prices rose only a little more than 1%.

A Real Achievement

This is to be regarded as a real achievement in light of what took place during the year. Whether one follows the SEC estimates and says that consumers have been of late years saving increasingly large amounts, or prefers the Department of Commerce figures and describes consumers as particularly generous in their expenditures for current consumption and hence niggardly in their saving, there can be gainsaying that consumers have been squirreling away for the future an unprecedentedly large proportion of the resources available to them. They have, moreover, been borrowing on a record scale in order to do so and still maintain a very high rate of current consumption.

The figures are familiar. The squirrel, of course, stores away nuts; he does not cultivate trees to provide nuts for the future. Analogously, consumers have been storing up automobiles, electrical appliances and many other types of so-called durable goods, as well as houses to live in during the years to come. The Department of Commerce estimates that individuals spent something more than $15 billion last year for new houses. They increased their mortgage indebtedness by some $12 billion, most of it to finance these purchases. They spent some $35 billion for new cars, new appliances, and other durables. To help pay for these and other purchases at second hand, buyers borrowed around $37 billion. Fortunately, former buyers by making payments on prior loans placed some $32 billion at the disposal of new buyers.

Meanwhile, business laid out some $43 billion for new construction, the acquisition of machinery, equipment and the like, and in the enlargement of inventories to meet the requirements of an enhanced volume of production and trade. Retained profits and depreciation reserves supplied a major part of the funds required for these purposes, but substantial drafts had to be made upon the savings of individuals directly or through various types of institutions such as insurance companies, pension funds, savings banks and the like. According to the Department of Commerce the increase in corporate borrowing was the greatest since the 1950-51 period following the outbreak of war in Korea. Borrowing was for the most part at short-term, but the net inflow of long-term funds was, according to this source, of the order of $5½ billion in 1955. Yet with all this borrowing, the rise in bank loans did not seriously exceed the liquidation of holdings of governments, and the transfer of funds from demand to time deposit account. Evidently consumers and business were redistributing their investments and largely borrowing from one another.

Can It Be Continued?

But will it be possible to continue in this way when business investment rises—or should we say if business investment rises—another $13 billion this year, and consumers insist upon investing in prospectiveness (that is in housing and durables) at the same rate at least as last year? Consumers probably will not in any event want to draw as heavily upon loanable funds from nonconsumer sources as last year. There is no good reason to think that they can buy as heavily as they did last year without large scale borrowing, but repayments of old loans will be substantially greater due to the much larger volume of outstanding loans. There are few who expect consumer credit to rise this year at the rate it did last, but virtually everybody expects further very substantial increases in this type of credit.

Then there is the business community which, according to present plans, will be seeking some $13 billion more funds for investment than last year. Where will it find the money? Less borrowing by the Treasury, possibly net repayments by the Treasury, certainly should help. Corporate profits are still rising and may continue to do so, but accelerated amortization payments (which last year boosted depreciation reserves) may or may not equal last year's record. Personal income in the assumed circumstances should be appreciably larger, and thus lay a basis for greater personal saving. All in all, however, it would appear that the substantially larger volume of production and trade suggested by currently reported plans and attitudes would pose financial problems of real magnitude. If they can be solved without undue resort to the banks the achievement would be of no mean order.

But what if the drive fed by higher wages, boom psychology, and just plain momentum sent consumer and business both into the banks in unwarranted amounts? The $400 billion economy which appears to be implied in much that is now being said and planned might well then be achieved mainly through an inflationary rise in prices—and prices are already showing a tendency to move up appreciably.

All this may or may not have spurred the Fed to action, but it certainly would not be surprising if it did.

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Credit Is Vital and Sound Tool For an Expanding Economy

chases were widely held when I went into the finance business in 1916. I know, because I shared them. These prejudices were hamstringing the young automobile industry, for automobiles were costly and only the wealthy could buy them for cash.

But as cars improved mechanically, more and more Americans realized their potential for pleasure and profit and wanted to own them. The pressure for credit arrangements began to grow, starting here on the West Coast, where the motoring season was longer. The problem of paying the manufacturer before delivery and tying up large amounts of cash for long periods was an insurmountable one for most dealers. The banks were unwilling to carry this load. Into this vacuum moved the first sales finance companies. They set up and handled the credit mechanism so obviously needed to help this new industry grow.

In 1919 my first assignment from our founder, the late Henry Ittleson, was to call on manufacturers and dealers and try to interest them in our financing service. Most of the manufacturers I met were polite but unenthusiastic about the suggestion of selling cars on time. Some were even outraged. I recall vividly one president who told me indignantly that his company would stop making cars before he would sell on the instalment plan. The company, incidentally, is still in business selling cars under his name and it has been selling most of its cars on time for more than 25 years.

It didn't take long for the manufacturers and dealers to realize that to achieve mass production and mass consumption, a third mechanism—mass financing—would be necessary. By 1923, instalment financing had gained a firm foothold in the automobile field. Two years later, the number of instalment sales of automobiles exceeded the number of cash sales for the first time.

During the next few years the motor industry pioneered in this new concept of mass financing. Millions of American consumers tried, for the first time, the idea of buying out of current income. Meanwhile, the manufacturers of other durable goods—refrigerators, radios, washing machines, and so forth—observed the success of the aumobile industry and they, in turn, sought the help of finance companies.

But the critics were hardly convinced. They warned that while instalment credit might get by in prosperous times, it would meet disaster in event of a business downturn. Let's examine that record.

Finance Companies in 1929

The record shows that after the crash of 1929, the portfolios of instalment credit companies proved to be sounder than any other type of investments except U. S. Government obligations. Three of the principal sales finance companies, including C.I.T., ended the year 1929 with retail automobile outstandings aggregating $941,000,000. In the eventual liquidation of this paper, losses were less than $6,000,000—or less than two-thirds of 1%.

At Dec. 31, 1929, these same receivables had an average maturity of 6½ months. They were more than 90% liquidated by the end of 1930. This answers the argument that instalment credit causes people to pay in bad times for the "dead horses" they purchased when times were good. At the end of 1930, when all the pre-1930 obligations had been liquidated, the great depression was scarcely beginning. Actually, 1930 was not a bad year for business and none of the debt which originated in 1929 spilled over into 1932 or 1933 to accelerate the depression. Any instalment credit which comes into being after the start of a recession or depression is not deflationary. Instead this actually primes the pump for recovery because it is a net addition to purchasing power at a time when such additions are desperately needed. The FHA program, for example, was an instalment credit device started in the depth of the depression to provide new customers for the construction industry.

During all those years, while the arguments flew back and forth, the consumer was quietly chalking up an excellent record of honesty, integrity and common sense. We have learned, as have all financing institutions, that the American consumer is the best credit manager in the world. He has proved this time and time again—not only during the depression of the 30's but under every other conceivable economic condition. Consumer credit has provided—year after year, through good times and bad—an essential prop to the nation's economy. So much for the history of consumer credit. How do we stand today?

The present concern over today's debt boils down to this: In 1955, instalment credit outstanding increased $5.4 billion, from $22.5 billion to $27.9 billion—a rise of 24 per cent. This increase reflects, primarily, credit extended for the great increase in automobile sales. It represents the aggregate decision of millions of consumers to spend on automobile purchases 6.3% of their year's income after taxes, instead of 4.7% as in 1954. This increase in consumption did not have an inflationary result, for every economic indicator has held steady. But it did help in making 1955 the most prosperous year in our history. Incidentally, last year an average of less than one in 100 of our automobile financing customers was delinquent 30 days or more and, as always, our total losses were well below 1%.

Some persons fear this rate of increase in consumer debt may be dangerous. They want to take steps to prevent such irregular growth of instalment credit, possibly by the use of direct controls. Since this credit is the servant of the average wage or salary earner, it is also a charge against the same group of people. And when anyone attempts to determine whether there is too much indebtedness today, he should first consider who owes the money.

Owners and Purposes of Credit

According to a study by the University of Michigan's Survey Research Center, published by the Federal Reserve Board for 1955, consumer debt is centered in the middle-income group earning from $3,000 to $7,500 a year. This income group, incidentally, has doubled in size since 1935 and now makes up more than one-half the total population. Specifically, the Michigan study shows that this debt is most heavily concentrated among younger families, who need and use instalment credit to establish early a standard of living they can acquire in no other way. There are few signs of "whim buying" or "credit sprees" in the behavior of this group. For them, the use of credit is not a device for "keeping up with the Joneses" but is simply part of a life-cycle investment program; something they do to create a decent home and manner of living. They also are the group who are best able to carry it because of their incomes, their long-term prospects and their valid expectations for the future. Within the middle-income group, incidentally, it is shown that 86% have either no debt at all or are making debt repayments that total less than 20% of their incomes.

Moreover, for these people, instalment buying is a method of building personal capital. Of the 53 million passenger cars owned by U. S. consumers at the end of 1955, an estimated 40 million worth conservatively $40 billion were owned free and clear of debt. Some two-thirds of these cars were originally purchased on time but now are completely paid for. In 1955, about 10 million people made their final automobile payments and this year, an estimated 9,200,000 will do so. Those people are the prospects for new cars this year and next and many of them will surely buy.

I hope you will agree with me that instalment credit, as it is employed today, is serving a most essential social and economic purpose and that it represents obligations by people who intend to pay their debts and who have long since demonstrated their capacity to do so.

Too Much Credit?

This leaves the final question: Is there too much of it?

Usually, the experts try to answer this question—either pro or con—by referring to certain ratios based on Federal Reserve estimates of the amount of credit outstanding. The points often made include:

(1) That the ratio of outstanding consumer debt to disposable personal income is today 13%, compared with a range immediately before World War II—often called a "normal" period—of 9.8% to 10.6%.

(2) That the ratio of instalment debt to savings and to so-called "discretionary" income (the money left over after food, shelter and clothing are provided in accordance with pre-war standards) is significantly lower than it ever was pre-war.

(3) That any measure of the growth of new consumer debt to other economic indicators in the past year shows consumer obligations gaining at a rapid rate.

And so on. There are many of these conclusions, some of which seem to make the debt picture look very bright and some which on the surface appear rather disturbing.

In my opinion, none of these relationships is at all conclusive and no one can say with any certainty where the "too high" mark belongs. The chief reason is that all such ratios are based on pre-war comparisons and it is absolutely unreasonable to compare today's use of consumer credit with that of any previous period—because several sweeping and fundamental changes have occurred.

There is the great revolution in income distribution. Over half our families now qualify as members of the middle-income group and have the means and the desire to employ instalment credit, which we have already seen is peculiarly a middle-income tool.

A second change has been the new reliance which American family life places on durable goods. The family which in 1929 or 1935 was spending so much per week for the iceman, so much for public transportation and so much for the laundry, was paying for these services by the use of "time payments"—a bill every week or an outlay every day. But now the iceman has become a refrigerator, the bus or train a family car and the laundry man or wash woman a washing machine. As a result, the substitute expenditures for preserving food, keeping clean or getting to work, by way of monthly payments, became instalment credit and are duly reported by the Federal Reserve Board. Many a family spends a smaller share of its income on these necessities of life today, in a mechanized household, than it did when human effort and a daily cash outlay were involved. But the change does inflate today's instalment credit totals, in comparison with the past.

A final social change is in the community attitude toward the use of instalment credit. Today time buying is widely accepted and no longer bears any stigma whatever—as compared with past periods when there was considerable social or moral disapproval.

To summarize, this is the case for consumer credit:

It made possible the great mass production automobile and appliance industries, is responsible for millions of jobs and has brought enormous material blessings to the American public.

In the Great Depression, it made a splendid record for soundness, did not measurably contribute to the decline in consumer purchases and established the American time buyer as the best of credit managers.

In the post-World War II period, it has served the growing middle-income class well by making possible much of the increase in their living standards; it has made a tremendous contribution as we shifted most successfully from a war footing to the world's most productive and prosperous peacetime economy.

Delinquency rates and losses by financing agencies and consumers have remained remarkably—and normally—low.

Durable articles bought on instalment credit swell the current statistics on the use of credit, as has the modern social preference for buying valuable durables out of income instead of using one's savings.

It is in this atmosphere of social change and universal recognition of the important place of consumer instalment credit in our economy that the Federal Reserve Board, at the request of President Eisenhower, will undertake a full-scale study of the subject. I feel sure the study has already begun as an intensification of the long and continuing investigation of this form of credit which has engaged the Board's staff for years.

I believe much that is good will come from this study. Our industry is not perfect and the employment of personal credit undoubtedly remains imperfectly meshed into the economy, as is normal in a free and dynamic society. We need better statistics and better reporting and I hope we will get them. We need to know a great deal more about the consumer and what makes him tick as he and his wife make decisions as to the allocation of the past, present and future incomes. Surely, everyone will agree that we need to know all we can about the consumer because he is the only reliance for keeping our plants and markets humming during the next decade when our economy achieves the goal—which it undoubtedly will—of producing $500 billion worth of goods and services annually—25% more than we now have.

The true function of instalment credit is made crystal clear by comparing its place in the economies of the United States and England today. With limited natural resources and insufficient productivity, England is a nation that must produce and export all it can to survive.

England today is stringently limiting the use of instalment credit, for this is a very effective way to knock Englishmen out of the market for cars and household appliances, thus conserving steel, gasoline, power and other vital commodities that are either needed for export or must be imported. If you want your people to have less—want deliberately to depress their living standards—then, indeed, you should do what the British have been forced to do.

However, with our own unlimited natural resources and productive capacity, the last thing anyone in his right mind wants is to reduce the number of car buyers, household appliance buyers and so on over here.

The U. S. economy needs more domestic customers and more domestic consumption, not less. The obvious solution is to let the powerful stimulant of instalment credit function freely to increase our living standards, our material satisfactions and our levels of employment and prosperity.

Summary

In closing, I want to read this very recent declaration by Mr. William McChesney Martin, Jr., the Chairman of the Federal Reserve Board:

"Time was when a man who financed luxury expenditures on credit was considered stupid and unreliable; but now one who refuses to capitalize on his potential and confines himself to financial actuality is the unusual case.

"The typical instalment borrower today is not an improvident man with small income. He is chiefly an urban or suburban dweller, is generally above 25 years of age, is married and has children to support, has an average income of about $5,000, and often has sizable financial assets.

"He has committed himself to a regimen of small monthly payments for the purpose of acquiring an equity. To him these payments are essentially savings. And when you stop to think about it, what more sensible use of savings is there than their purposeful application to an improved standard of living for the saver himself and his family? This is an investment in life itself."

That is the clear answer to the $36 Billion Question. Consumer credit today is part of the very fabric of our national life. It is the tool we have forged in this favored land to build and equip our homes, to enable us to live in comfort, cleanliness, ease and safety beyond the dreams of the aristocracy of past generations. It brings us entertainment, transportation and self-expression which have given the experience of living several new dimensions.

Consumer credit has grown with our growing population. It has risen with our standard of living. It has prospered as our nation has prospered. It has made our economy a truly democratic one.

We who are entrusted with the administration of this splendid and vital tool have a deep obligation to all our fellow Americans. It is unthinkable that consumer credit shall not continue to grow in usefulness, guided by those principles of fairness, competitive enterprise and vigorous initiative which are and must ever continue to be the mainsprings of the American business system.

Fairman & Harris to Be Bache Co. Partners

CHICAGO, Ill.—Fred W. Fairman, Jr., member of the New York and Midwest Stock Exchanges, and David J. Harris on May 1st will become partners in the New York Stock Exchange firm of Bache & Co. Mr. Fairman is chairman of the board and vice president of Fairman, Harris & Company, Inc. Mr. Harris is president of the same firm.

Continued from first page

Auto Industry's Outlook and Its Economic Implications

enormously potent factor of optimism on the part of the American people.

Auto Industry in 1946

Before talking to you about the future of the automobile industry, I should like to go back a few years and remind you of the position the industry found itself in at the end of World War II.

With the exception of some trucks and automotive parts, the industry, for four years, had ceased production of automotive equipment. In this four years, then, no advances had been made in new machinery or equipment for motor vehicle production. Much of the equipment available in 1946 for producing cars, was already partly worn out or obsolete. Moreover, the capacity of automotive plants was limited to not much more than 4 million cars a year—which was about the highest volume experienced in any prewar year. The volume of demand, however, that appeared in 1946 was of colossal proportions. People were clamoring for new cars and had the liquid savings available to back up their demands.

Automotive manufacturers were thus faced with the need for both expansion and modernization of their plant and equipment facilities. Shortages of materials—steel, copper, aluminum, and cement, bricks, lumber, were the only things which held back this expansion and which kept automobile output below 4 million units a year for the first few postwar years. Had these shortages not existed there probably would have been a considerably greater appeal to the financial world for assistance in the necessary expansion that had to occur. Most of the companies found their retained earnings from operations were sufficient to cover the costs of what little expansion could be made at the time. One company did turn to the money market in 1946 and 1947 for a loan of $125 million to finance needed expansion. They also issued 1 million shares of preferred stock, increasing their capitalization by $98 million.

With increasing availability of materials, expansion and modernization proceeded more rapidly, so that the industry was able to turn out 6.7 million cars in 1950, a record volume up to that time. Production was then restricted during the Korean War but companies were able in part to continue their expansion programs. Some of these expanded facilities were allotted to the production of military goods. Since the Korean War, the need for expansion has been recognized as greater than ever before. While the industry was able to produce 7.9 million cars in 1955, for example, this volume of production was possible only through the use of considerable overtime.

Detailed figures on the amount spent by the automotive industry on plant and equipment expansion and modernization in the 10 postwar years are not available, but I can give you some information indicating the approximate volume of that expansion. Last June, for example, General Motors announced that their postwar expansions and modernization had cost $3.5 billion. About that time, Ford announced that their postwar programs for expansion totaled $1.5 billion. Chrysler Corp. has spent nearly $700 million on new plants and facilities and on modernization of previously existing plants since Jan. 1, 1946.

Another measure which may be used to judge the growth of the industry is given in reports of the Federal Trade Commission and the Securities Exchange Commission on U. S. Manufacturing Corporations. For the first quarter of 1947 these reports show that the stockholders' equity in the motor vehicle and parts manufacturing industry amounted to $4.2 billion. By the second quarter of 1955, this figure had more than doubled, totaling just under $9 billion.

While the expenditures by the automotive industry for expansion and modernization in the postwar period may seem huge by the standards of many other industries, its plans for the future call for even greater expenditures.

Chrysler Corp., for example, has announced that its quickening pace of growth calls for the expenditure of more than a billion dollars over the next five years for further capital improvements and plant enlargement.

Such expenditures are continuing our modernization programs, which already include the acquisition of the automotive body facilities of Briggs Manufacturing Co. in 1953, and in 1955, the addition of a new body plant to our Chrysler Division, and the completion of the Plymouth Engine Plant in Detroit, one of the most advanced plants of its kind in the world. A new plant was also opened in 1955 in Kokomo, Ind., for the manufacture of automatic transmissions. The Chrysler Delaware Tank Plant will be nearly doubled in size and converted to the production of Plymouth automobiles when its current tank contract is completed in May, 1956.

One of the world's largest stamping and metal fabricating plants will be opened by the corporation in 1957 at Twinsburg, O.

Our competitors have announced similar plans. It is estimated that the outlay by the automotive industry for new plant and equipment will, over the next few years, exceed the sum it spent during the entire postwar period to date. In 1956 alone, it is expected that this investment will be nearly $2 billion.

What does the industry see in the future to justify such plans? Is not its present plant capacity sufficient, and are not its current manufacturing methods and the products these can produce more than adequate to satisfy the public's needs over the next many years?

Events in 1955

To the industry the answer is an unequivocal NO. But before discussing the outlook for our industry's future, let me review briefly the kind of year the automobile industry experienced in 1955.

As you know, it was a record year. More than nine million cars and trucks rolled off assembly lines in the United States last year. This is over a million more vehicles than the industry produced in 1950, the biggest previous year in its history. And it is about 2½ million more units than were produced in 1954. The wholesale value of the vehicles built in 1955 was approximately $14 billion, as compared with the previous high annual value of $11 billion for those built in 1953.

The size of the demand for motor vehicles in 1955 — and especially the demand for passenger cars—has led many people to believe that there was something abnormal about the past year. It is my own belief that the year 1955 has given us our first clear indication of the real size of the demand for automobiles under the conditions of what we might call normal dynamic growth in the economy. And then 1955 was the first postwar year in which the motor vehicle industry was free of the restrictions which had been imposed in early postwar years by such things as material shortages, serious labor difficulties, governmental allocations of production, or widespread economic adjustments of the sort that occurred in 1954.

Dynamic Growth Factors

For a few minutes I should like to examine some aspects of the dynamic growth our nation is experiencing, in order to explain our optimism about long-range possibilities for the automobile industry.

Every long-range forecast about the economy properly begins with facts about the growth of the U. S. population. I am sure these facts are familiar to all of you. They are so essential to any attempt to estimate the future of the automobile market, however, that I would like to sum them up quickly. You will remember that the Census Bureau released some estimates last year of the level of population in 1965 and 1975. You may also recall that the most optimistic of these estimates put the total population in 1965 at 193 million, and in 1975 at 228 million. If this estimate for example, for 1975 is right, it will mean that in the next 19 years there will be a net gain in our population of 61 million or an average annual net gain of 3.2 million, equivalent to adding two cities about the size of Buffalo and Philadelphia to the country every year.

This dynamic growth of our population holds out a tremendous promise for the automobile industry. But nearly as important to us as the high rate of growth in the total population is the way it is growing. I refer to the big and accelerated move to the suburbs. Census Bureau figures show that over the past five years, while the population of the United States was growing by 11.8 million, the population of the suburban areas was growing by 9.6 million. In other words, 81% of our recent population growth has been taking place in the suburbs of our 168 metropolitan areas. Now if we make one simple and I think justifiable assumption, that the trend toward suburban living will be maintained in at least this proportion over the next two decades, it appears that some 23 million people will be added to the suburban population between now and 1965 and well over 50 million people by 1975.

It is interesting to speculate on the meaning of these considerations for the automobile industry. In the first place, assuming that the suburban family has an average number of five persons, and also assuming that virtually every suburban family needs a car, the growth of the suburban population would mean in itself a net addition to the car population of four-five million by 1965 and some 10-12 million by 1975. But these estimates are probably too low because, as we know, the typical suburban family is not a one-car family. It is part of the logic of suburban living that the man of the family has his own car for driving to work and for golfing, fishing and hunting while his wife, who manages the household, had her own car and uses it as an indispensable facility for modern living. Just as the typical new suburban home has three or four bedrooms instead of two, it also has garage space for two cars instead of one.

During recent years, when there has been such a rapid growth in the suburbs, there has also been a remarkably rapid growth in the number of multiple-car households.

Studies that have been made show that in August of 1953 there were about three and a half million multiple-car families, and that by August of 1955 the number had increased to more than six million. This was an increase of more than 70% in two years.

While this growth in the number of multiple-car families cannot be attributed entirely to the trend toward suburban living, it is safe to assume that the rise in the number of suburban families accounted for a major share of the increase. As we look toward the future we expect the rising ratio of suburban families to be the principal force causing an upward curve in the car population rather than a straight-line proportionate increase.

Of basic importance in any attempt to forecast the demand for cars is a consideration of the rate of family formation. During the next few years, when the young people born during the depression will be getting married and having children, the rate of family formation will be about 800,000 a year, as compared with the rate of over a million a year in the early '50s. By the mid '60s, when those born in the war years will be coming of age, the rate of family formation will have begun to rise sharply. It is estimated that it may exceed 1.2 million in 1965 alone. This means another very sizable addition to the potential number of new car buyers.

Consider also the fact that the rate of scrappage of cars will probably increase in the next ten years to something like five million a year, and you begin to see emerging the outlines of an average market of something like eight million new passenger cars a year by 1965. During the later '60s some years may be considerably better than that, probably even reaching 10 million.

With regard to the automobile scrappage rate in the future, I believe that we can expect it to increase rather than decrease. During recent years the scrappage rate has been abnormally low because of the unsatisfied demand for cars that would furnish adequate transportation. The high rates of new car building in very recent years have just begun to make available millions of used cars in the three-to-eight-year-old class. We can expect this upgrading of the used car population to continue, and to accelerate the scrapping of cars that are in the older groups. Moreover, the many improvements in performance, design and equipment that we have been seeing in recent years will contribute to more rapid obsolescence of cars. And if, as is not too unlikely, the industry should in the years ahead develop a smaller, simpler, quieter, highly efficient engine such as the gas-turbine, the scrappage rate of cars probably would far surpass anything we have yet seen.

Outlook In 1965

By 1965 the total car population can well be in the neighborhood of 70 million. This estimate is based on a probable population of 193-195 million, a sharp rise in the proportion of suburban family units, further marked rise in the real incomes of the bulk of American families, a marked increase in the number of multiple-car families, and the probability that life in this country will be characterized by increased rather than decreased mobility as the result of better highways and more leisure. If this estimate for 1965 is true, the automobile manufacturers 10 years from now will need to build on the average from 8-9 million cars a year to replace those that are scrapped and to meet the increased demands.

In making these long-range estimates, I have made certain basic assumptions. I have assumed an absence of all-out war. I have also assumed that there will be no major depressions or severe recessions, no substantial governmental interference in or control of private industry, a constantly rising level of productivity, and a continued increase in the number of families with incomes of $5,000 and better. Above all, I have assumed that there will have been a concerted and successful drive to solve substantially our highway and parking problems.

In referring recently to the long-range business outlook one of the leaders of American business and the President of a large corporation, spoke of the built-in stabilizer our economy has by reason of the research, the new ideas, the inventions and the innovations that continue to mark the progress of our nation. All segments of our scientific and business communities are contributing to the "pressure of new ideas, new products, new services, and great new industries" which provide the greatest assurance for a stable yet dynamic economy. And these new products and new services, coupled with the vigorous competition which largely marks American economic life, will contribute to the betterment of all our people.

The automobile industry has shared, we believe significantly, in these contributions. Its growth has been determined by its unending drive to improve the performance, dependability, comfort, attractiveness and enduring value of both passenger cars and trucks. More efficient and consequently more powerful engines have been developed to improve reliability and performance. Automatic transmissions, power steering, and power brakes have contributed to better driving. And research is only at the beginning. Engineers are searching for improvements in body design, suspension systems, brakes, headlights, lubrication, and fuels, and in engine design and performance.

Gas Turbine Engine

You may have read that very recently a Plymouth Sedan powered by a gas turbine engine successfully completed a transcontinental endurance road test. This is one example of the work going on in the search for better and more efficient power plants. This gas turbine requires no radiator, no carburetor, and only one spark plug, and that for starting purposes only. Its fuel economy and performance are comparable to that of piston automobile engines of similar power, and its exhaust is cooler than that discharged by the average car.

There remain many complex problems to be solved before these gas turbine power plants can be produced in the high volume quantities that will be required for general passenger car use. One of the major problems is the development of less expensive "nonstrategic materials for engine parts that are subjected to the intense heats generated in the gas turbine."

Our industry's engineers are also working in other fields, nuclear energy, electronics, solar energy. Who can say that automobiles of the future will not be powered by one of these forces or even by some force not yet in the study stage?

It is this constant search for new ideas, for improvements, for genuine innovation, which helps make the automotive industry such a vital factor in the nation's economy.

The research of today is aimed at the needs of tomorrow. The millions of dollars spent each year in engineering research, and in research into more efficient methods of manufacturing, are defining products which will be built in the plants of tomorrow—plants some of which are only now shaping up on the drawing boards of architects and engineers —plants whose construction and equipping call for huge capital investments in future years.

It is unnecessary to remark to this audience that this is largely the story of all American industry. The most dramatic demand for capital is today being created by the billions being spent by business on research. The investment climate of the next 10 years is being set today. It is moreover becoming increasingly clear to industry that the single most dynamic factor affecting future employment, markets, earnings, and investment portfolios is present day research of America's industry.

Long Range Planning

Managements are recognizing the necessity today of planning at least 10 years ahead—and in some directions 15 to 20 years ahead. It has been noted by one industrialist that today he must plan an entire business generation ahead if his company is to see and meet the needs that will then arise.

Planning today to supply new and better products to the markets of tomorrow ensures the continuance of that vigorous competition on which our economy thrives. The automobile companies are intensely aware of the size of their future markets and now are planning to compete even more effectively for as large a share of those markets as possible.

It may seem almost trite to mention competition in American industry, so universal is its appearance. But it seems to me that nowhere in our economy is it a more vital, positive force than in the auto industry, where there is constant competition for skilled management men, skilled engineers, gifted designers, able production people, and imaginative and resourceful merchandisers and dealers. Moreover, each manufacturer in a very real sense competes for each individual customer's attention. The public itself seems acutely aware of this competition and actually takes sides in discussions about the product.

During the past year you have seen the effect of this kind of vigorous and creative competition upon the rest of the economy. In the years ahead the pace of this competition will probably be increased rather than decreased.

Spearhead of Prosperity

You have heard many times that the automotive business is the spearhead of prosperity, or words to that effect. Let me give you just a few facts to round out the picture I have endeavored to sketch for you of this industry and its current importance in the national economy. Sales of automotive retail stores have recently been accounting for 57% of the sales of all retail durable goods stores. In the budget of the average family, automobiles and their fuel and maintenance rank immediately below food, shelter, and clothing. And in recent decades, family expenditures for automobiles, gasoline, oil and service have been increasing more rapidly than any other part of the family budget. The increasing importance of the automobile in people's lives is part of a sweeping change in the American culture. So widespread is car ownership in our present-day society that it comes as a surprise to many people to learn that about 14 million families still do not own an automobile, that only about 13 out of every 100 car-owning families have more than one car, and that only one woman out of every three has a license to drive. Naturally, these facts are regrettable to us in the automobile industry, and to us they mean opportunity on a very big scale.

When the industry produces in response to the growing demand for cars, it generates economic activity in hundreds and thousands of ways throughout the economy. The ramifications of its influence are far too complex to trace. There are the 46,000 independent dealers in all parts of the country, with many billions of dollars of investment in their businesses, and with something like three-quarters of a million employees. There are the thousands of suppliers in every State in the Union and their employees. These suppliers include such economic prime movers as the steel companies, which sell about a fifth of their product to the automobile manufacturers, and the glass makers, who sell the car makers three-fourths of all their plate glass. One out of every six businesses in the country is directly engaged in work relating to the automobile, and one out of every seven workers earns his living building, servicing or driving motor vehicles.

In the context of facts like these, it becomes very clear that the industry will continue to make itself felt in two ways—first when the activity of its manufacturing segment is stepped up, and in this connection the Department of Commerce's *Survey of Current Business* for March, 1956, has this to say: "In recent years investment by automobile producers has been an important autonomous factor in the capital goods demand situation; in 1954 and 1955 investment by this industry moved contrary to the general trend in manufacturing capital outlays. This year, as in 1954, the automobile industry has scheduled substantial increases in investment, while simultaneously anticipating a reduction in sales. In spite of an expectation of lower sales in 1954, automobile manufacturers increased their capital outlays sizably over 1953 and were an important influence in dampening the decline in manufacturing investment from 1953 to 1954." The second way in which the industry makes itself felt is when it succeeds in making a net addition to the nation's fleet of cars. Those additional cars which the industry will produce in future years will, when they go into use, continue to generate economic activity on a very big scale. And the future looks very big to our industry, and it is seriously planning to play a very big role in it. If our plans are good enough, we shall play that role.

In closing I will say that the outlook for the industry is excellent, this year and in the years to follow. For individual companies, the future depends upon their continuous response to the unremitting competitive challenge of the industry. As Mr. L. L. Colbert, President of Chrysler Corporation said last June in testifying before a Senate Subcommittee on the subject of competition: "The automotive industry is in a period of intense creative activity, with every company attempting to bring all its resources to bear on satisfying the healthy public appetite for vehicles of modern design and modern performance. In this extraordinary period of innovation no company large or small can consider itself beyond the reach of competitors who have new ideas and the determination and skill to market them effectively. There is no such thing as an entrenched and unassailable position in the automobile business. There never has been and I do not believe there ever will be."

Form Mile High Assoc.

(Special to The Financial Chronicle)

DENVER, Colo.—Mile High Associates, Inc. has been formed with offices at 1408 South Krameria to engage in a securities business. Officers are Jack C. Eliason, President; Kenneth P. Gnadt, Vice-President; Howard E. Armstrong, Secretary; Robert G. Haislip, Treasurer; James H. Brewer and Verl W. Adair. Mr. Eliason and Mr. Adair were previously with Whitney, Crammer & Schulder.

So. California Edison 3⅝% Bonds Offered

Headed jointly by The First Boston Corporation and Dean Witter & Co., a nation-wide underwriting group offered publicly yesterday (April 18) $40,000,000 of Southern California Edison Co. 3⅝% first and refunding mortgage bonds, series G, due April 15, 1981.

The bonds were awarded to the group April 18 at competitive sale on its bid of 98.2799 for the indicated coupon and are being reoffered at 99.106% and accrued interest to yield 3.68.

Part of the proceeds from the sale will be used to retire short term bank loans, not to exceed $10,000,000, and the balance applied to the company's construction program which will cost an estimated $253,840,000 for the years 1956-1957. Southern California Edison anticipates additional financing of $105,000,000 from outside sources; the balance will be obtained from internal sources.

The bonds will be redeemable, in whole or in part, at the option of the company, at prices ranging from 103% if redeemed prior to April 15, 1957, to 100% if redeemed after April 15, 1980.

Southern California Edison sells electricity in portions of central and southern California, covering 84 incorporated cities and more than 300 unincorporated communities, with a total population of 3,800,000. The firm does not serve Los Angeles.

Total operating revenue in 1955 for Southern California Edison was $176,580,381 contrasted with $153,686,399 in 1954. Net income in 1955 was $29,628,919 and in 1954 $27,170,579.

Montrose Chemical Co. Common Stock Offered

Public offering of 317,000 shares of Montrose Chemical Company common stock at a price of $9 per share was made yesterday (April 18) by Van Alstyne, Noel & Co. and associates. The shares are being sold on behalf of certain stockholders, and none of the proceeds from the sale of the stock will accrue to the company.

Montrose Chemical Co. is engaged in the production of organic chemicals, chiefly plasticizers, and chemicals used in the precision casting of metals. The company's plant is located in Newark, N. J. It also manages and owns 50% of the capital stock of Montrose Chemical Corp. of California which is the largest producer in the United States of DDT, the well-known and widely used organic insecticide. This corporation has two plants, one located in Henderson, Nev., and the other in Torrance, Calif.

For the fiscal year ended May 31, 1955, Montrose Chemical Co. of New Jersey had net sales of $3,824,459 and net income of $412,823, equal to 43 cents per common share. For the eight months ended Jan. 31, 1956, the company had net sales of $2,709,237 and net income of $669,444, or 70 cents per common share.

The company has outstanding 950,000 shares of common stock, out of an authorization of 2,500,000 shares, and no funded debt.

Walston Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Raymond C. Wilson has been added to the staff of Walston & Co., Inc., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Walter Desser Opens

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla.—Walter J. Desser is engaging in a securities business from offices at 1650 East Sunrise Boulevard under the firm name of Walter Desser & Company. Mr. Desser was formerly local manager for Frank L. Edenfield & Co.

Maxwell Sacks Opens

WESTBURY, L. I., N. Y.—Maxwell M. Sacks is conducting a securities business from offices at 126 Lexington Street.

Thomas F. Adams

Thomas F. Adams, President of Adams, McEntee & Co., Inc., New York City, passed away April 6 at the age of 56 following a heart attack.

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.

Adirondack Uranium & Mineral Corp.
March 19 (letter of notification) 300,000 shares of class A stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For prospecting and exploring costs and equipment. **Office**—115 Main Street, Whitesboro, N. Y. **Underwriter**—V. T. Smith Investments, Sherrill, N. Y.

Aircraft Danger Light Corp.,
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.

Allstate Properties, Inc.
March 29 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital. **Office** — 62 Third Avenue, Mineola, L. I., N. Y. **Underwriter**—Wagner & Co., New York.

American Fire & Casualty Co., Orlando, Fla.
March 29 (letter of notification) 15,000 shares of common stock (par $5) to be offered for subscription by stockholders. **Price**—To stockholders, $19 per share; to public, $20 per share. **Proceeds** — For working capital. **Underwriter**—Goodbody & Co., Orlando, Fla., and New York, N. Y.

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 Hoppi-Copters, Inc., Washington, D. C.
March 23 (letter of notification) 300,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For engineering and certification program and working capital. **Office**—Room 928 Bowen Bldg., 821—15th St., N. W., Washington, D. C. **Underwriter**—Greater Continental Co., Washington 7, D. C.

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.

★ **American Shopping Centers, Inc. (5/7-9)**
April 16 filed $2,000,000 of 5% convertible debentures due May 1, 1968. **Price**—To be supplied by amendment. **Proceeds**—To repay certain obligations. **Office** — Minneapolis, Minn. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

★ **American Shopping Centers, Inc. (5/7-9)**
April 16, filed 200,000 shares of class A common stock (par 10 cents) and 100,000 shares of class B common stock (par 10 cents) to be offered in units of one class A share and one-half class B share. **Price**—To be supplied by amendment. **Proceeds** — To discharge certain obligations and for construction of new centers and working capital. **Office**—Minneapolis, Minn. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

Anchor Casualty Co., St. Paul, Minn.
March 27 filed 20,000 shares of $1.75 cumulative convertible preferred stock (par $10) to be offered for subscription by common stockholders on the basis of two preferred shares for each 11 common shares held. **Price**—$40 per share. **Proceeds**—To enable company to write a larger volume of insurance premiums. **Underwriters**—Harold E. Wood & Co., St. Paul, Minn., and J. M. Dain & Co., Inc., Minneapolis, Minn.

Anderson-Prichard Oil Corp. (4/24)
April 4 filed 200,000 shares of convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To retire short-term bank debt and for working capital. **Office**—Oklahoma City, Okla. **Underwriter**—Glore, Forgan & Co., Chicago and New York.

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.

Atlantic County Development Corp.
March 30 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For purchase of property, etc. **Office** — Brigantine, N. J. **Underwriter**—Pearson, Murphy & Co., Inc., New York.

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.

B. S. F. Co., Birdsboro, Pa.
Dec. 30 filed 92,636 shares of capital stock (par $1) being offered for subscription by stockholders of record April 5 on the basis of one new share for each two shares held (with an oversubscription privilege); rights to expire on April 20. **Price**—$11 per share. **Proceeds**—For investment. **Business**—A registered investment company. **Underwriter**—None.

★ **Bell Finance Co.**
April 12 (letter of notification) $250,000 of 10-year 6% debenture bonds. **Price**—At par. **Proceeds**—To reduce bank loans and for working capital. **Business**—Consumer finance business. **Office**—77 Broad St., Red Bank, N. J. **Underwriter**—None.

Big Dollar Food Stores, Inc.
April 9 (letter of notification) 25,000 shares of common stock (par $1). **Price**—At market (about $2.50 to $3 per share). **Proceeds** — To selling stockholders. **Office**—42 East Post Road, White Plains, N. Y. **Underwriter**—Baruch Brothers & Co., Inc., New York.

Big Horn Mountain Gold & Uranium Co.
Feb. 23 (letter of notification) 9,300,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—To be used for exploratory work on mining mineral properties. **Office**—1424 Pearl Street, Boulder, Colo. **Underwriter**—Lamey & Co., Boulder, Colo.

Birnaye Oil & Uranium Co., Denver, Colo.
April 6 (letter of notification) 1,000,000 shares of class A common stock (par five cents). **Price** — 10 cents per share. **Proceeds** — For mining expenses. **Office** — 762 Denver Club Bldg., Denver, Colo. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Blue Lizard Mines, Inc.
Jan. 17 filed $900,000 of 8% convertible subordinated debentures due 1976. **Price**—100% of principal amount. **Proceeds**—To make additional cash payment on purchase contracted and for mining expenses. **Office**—Salt Lake City, Utah. **Underwriter**—None.

B-Thrifty, Inc., Miami, Fla.
Nov. 23 filed 37,000 shares of class A common stock (par $25). **Price**—$38 per share. **Proceeds**—To open additional retail stores. **Business** — Supermarket concern. **Office**—5301 Northwest 37th Ave., Miami, Fla. **Underwriter**—None. Statement effective March 7.

California Oregon Power Co. (5/8)
April 9 filed $16,000,000 first mortgage bonds due May 1, 1986. **Proceeds**—Together with funds from sale of $7,000,000 of preferred stock, to retire bank loans and for capital expenditures. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and The First Boston Corp. (jointly); Lehman Brothers; White Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received on May 8.

California Oregon Power Co. (5/1)
April 9 filed 70,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—Together with funds from sale of $16,000,000 of new bonds, to retire bank loans and for capital expenditures. **Underwriters** — Blyth & Co., Inc., and The First Boston Corp.

Cherokee Uranium Mining Corp., Denver, Colo.
April 5 (letter of notification) $180,000 principal amount of 6% convertible debentures due April 15, 1966. **Price**—100% and accrued interest. **Proceeds**—For mining expenses. **Office**—608-610 Equitable Bldg., Denver, Colo. **Underwriter**—Columbia Securities Co., same city.

Coastal Chemical Corp., Yazoo, Miss.
March 22 filed 399,986 shares of class A common stock. **Price**—At par ($25 per share). **Proceeds**—Together with bank loans, to be used to construct and operate a fertilizer plant. **Underwriter**—None.

● **Colohoma Uranium, Inc. (5/9)**
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.

Columbia General Investment Corp.
March 29 filed 100,000 shares of common stock (par $1) to be offered for subscription by stockholders only. **Price**—A maximum of $4.50 per share. **Proceeds**—To make additional investments, including stock of Columbia General Life Insurance Co. **Office** — Houston, Tex. **Underwriter**—None.

Commonwealth, Inc., Portland, Ore.
March 23 (letter of notification) 5,912 shares of 6% cumulative preferred stock to be offered to shareholders for a period of 30 days and then to others. **Price**—At par ($50 per share). **Proceeds**—For working capital. **Office**—Equitable Bldg., 421 S. W. 6th Ave., Portland 4, Ore. **Underwriter**—None.

Commonwealth Life Insurance Co., Tulsa, Okla.
March 28 filed 70,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriter**—To be named.

Container Corp. of America
March 9 filed 115,276 shares of common stock (par $10) to be offered in exchange for common stock of The Mengel Co. at the rate of one Container share for each two Mengel shares. The offer is to become effective when Container's holdings of Mengel stock has been increased to at least 90% of the Mengel stock outstanding.

Continental American Fund, Inc., Jersey City, N. J.
March 30 filed 300,000 shares of capital stock (par $1). **Price**—At net asset value plus a premium of 5% of the offering price. **Proceeds**—For investment. **Underwriter**—Continental American Management Co., Inc., Jersey City, N. J.

Continental Equity Securities Corp.
March 28 filed 40,000 shares of class A common stock (par $5) and 80,000 shares of class B common stock (par 50 cents). **Price**—Of class A stock, $12.50 per share, and of class B stock, 50 cents per share. **Proceeds**—To increase capital and surplus. **Office**—Alexandria, La. **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.

★ **Cozona Uranium Corp., Las Vegas, Nev.**
April 10 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—230 South 5th St., Las Vegas, Nev. **Underwriter**—None.

Crater Lake Mining & Milling Co., Inc.
March 8 (letter of notification) 575,000 shares of common stock. **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office** — 1902 East San Rafael, Colorado Springs, Colo. **Underwriter** — Skyline Securities, Inc., Denver, Colo.

● **Cullen Minerals Corp. (Texas) (5/1)**
March 30 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To repay bank loans, and for expansion and working capital. **Underwriter** — Lepow Securities Corp., New York.

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.

Douglas Corp., Fort Collins, Colo.
March 26 (letter of notification) 2,997,800 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—155 North College Ave., Fort Collins, Colo. **Underwriter** — Columbia Securities Co., Denver 2, Colo.

★ **Downing (C. M.) & Co., Inc.**
April 10 (letter of notification) 100,000 shares of class B common stock (par $1) and 25,000 shares of common stock (par one cent) to be offered in units of four class B shares and one common share. **Price** — $8 per unit. **Proceeds**—For working capital. **Office**—15 William St., New York City. **Business** — To finance purchases of bituminous coal by European consumers. **Underwriter**—None.

● **Duke Power Co. (5/1)**
March 30 filed $30,000,000 first and refunding mortgage bonds due 1986. **Proceeds**—For payment of short-term borrowings and for construction expenditures. **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 up to 11 a.m. (EDT) on May 1.

Duke Power Co. (5/7)
March 30 filed 367,478 shares of common stock (no par) to be offered for subscription by common stockholders of record May 3, 1956 at the rate of one new share for each 25 shares held (with an oversubscription privilege); rights to expire on May 21, 1956. **Price**—$25 per share. **Proceeds**—For construction program. **Office**—Charlotte, N. C. **Underwriter**—None.

Eagle Fire Insurance Co.
Feb. 1 (letter of notification) 72,565 shares of common stock (par $1.25) being offered for subscription by stockholders on the basis of one share for each five shares held as of Feb. 27; rights to expire on April 27. **Price**—$3.60 per share. **Proceeds**—For working capital. **Office**—26 Journal Square, Jersey City 6, N. J. **Underwriter**—None.

● **Eastern Corp., Bangor, Me. (5/1)**
April 9 filed $4,090,200 of convertible subordinated debentures due May 15, 1981, to be offered for subscription by common stockholders of record May 1, 1956, on the basis of $100 of debentures for each nine shares of common stock held; rights to expire on May 15. **Price**—At par. **Proceeds**—Together with funds from the sale of $10,000,000 of senior notes to institutional investors, to repay outstanding indebtedness, to construct a new bleached kraft pulp mill at a cost of $10,000,000, and to acquire an 80% interest in the capital stock of Ascot Chemical & Adhesives Corp. for $1,000,000. **Business**—Manufacturer and seller of paper and pulp. **Underwriter**—White, Weld & Co., New York.

NEW ISSUE CALENDAR

April 19 (Thursday)
Portland Gas & Coke Co.______Bonds
(Bids noon EST) $3,350,000

April 20 (Friday)
General Telephone Corp.______Debentures
(Offering to stockholders—to be underwritten by Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Jones & Templeton) $53,000,000

April 24 (Tuesday)
Anderson-Prichard Oil Corp.______Preferred
(Glore, Forgan & Co.) $10,000,000
Schield Bantam Co.______Common
(Granbery, Marache & Co.) 200,000 shares
Westcoast Transmission Co., Ltd.___Debs. & Com.
(Eastman, Dillon & Co.) $20,500,000 debetnures and 615,000 shares of stock
Wisconsin Electric Power Co.______Bonds
(Bids 11 a.m. EST) $30,000,000

April 25 (Wednesday)
Inland Homes Corp.______Common
(Merrill, Turben & Co.) 75,000 shares
Olympic Radio & Television, Inc.______Debentures
(Bache & Co. and First California Co.) $1,400,000
Ontario (Province of)______Debentures
(Harriman Ripley & Co. Inc.) $50,000,000

April 26 (Thursday)
Cincinnati Enquirer, Inc.______Debentures
(Bids noon CST) $1,476,000
General American Transportation Corp.___Debens.
(Offering to stockholders—to be underwritten by Kuhn, Loeb & Co.) $23,810,700
Hawaii (Territory of)______Bonds
(Bids 10 a.m. EST) $7,500,000
Honolulu (City & County of)______Bonds
(Bids to be invited) $2,000,000
Lewisohn Copper Corp.______Common
(George F. Breen) 100,000 shares
Long Island Lighting Co.______Preferred
(Blyth & Co., Inc.; The First Boston Corp.; and W. C. Langley & Co.) $12,000,000
Wisconsin Electric Power Co.______Common
(Offering to stockholders—no underwriting) 463,641 shares

April 27 (Friday)
First National Trust & Savings Bank, San Diego, Calif.______Common
(Offering to stockholders—to be underwritten by Dean Witter & Co., Blyth & Co., Inc., William R. Staats & Co. and Dewar & Co.) $1,339,200

April 30 (Monday)
Edo Corp.______Class A
(Paine, Webber, Jackson & Curtis) 160,000 shares
Sierra Prefabricators, Inc.______Common
(S. D. Fuller & Co.) $299,000
Western Electric Co., Inc.______Common
(Offering to minority stockholders—no underwriting) $116,775

May 1 (Tuesday)
California Oregon Power Co.______Preferred
(Blyth & Co., Inc. and The First Boston Corp.) $7,000,000
Cullen Minerals Corp.______Common
(Lepow Securities Corp.) $300,000
Duke Power Co.______Bonds
(Bids 11 a.m. EDT) $30,000,000
Eastern Corp.______Debentures
(Offering to stockholders—to be underwritten by White, Weld & Co.) $4,090,200
El Paso Electric Co.______Preferred
(Bids 11 a.m. EDT) $2,000,000
General Motors Corp.______Common
(Morgan Stanley & Co.) 1,278,833 shares
Nationwide Corp.______Class A Common
(Lehman Brothers and J. C. Bradford & Co.) $15,200,000
Simca______Common
(Offering to stockholders—no underwriting) 1,455,713 French shares

May 2 (Wednesday)
Inter-County Tel. & Tel. Co.______Common
(Central Republic Co., Inc.) 25,000 shares
Jamaica Water Supply Co.______Bonds
(Bids 11 a.m. EDT) $3,000,000
Pacific Finance Corp.______Debentures
(Blyth & Co., Inc. and Hornblower & Weeks) $25,000,000

May 3 (Thursday)
Jamaica Water Supply Co.______Common
(Blyth & Co., Inc.) 28,000 shares
Kaiser Aluminum & Chemical Co.______Preference
(The First Boston Corp. and Dean Witter & Co.) $30,000,000

May 4 (Friday)
Dubl-Check Corp.______Preferred & Common
(Talmage & Co.) $299,370

May 7 (Monday)
American Shopping Centers, Inc.______Common
(Carl M. Loeb, Rhoades & Co.) 200,000 units
American Shopping Centers, Inc.______Debentures
(Carl M. Loeb, Rhoades & Co.) $2,000,000
Duke Power Co.______Common
(Offering to stockholders—no underwriter) 367,478 shares

May 8 (Tuesday)
California Oregon Power Co.______Bonds
(Bids to be invited) $16,000,000
National Aviation Corp.______Common
(Offering to stockholders—no underwriting) 139,523 shares
New York, Chicago & St. Louis RR.___Equip. Tr. Ctfs.
(Bids to be invited) $4,650,000
Niagara Mohawk Power Corp.______Bonds
(Bids 11 a.m. EDT) $30,000,000

May 9 (Wednesday)
Colohoma Uranium, Inc.______Common
(General Investing Corp. and Shaiman & Co.) $1,000,000
National Fuel Gas Co.______Common
(Offering to stockholders—no underwriting) 447,797 shares
Savannah Electric & Power Co.______Bonds
(Bids 11 a.m. EDT) $4,500,000

May 15 (Tuesday)
Pennsylvania Electric Co.______Bonds
(Bids to be invited) $25,000,000
Pennsylvania Electric Co.______Preferred
(Bids to be invited) $9,000,000

May 16 (Wednesday)
Erie RR.______Equip. Trust Ctfs.
(Bids noon EDT) $6,225,000
Northern Illinois Gas Co.______Bonds
(Bids to be invited) $15,000,000

May 22 (Tuesday)
Consol. Edison Co. of New York, Inc.______Bonds
(Bids to be invited) $30,000,000

May 23 (Wednesday)
Southern California Gas Co.______Bonds
(Bids to be invited) $40,000,000

May 24 (Thursday)
Reading Co.______Equip. Trust Ctfs.
(Bids to be invited) $6,600,000

June 5 (Tuesday)
Commonwealth Edison Co.______Bonds
(Bids to be invited) $35,000,000 to $50,000,000

June 6 (Wednesday)
Braniff Airways, Inc.______Common
(Offering to stockholders—to be underwritten by F. Eberstadt & Co.) 1,105,545 shares

June 7 (Thursday)
First Pennsylvania Banking & Trust Co.___Common
(Offering to stockholders—to be underwritten by Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane; and Smith, Barney & Co.) 202,800 shares

June 20 (Wednesday)
United States Life Insurance Co. of New York______Common
(Offering to stockholders—to be underwritten by William Blair & Co.; The First Boston Corp. and Carl M. Loeb, Rhoades & Co.) 100,000 shares

June 25 (Monday)
Boston Edison Co.______Preferred
(Bids may be invited) $18,000,000

July 11 (Wednesday)
Florida Power Corp.______Bonds
(Bids to be invited) $20,000,000

July 25 (Wednesday)
Consolidated Natural Gas Co.______Debentures
(Bids to be invited) $30,000,000

September 11 (Tuesday)
Carolina Power & Light Co.______Bonds
(Bids to be invited) $15,000,000

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

● **Edo Corp. (4/30-5/4)**
April 2 filed 160,000 shares of class A stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To finance expanded production, to reduce indebtedness and for general corporate purposes. **Office**—College Point, L. I., N. Y. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

El Paso Electric Co.
March 15 filed 56,025 shares of common stock (no par) being offered for subscription by common stockholders of record April 4, 1956, at the rate of one new share for each 15 shares held (with an oversubscription privilege); rights to expire on April 25. **Price**—$37 per share. **Proceeds**—Together with approximately $2,000,000 which the company expects to obtain in May, 1956, from sale of 20,000 shares of a new series of preferred stock, for construction program. **Dealer-Manager**—Stone & Webster Securities Corp., New York.

El Paso Electric Co. (5/1)
April 10 filed 20,000 shares of cumulative preferred stock (no par). **Proceeds**—About $2,000,000—to repay bank loans. **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 up to 11 a.m. (EDT) on May 1 at 90 Broad St., New York, N. Y.

★ **Faculty Club, Denver, Colo.**
April 9 (letter of notification) a maximum of $50,000 debentures maturing Dec. 31, 1970 in multiples of $50 each. **Proceeds**—For general organization purposes. **Office**—Denver, Colo. and Summit County, Colo. **Underwriter**—None.

★ **First Acceptance Corp., Minneapolis, Minn.**
April 2 (letter of notification) 2,464 shares of cumulative 5% preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office** — 820 Northern Bank Bldg., Minneapolis, Minn. **Underwriter**—None.

First Lewis Corp.
March 1 (letter of notification) 60,000 shares of 7% preferred stock. **Price**—At par ($5 per share). **Proceeds**—For working capital and general corporate purposes. **Business** — General brokerage business. **Office** — 165 Broadway, New York, N. Y. **Underwriter**—Basic Industries Corp., 31 State St., Boston, Mass.

★ **Fleming Co., Inc., Topeka, Kan.**
April 10 (letter of notification) 5,700 shares of common stock (par $25). **Price**—$52.50 per share. **Proceeds**—For purchase of delivery and refrigeration equipment and to increase inventories. **Office** — 820 Quincy St., Topeka, Kan. **Underwriter**—None.

Florida Sun Life Insurance Co.
March 16 filed 32,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To expand company's business. **Office**—Fort Lauderdale, Fla. **Underwriter**—None. Offering will be made through James C. Dean, President of company.

Florida Telephone Corp.
March 15 filed 77,350 shares of common stock (par $10) being offered for subscription by common stockholders at the rate of one share for each four shares held as of April 3; rights to expire on April 23. Of any unsubscribed stock, up to 3,000 shares are to be offered for subscription by employees of company. **Price**—$16 per share. **Proceeds** — For construction program. **Underwriters** — Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

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.

★ **Fruehauf Trailer Co.**
April 17 filed 250,000 shares of common stock (par $1) to be offered to certain employees pursuant to the restricted stock option plans approved by stockholders of the company.

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 American Transportation Corp. (4/26)
April 6 filed $23,810,700 of convertible subordinated debentures, due May 1, 1981, to be offered for subscription by common stockholders of record April 25 on the basis of $100 of debentures for each 10 shares of stock held; rights to expire on May 9. **Price** — To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Kuhn, Loeb & Co., New York.

General Motors Corp. (5/1)
April 11 filed 1,278,833 shares of common stock (par $1.66⅔). **Price**—To be supplied by amendment. **Proceeds**—To the Alfred P. Sloan Foundation, Inc., who is receiving these shares as the result of the death of Mrs. Alfred P. Sloan, Jr. **Underwriter**—Morgan Stanley & Co., New York.

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General Telephone Corp. (4/20)
March 29 filed $53,000,000 of convertible debentures due May 1, 1971 to be offered for subscription by common stockholders of record April 18, 1956, on the basis of $100 of debentures for each 23 shares of common stock held; rights to expire on May 7, 1956. **Price**—100% of principal amount. **Proceeds**—To purchase securities of subsidiaries and for general corporate purposes. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York; and Mitchum, Jones & Templeton, Los Angeles, Calif.

General Uranium Corp. (N. J.), New York
Jan. 18 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For plant facilities, survey of property and underground development. **Underwriter**—None. Maurice Schack, Middletown, N. Y., is President. Statement effective March 11.

★ **Globe Hill Mining Co.**
April 9 (letter of notification) 5,000,000 shares of common stock (par one cent). **Price** — 1¾ cents per share. **Proceeds**—For mining expenses. **Office**—336 Independence Bldg., Colorado Springs, Colo. **Underwriter** — None.

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.

★ **Golden State Mining Corp.**
April 13 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—710 S. 4th St., Las Vegas, Nev. **Underwriter**—None.

★ **Griggs Equipment, Inc., Dallas, Texas**
April 12 filed 400,000 shares of common stock (par 50¢). **Price** — $5.57 per share. **Proceeds** — For purchase of Griggs Equipment Co. capital stock for $1,924,565, and for working capital. **Business**—Public seating equipment. **Underwriter** — Southwestern Securities Co., Dallas, Texas.

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.

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.

● **Helio Aircraft Corp., Canton, Mass.**
Dec. 29 filed 150,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—For improvements, research, development and working capital. **Office**—Metropolitan Airport, Canton (Norwood P. O.), Mass. **Underwriter**—Vickers Brothers, New York.

Hill & Hill 1956 Oil Exploration Capital Fund
March 13 filed $450,000 of participations in this Fund to be offered for public sale in minimum units of $15,000. **Proceeds**—For payment of various property and exploratory well costs and expenses. **Business**—George P. Hill and Houston Hill are engaged in exploration for and production of oil and gas as a joint venture. **Office**—Fort Worth, Tex. **Underwriters** — William D. McCabe and E. S. Emerson, South Texas Bldg., San Antonio, Tex.

★ **Holden Mining Co., Winterhaven, Calif.**
April 13 (letter of notification) 250,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Address** — P. O. Box 308, Winterhaven, Calif. **Underwriter**—Arthur B. Hogan, Inc., Hollywood, Calif.

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.

Honey Dew Food Markets, Inc.
March 12 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—To open or acquire additional super markets and for working capital. **Office**—811 Grange Road, Teaneck, N. J. **Underwriter**—Brown, Barton & Engel, Newark, N. J.

Idaho-Alta Metals Corp.
March 7 (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.

Industrial Dynamics Corp., Wilmington, Del.
April 3 (letter of notification) 150,000 shares of common stock (par $1). **Price** — $2 per share. **Proceeds** — For working capital. **Office**—100 West Tenth St., Wilmington, Del. **Underwriter** — World Wide Investors Corp., Hoboken, N. J.

Industrial Minerals Development Corp.
March 7 (letter of notification) 1,000,000 shares of common stock. **Price**—Five cents per share. **Proceeds**—For development and working capital. **Office**—Moab, Utah. **Underwriter**—I. J. Schenin Co., New York.

● **Inland Homes Corp., Piqua, Ohio (4/25)**
April 5 filed 75,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes. **Underwriter**—Merrill, Turben & Co., Inc., Cleveland, Ohio.

★ **Installment Finance Co., Champaign, Ill.**
April 9 (letter of notification) $100,000 of 5½% senior subordinated debentures and $50,000 of 6½% junior subordinated debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For additional operating funds, expansion of business and to transfer short term indebtedness to long term. **Office**—74 East University Ave., Champaign, Ill. **Underwriter**—Hurd, Clegg & Co., Champaign, Ill.

● **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., has withdrawn as underwriter; new one to be named.

★ **Inter-County Telephone & Telegraph Co. (5/2-7)**
April 16 filed 25,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Office**—Fort Myers, Fla. **Underwriter** — Central Republic Co., Inc., Chicago, Ill.

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 Paper Co.**
April 13 filed 43,536 shares of common stock (par $7.50) to be offered for sale under the company's incentive stock option plan for key employees.

"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.

● **Jamaica Water Supply Co. (5/3)**
April 3 filed 28,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans incurred to finance construction, and to defray part of the cost of future construction. **Underwriter**—Blyth & Co., Inc., New York.

● **Jamaica Water Supply Co. (5/2)**
April 3 filed $3,000,000 of first mortgage bonds, series F, due 1981. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. **Bids** — To be received up to 11 a.m. (EDT) on May 2 at the New York Trust Co., 100 Broadway, New York, N. Y.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of nonassessable 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.

● **Kaiser Aluminum & Chemical Co. (5/3)**
April 11 filed $30,000,000 of convertible preference stock (par $100). **Proceeds**—Together with funds to be received from direct placement of $120,000,000 25-year first mortgage bonds and $20,000,000 from retained earnings, are to be used to finance $170,000,000 expansion program. **Underwriters** — The First Boston Corp., New York, and Dean Witter & Co., San Francisco, Calif. **Meeting**—Stockholders will vote April 20 on approving an authorized issue of 750,000 shares of preference stock (par $100).

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.

Lawyers Mortgage & Title Co.
Jan. 11 (letter of notification) 60,412 shares of common stock (par 65 cents) to be offered first to stockholders. Maxwell M. Powell (Vice-President) and Rudolph J. Welti (a director) will purchase up to a total of 10,000 shares each of any unsubscribed shares. **Price**—$1.50 per share. **Proceeds** — For working capital. **Office** — 115 Broadway, New York, N. Y. **Underwriter**—None.

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.

● **Lewisohn Copper Corp (4/26)**
March 30 filed 100,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For exploration and evaluation of leasehold properties, improvements, equipment and for general corporate purposes. **Office**—Tucson, Ariz. **Underwriter**—George F. Breen, New York.

Long Island Lighting Co. (4/26)
April 5 filed 120,000 shares of cumulative preferred stock, series G (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co., all of New York.

Manati Sugar Co.
March 5 filed $2,184,300 of 6% collateral trust bonds due 1965 being offered in exchange for presently outstanding 4% bonds maturing Feb. 1, 1957 on a par-for-par basis. Unexchanged bonds may be sold by company at approximately the principal amount thereof plus interest. The offer will expire on April 27. **Proceeds**—To retire old bonds.

Manville Oil & Uranium Co., Inc., Douglas, Wyo.
Feb. 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—308 East Center St., Douglas, Wyo. **Underwriter**—Colorado Investment Co., Denver, Colo.

Mayfair Markets, Los Angeles, Calif.
March 8 (letter of notification) 5,000 shares of $3 cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

Merchandising, Inc., Tampa, Fla.
March 23 (letter of notification) 120,000 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Proceeds**—Expenses for expansion of vending machine operations. **Office**—107 South Willow, Tampa, Fla. **Underwriters** — Louis C. McClure & Co., Tampa, Fla., and French & Crawford, Inc., Atlanta, Ga.

Mesa Oil & Gas Ventures, Inc.
March 29 (letter of notification) 900,000 shares of common stock (par one cent). **Price** — 15 cents per share. **Proceeds**—For expenses incident to oil and gas properties. **Office**—421 Glenwood Ave., Grand Junction, Colo. **Underwriter**—Columbia Securities Co., Denver, Colo.

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."

Mohawk Business Machines Corp.
March 30 (letter of notification) 167,000 shares of common stock (par 10 cents). **Price**—75 cents per share. **Proceeds**—To pay accounts payable and for working capital. **Office**—944 Halsey Street, Brooklyn 33, N. Y. **Underwriter**—None.

Mohawk Silica Co., Cincinnati, Ohio
March 23 (letter of notification) 3,000 shares of 8% cumulative convertible preferred stock (par $50) and 3,000 shares of common stock (no par) to be offered in units of one share of preferred and one share of common. **Price** — $60 per unit. **Proceeds** — For mining expenses and processing silica. **Office**—2508 Auburn Ave., Cincinnati, Ohio. **Underwriter**—None.

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.

Mountain Top Mining & Milling Co., Denver, Colo.
March 20 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office**—406 C. A. Johnson Bldg., Denver, Colo. **Underwriter**—Columbia Securities Co., Denver 2, Colo.

Mutual Investors Corp. of New York
March 21 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Business**—To purchase and resell mortgages and properties. **Office**—550 Fifth Ave., New York, N. Y. **Underwriter**—Stuart Securities Corp., New York.

★ **National Aviation Corp. (5/8)**
April 17 filed 139,523 shares of capital stock (par $5) to be offered for subscription by stockholders of record on or about May 8, 1956, on the basis of one new share for each four shares held (with an oversubscription privilege); rights to expire on or about May 22, 1956. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Underwriter**—None.

★ **National Design & Research Corp., Ann Arbor, Mich.**
April 3 (letter of notification) 10,000 shares of common stock (no par). **Price**—$20 per share. **Proceeds**—For working capital and other general corporate purposes. **Office**—2175 W. Stadium Blvd., Ann Arbor, Mich. **Underwriter**—None.

National Fuel Gas Co. (5/9)
March 28 filed 447,797 shares of common stock (par $10) to be offered for subscription by common stockholders of record May 8, 1956, on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on May 25. **Price**—To be supplied by amendment. **Proceeds**—To be used to purchase common stock, or for loans to the operating subsidiaries; and for other corporate purposes. **Underwriter**—None.

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 Metallizing Corp.
March 5 (letter of notification) 24,000 shares of Class A stock (par $1) and 40,000 shares of Class B stock (par $1) to be offered for subscription by Class A and Class B stockholders of record Feb. 1, 1956 on a 1-for-4 basis. **Price**—$2 per share. **Proceeds**—For vacuum metallizing, conditioning, slitting and inspection machinery. **Office**—1145-19th St., N. W., Washington, D. C. **Underwriter**—None.

National Old Line Insurance Co.
Nov. 15 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office** — Little Rock, Ark. **Underwriter**—Equitable Securities Corp., Nashville, Tenn., and New York, N. Y. **Offering**—Indefinitely postponed.

● **Nationwide Corp., Columbus, Ohio (5/1)**
March 29 filed 800,000 shares of class A common stock (par $5). **Price**—To be supplied by amendment (expected at around $19 per share). **Proceeds**—For investments. **Business**—To hold interests in other companies, engaged in the field of insurance. **Underwriters**—Lehman Brothers, New York, and J. C. Bradford & Co., Nashville, Tenn.

● **New England Electric System**
March 19 filed 834,976 shares of common stock (par $1) being offered for subscription by common stockholders of record April 18, 1956, on the basis of one share for each 12 shares held; rights to expire on May 3. Unsubscribed shares to be offered for subscription by employees up to and including April 30, 1956. **Price**—$16 per share. **Proceeds**—To further construction plans of subsidiaries, either through loans to the subsidiaries or purchases of additional shares of their capital stock, any balance to be used for general corporate purposes of company. **Underwriters**—Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co., and Wertheim & Co. (jointly) submitted the best bid on April 18 for the stand-by underwriting.

★ **Newhall Engineering, Inc., Phoenix, Ariz.**
April 9 (letter of notification) 300,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital and other corporate purposes. **Office**—4121 North Seventh Ave., Phoenix, Ariz. **Underwriter**—None.

★ **Niagara Mohawk Power Corp. (5/8)**
April 16 filed $30,000,000 of general mortgage bonds due May 1, 1986. **Proceeds**—To repay bank loans. **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. **Bids**—Expected to be received up to 11 a.m. (EDT) on May 8.

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 Star Uranium, Inc., Spokane, Wash.
March 15 (letter of notification) 1,500,000 shares of common stock (par 10 cents). **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—W. 408 Indiana Avenue, Spokane, Wash. **Underwriter**—Pennaluna & Co., Spokane, Wash.

★ **Northern Illinois Gas Co. (5/16)**
April 18 filed $15,000,000 of first mortgage bonds due April 1, 1981. **Proceeds**—For new construction and general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp.; Blyth & Co., Inc. **Bids** — Expected to be received on May 16.

● **Nucleonics, Chemistry & Electronics Shares, Inc.**
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. **Name Changed**—From Atomic, Chemical & Electronic Shares, Inc.

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.

Old National Insurance Co., Houston, Tex.
March 29 filed 48,108 shares of capital stock (no par) to be offered for subscription by stockholders on the basis of one new share for each nine shares held (with an oversubscription privilege). **Price** — To be supplied by amendment. **Proceeds** — To purchase life insurance in force and assets from other life insurance companies. **Subscription Agent** — Old Southern Trust Co., Houston, Tex. **Underwriter**—None.

★ **Old Nevada Mining Corp., Henderson, Nev.**
April 9 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price** — 7½ cents per share. **Proceeds**—For mining expenses. **Address**—P. O. Box 796, Henderson, Nev. **Underwriter**—None.

★ **Olympic Investing Corp.**
April 4 (letter of notification) 3,000 shares of 10% preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital, etc. **Business**—To purchase and sell real property. **Office**—51 Chambers St., New York 7, N. Y. **Underwriter**—None.

● **Olympic Radio & Television, Inc. (4/25)**
March 28 filed $1,400,000 of convertible subordinated debentures due 1966. **Price**—To be supplied by amendment. **Proceeds**—To retire a $750,000 note and for working capital. **Office**—Long Island City, N. Y. **Underwriters**—Bache & Co., New York; and First California Co., San Francisco, Calif.

Ontario (Province of) (4/25)
April 6 filed $50,000,000 of 25-year debentures due May 15, 1981. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to The Hydro-Electric Power Commission of Ontario to be used for capital expenditures, etc. **Underwriter**—Harriman Ripley & Co. Inc., New York.

● **Oswego Falls Corp., Fulton, N. Y.**
March 27 filed $5,001,100 of 4¼% subordinated debentures due April 1, 1976 convertible to and including April 1, 1966, being offered for subscription by common stockholders of record as of April 13, 1956 on the basis of $100 of debentures for each 13 shares of common stock held; rights to expire on April 28. **Price**—101¾% of principal amount. **Proceeds** — For expansion and equipment and $1,700,000 to redeem outstanding 4½% cumulative preferred stock. **Underwriter**—Hornblower & Weeks, New York.

★ **Outdoor Sportsman, Inc., Washington, D. C.**
April 3 (letter of notification) 499 shares of common stock. **Price**—$100 per share. **Proceeds**—For furniture and fixtures, original inventory and working capital in a retail sporting goods store. **Office**—1718 Eye St., N. W., Washington, D. C. **Underwriter**—None.

● **Pacific Finance Corp. (Calif.) (5/2)**
April 10 filed $25,000,000 of debentures due 1971. **Price**—To be supplied by amendment. **Proceeds**—For reduction of short-term bank loans. **Underwriters**—Blyth & Co., Inc. and Hornblower & Weeks.

Peabody Coal Co., Chicago, Ill.
Feb. 27 filed 210,823 shares of common stock being 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 40 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. The warrants will expire on Dec. 31, 1957. **Price**—At par ($5 per share). **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None. Statement effective March 27.

Petroleum Equipment Service & Maintenance Co.
March 23 (letter of notification) 35,000 shares of class B common stock (par 50 cents). **Price**—$3.25 per share. **Proceeds**—For inventory, equipment and working capital. **Office**—Allentown, Pa. **Underwriter** — Osborne & Thurlow, New York, N. Y., for 20,000 shares.

★ **Piedmont Natural Gas Co., Inc., Charlotte, N. C. (5/9)**
April 12 filed 41,530 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each ten shares held as of about May 8; rights to expire on May 23. **Price**—To be supplied by amendment. **Proceeds** — Together with funds from private sale of $2,000,000 of first mortgage bonds, for construction program. **Underwriter**—White, Weld & Co., New York.

Pinellas Industries, Inc., St. Petersburg, Fla.
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.

Pioneer Telephone Co., Waconia, Minn.
March 27 (letter of notification) 3,000 shares of 5% cumulative preferred stock, series E. **Price**—At par ($100 per share). **Proceeds**—For additions and improvements. **Office**—Waconia, Minn. **Underwriters**—M. H. Bishop & Co., and Johnson-McKendrick & Co., both of Minneapolis, Minn.

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.

● **Portland Gas & Coke Co. (4/19)**
March 23 filed $16,500,000 of first mortgage bonds due 1976 (amendment filed April 4 reducing issue to $3,350,000 to mature in 1976). **Proceeds**—For construction program. **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**—To be received up to noon (EST) on April 19, at Room 2033, Two Rector St., New York 6, N. Y.

Power-Freeze, Inc., Atlanta, Ga.
March 28 (letter of notification) 3,300 shares of common stock (no par). **Price**—$15 per share. **Proceeds**—To reduce outstanding obligations and for inventory and working capital. **Underwriter**—Franklin Securities Co., Atlanta, Ga.

Prudential Federal Uranium Corp.
March 21 (letter of notification) 6,000,000 shares of common stock (par two cents). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Underwriter**—Skyline Securities, Inc., Denver 2, Colo.

Pulaski Veneer & Furniture Corp.
March 28 filed 170,000 shares of common stock (par $5). **Price**—$5.75 per share. **Proceeds** — To repay bank loans and for machinery and equipment and working capital. **Office** — Pulaski, Va. **Underwriters** — Scott, Horner & Mason, Inc., Lynchburg, Va., and Galleher & Co., Inc., Richmond, Va.

Quo Vadis Mines, Inc., Las Vegas, Nev.
March 8 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—Viener-Jones Bldg., 230 S. 5th St., Las Vegas, Nev. **Underwriter** — First Jersey Securities Corp., Newark, N. J.

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.

Rapp (Fred P.), Inc., St. Louis, Mo.
March 2 filed 150,000 shares of 5½% cumulative preferred stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans incurred by company to redeem and cancel all of the issued and outstanding shares of 4% and 7% preferred stock; and for expansion program. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo. Statement may be withdrawn as company may be acquired by ACF-Wrigley Stores, Inc.

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.

● **St. Regis Paper Co.**
Feb. 21 filed 540,000 shares of common stock (par $5) being 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. This offer will expire on May 16. **Dealer-Manager**—White, Weld & Co., New York, and A. G. Becker & Co., Inc.

★ **Savannah Electric & Power Co. (5/9)**
April 12 filed $4,500,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Blair & Co. Incorporated. **Bids**—Expected to be received up to 11 a.m. (EDT) on May 9 at 90 Broad St., New York, N. Y.

● **Sayre & Fisher Brick Co.**
Sept. 30 filed 325,000 shares of capital stock (par $1) later amended to cover 234,641 shares now being offered for subscription by stockholders of record April 13, 1956 at the rate of one new share for each two shares held (with an oversubscription privilege); rights to expire on May 7. **Price**—$5 per share. **Proceeds**—For prepayment of outstanding 4½% sinking fund bonds due 1960; balance for general corporate purposes, including additions and improvements and working capital. **Underwriter**—None. **Warrant Agent**—The Hanover Bank, New York City.

● **Schield Bantam Co., Waverly, Iowa (4/24)**
March 26 filed 219,000 shares of common stock (par $5), of which 200,000 shares are to be offered publicly and 19,000 shares to certain employees of company. **Price**—To public, to be supplied by amendment; and to employees, $5 per share. **Proceeds** — To six selling stockholders. **Business**—Produces power cranes and excavators, including various types of mountings. **Underwriter**—Granbery, Marache & Co., New York.

Schwartz Carbonic Co., El Paso, Texas
Feb. 27 (letter of notification) 30,700 shares of common stock to be offered for subscription by stockholders on basis of 0.6158 new share for each common share held. **Price**—$7.50 per share. **Proceeds**—For expenses incident to manufacturing and sales of carbon dioxide. **Office**—1600 East Eleventh St., El Paso, Tex. **Underwriter**—None.

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.

★ **Sierra Pacific Power Co.**
April 12 filed 80,500 shares of preferred stock, series A (par $50) to be offered in exchange for the outstanding 35,000 shares of 6% preferred stock on the basis of 2.3 shares of new preferred for each share of old preferred.

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Price—To be supplied by amendment. **Proceeds**—To redeem old preferred stock or to retire bank loans. **Underwriters**—Names to be supplied by amendment. Stone & Webster Securities Corp., New York, N. Y. and Dean Witter & Co., San Francisco, Calif., underwrote last equity financing.

Sierra Prefabricators, Inc. (Calif.) (4/30)
March 12 (letter of notification) 149,500 shares of capital stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—S. D. Fuller & Co., New York.

Simca, Paris, France (5/1)
March 29 filed (1) such number of American shares as may be issued (on a basis of two American shares for each underlying capital share) in respect of 1,455,713 capital shares of Simca and (2) the 1,455,713 capital shares. These securities are being offered to the holders of presently outstanding capital shares, including holders of American shares representing capital shares, at the rate of one additional capital share for each capital share (or one additional American share for each American share) held on April 30, 1956, together with certain additional subscription privileges. The subscription price will be 5,500 francs (approximately $15.71) per capital share and approximately $7.86 per American share. Subscription rights of holders of capital shares will expire at the close of business in Paris on June 6, 1956, whereas warrants evidencing subscription rights of holders of American shares will expire on May 31, 1956. The subscription is to be handled by a group of French subscription agents. **Proceeds**—To finance a program of expansion and improvement. **Business**—Simca is engaged in the production and sale of passenger automobiles, trucks, tractors and other products in France. **Depositary**—For American shares: City Bank Farmers Trust Co., New York.

Skiatron Electronics & Television Corp.
March 16 filed 470,000 shares of common stock (par 10 cents). **Price** — At the market. **Proceeds** — To selling stockholders. **Underwriter**—None.

★ Socony Mobil Oil Co., Inc.
April 13 filed $17,500,000 of interests in company's Employees Savings Plan, together with 250,000 shares of capital stock (par $15) which may be purchased under the plan.

★ Sonoma Quicksilver Mines, Inc.
April 9 (letter of notification) 640,000 shares of capital stock (par 10 cents) to be offered for subscription by stockholders. **Price**—45 cents per share. **Proceeds**—For mining expenses. **Office**—41 Sutter St., San Francisco, Calif. **Underwriter**—None.

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.

Strategic Metals, Inc., Tungstonia, Nevada
Jan. 4 (letter of notification) 1,200,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Underwriter**—R. Reynolds & Co., Salt Lake City, Utah.

Stubnitz Greene Corp., Adrian, Mich.
March 29 filed $1,000,000 of 5½% sinking fund subordinated debentures due 1966 (with warrants to purchase 60,000 shares of common stock) and 100,000 shares of 60-cent cumulative preferred stock (par $5) to be offered for subscription by common stockholders in units of $250 of debentures (with warrants attached to purchase 15 shares of common stock at $8 per share) and 25 shares of preferred stock for each 100 shares of common stock presently held. **Price**—$418.75 per unit. **Proceeds**—For expansion and working capital. **Office**—404 Logan Street, Adrian, Mich. **Underwriter**—Golkin & Co., New York. **Offering**—Expected momentarily.

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.

★ Swartwout Co., Cleveland, Ohio
April 9 (letter of notification) a maximum of 2,000 shares of class A stock (par $1) to be offered under a stock purchase plan. **Price**—$14.23 per share. **Proceeds**—For working capital, etc. **Office** — 18511 Euclid Ave., Cleveland 12, Ohio. **Underwriter**—None.

Target Uranium Corp., Spokane, Wash.
March 1 (letter of notification) 1,000,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office** — 422 Paulsen Bldg., Spokane, Wash. **Underwriters**—Percy Dale Lanphere and Kenneth Miller Howser, both of Spokane, Wash.

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.

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.

Texize Chemicals, Inc., Greenville, S. C.
March 19 filed $742,800 of 5% subordinated convertible debentures due April 1, 1971, to be offered for subscription by common stockholders of record about April 16 on the basis of $100 of debentures for each seven shares of common stock held; rights to expire about April 30. **Price**—$98.50 per $100 debenture, plus accrued interest, to stockholders; and at par to public. **Proceeds** — For capital expenditures and working capital. **Underwriters**—Edgar M. Norris and Alester G. Furman Co., both of Greenville, S. C., and seven other firms.

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.

★ Thyer Manufacturing Corp., Toledo, Ohio
April 13 filed $600,000 of 6% sinking fund debentures due 1976 (with warrants attached) and 40,000 shares of capital stock (par $5). **Price**—For debentures, 100% of principal amount; and for stock, $4.12½ per share. **Proceeds**—For working capital in connection with increased business. **Business**—Manufactures and sells prefabricated homes. **Underwriter**—P. W. Brooks & Co., Inc., New York.

Togor Publications, Inc., New York
March 16 (letter of notification) 299,700 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—381 Fourth Ave., New York, N. Y. **Underwriter**—Federal Investment Co., Washington, D. C.

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.

Transportation Vendors, Inc.
March 23 (letter of notification) 299,750 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds** — To pay indebtedness, and for expansion and working capital. **Business**—Vending machines. **Office**—60 Park Place, Newark, N. J. **Underwriter** — Midland Securities, Inc., New York, N. Y.

Tunacraft, Inc., Kansas City, Mo.
Jan. 17 (letter of notification) $250,000 of 6% 12-year registered subordinated sinking fund debenture notes due Jan. 1, 1968. **Price**—At par. **Proceeds**—To reduce outstanding secured obligations. **Underwriter**—McDonald, Evans & Co., Kansas City, Mo.

Underwriters Factors Corp.
Dec. 7 (letter of notification) 29,500 shares of 6⅝% participating convertible preferred stock (par $10) and 2,950 shares of common stock (par one cent) to be offered in units of 10 shares of preferred stock and one share of common stock. **Price** — $100.01 per unit. **Proceeds** — To increase working capital. **Office** — 51 Vesey St., New York, N. Y. **Underwriter**—New York and American Securities Co., 90 Wall St., New York, N. Y.

Union of Texas Oil Co., Houston, Texas
Jan. 19 (letter of notification) 240,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For expenses incident to oil production. **Office** — San Jacinto Building, Houston, Tex. **Underwriter**—Mickle & Co., Houston, Texas.

U. S. Automatic Machinery & Chemical Corp.
Nov. 4 (letter of notification) 300,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds** — For general corporate purposes. **Office**—8620 Montgomery Ave., Philadelphia, Pa. **Underwriter**—Columbia Securities Corp., 135 Broadway, New York.

● U. S. Fiberglass Industrial Plastics, Inc.
March 19 (letter of notification) 150,000 shares of convertible preferred stock (par $1) and 30,000 shares of common stock (par 10 cents) to be offered in units of five shares of preferred stock and one share of common stock first to stockholders of record March 1, 1956. **Price**—To stockholders, $9 per unit; and to public, $10 per unit. **Proceeds**—For capital improvements and general corporate purposes. **Office**—Norwood, N. J. **Underwriter**—None.

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.

Vance Industries, Inc., Evanston, Ill.
Jan. 24 (letter of notification) 7,000 shares of common stock (par one cent). **Price**—$7 per share. **Proceeds**—To selling stockholders. **Office** — 2108 Jackson Ave., Evanston, Ill. **Underwriter**—Arthur M. Krensky & Co., Inc., Chicago, Ill.

Ward Industries Corp.
March 9 (letter of notification) 12,000 shares of $1.25 cumulative preferred stock, series A (par $25) and 1,500 shares of common stock (par $1) being offered in exchange for 5% cumulative preferred stock (par $100) of The Prosperity Co. on the basis of four Ward preferred shares, one-half share of Ward common stock and $1.05 in cash for each Prosperity preferred share. This offer, which is limited to acceptance by 3,000 Prosperity preferred shares, is alternative to the right to receive instead $100 per Prosperity preferred share.

● Westcoast Transmission Co., Ltd. (4/24)
Jan. 26 filed $20,500,000 (U.S.) 32-year subordinate debentures, due Feb. 1, 1988, and 615,000 shares of capital stock (no par) to be offered in units of $100 of debentures and three shares of stock. **Price**—To be supplied by amendment. **Proceeds**—Together with funds to be received from insurance companies and banks and from sale of an additional 3,271,000 shares of stock to Westcoast Investment Co., to be used to construct a pipe-line system. **Office**—Calgary, Alta., Canada. **Underwriter**—Eastman, Dillon & Co., New York.

★ Western Electric Co., Inc. (4/30)
April 13 (letter of notification) 2,595 shares of common stock (no par) to be offered for subscription by minority stockholders of record April 10, 1956 at the rate of one new share for each nine shares held; rights to expire on May 31, 1959. An additional 1,409,071 shares are to be sold to American Telephone & Telegraph Co., owner of 99.82% of the outstanding voting stock. **Price**—$45 per share. **Proceeds**—For plant improvement and expansion. **Underwriter**—None.

Western Securities Corp. of New Mexico
Feb. 13 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To start a dealer or brokerage business. **Office**—921 Sims Bldg., Albuquerque, N. M. **Underwriter**—None.

Western Utilities Corp., San Francisco, Calif.
March 23 (letter of notification) 15,171 shares of common stock (par $1). **Price**—$5.50 per share. **Proceeds**—To West Coast Telephone Co., the selling stockholder. **Underwriter** — Central Republic Co., Inc., Chicago, Ill. **Offering**—Expected this week.

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.

Williamson Co., Cincinnati, Ohio
Feb. 20 (letter of notification) 20,666 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.

Wilmington Country Club, Inc., Wilmington, Del.
April 2 filed $1,500,000 of non-interest bearing debentures, due 1991, to be offered to the members of the Club. **Price**—At par ($1,000 per debentures). **Proceeds**—For construction of a golf house and other improvements. **Underwriter**—None.

Wilson (Russell) Industries, Inc.
March 13 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To repay bank loans, for drilling well and working capital. **Office**—Winnsboro, Texas. **Underwriters**—J. J. Holland Securities Co., Inc., New York, N. Y., and Daggett Securities, Inc., Newark, N. J.

Wisconsin Electric Power Co. (4/24)
March 30 filed $30,000,000 first mortgage bonds due April 15, 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane and Equitable Securities Corp. (jointly); Glore, Forgan & Co., Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); The First Boston Corp. **Bids**—To be received up to 11 a.m. (EST) on April 24 at Room 1306, 48 Wall St., New York 5, N. Y. Statement expected to become effective on April 20.

Wisconsin Electric Power Co. (4/26)
March 30 filed 463,641 shares of common stock (par $10) to be offered for subscription by common stockholders of record April 24 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on May 15. It is planned to mail subscription warrants on April 26. Unsubscribed shares will be offered to employees. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—None. Statement expected to become effective April 24.

● Woodbury Telephone Co., Woodbury, Conn.
March 27 (letter of notification) 5,300 shares of common stock to be offered to stockholders of record April 20, 1956 on the basis of one new share for each share held; rights to expire on May 18, 1956. **Price**—At par ($25 per share). **Proceeds**—To repay short term loans and for construction. **Underwriter**—None.

Woods Oil & Gas Co., New Orleans, La.
Aug. 29 filed 400,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To retire outstanding obligations. **Underwriters**—Woolfolk & Shober and Howard, Weil, Labouisse, Fredricks & Co., both of New Orleans, La. Statement effective Feb. 28.

Prospective Offerings

Air-Vue Products Corp., Miami, Fla.
Feb. 20 it was reported early registration is expected of 150,000 shares of common stock. **Price**—Around $4.25 per share. **Proceeds** — For expansion program. **Underwriter**—Arthur M. Krensky & Co., Inc., Chicago, Ill.

American Telephone & Telegraph Co.
March 21 the directors authorized a new issue of debentures (non-convertible) amounting to $250,000,000. **Proceeds**—For additions and improvements to Bell System telephone service. **Underwriter** — To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Morgan Stanley & Co. **Bids**—Expected to be received sometime after the middle of June.

Arizona Public Service Co.
March 23 it was announced company plans to spend during the next five years an estimated $94,000,000 for new construction. Of this amount, $41,000,000 is expected to come from within the company, and the balance from outside sources. No new equity financing is planned for 1956. About $16,000,000 is expected to be spent this year. Bond financing is expected to be done privately through Blyth & Co., Inc. and The First Boston Corp.

Baltimore & Ohio RR.
March 22 ICC authorized company to issue up to $54,710,000 of convertible 4½% debentures, series A, due Feb. 1, 2010, which it proposes to offer in exchange to holders of its outstanding convertible 4½% income bonds on a par-for-par basis.

Blackstone Valley Gas & Electric Co.
Feb. 27 it was reported company plans to issue some preferred stock during 1956. **Proceeds**—To reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Harriman Ripley & Co. Inc.

Bon Ami Co., New York
March 9 it was announced company plans to offer to common A and common B stockholders the right to subscribe for 10,000 shares of common A stock (now held in treasury) on basis of one share of common A stock for each 29 shares of common A and/or common B stock held. The stockholders on March 21 will vote on approving this proposal and also on changing the par value of the shares from no par for both issues to $2 per share for the common A stock and $1 for the common B stock. **Underwriter**—Dominick & Dominick and Smith, Barney & Co. (formerly Charles D. Barney & Co.) handled secondary offering of common B stock in 1926.

● **Boston Edison Co. (6/25)**
March 19 it was reported company plans to offer 180,000 shares of preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—If by competitive bidding, bidders may include Lehman Brothers; The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Expected up to noon (EDT) on June 25. **Registration** scheduled for May 22.

★ **Braniff Airways, Inc. (6/6)**
April 11 company authorized an offering to stockholders of record on or about June 5, 1956, of 1,105,545 additional shares of common stock (par $2.50) on the basis of three new shares for each five shares held (with an oversubscription privilege); rights to expire about June 20. **Price**—To be named later. **Proceeds**—For general corporate purposes. **Underwriter**—F. Eberstadt & Co., New York.

Bryn Mawr Trust Co., Bryn Mawr, Pa.
March 27, the Bank offered to its stockholders of record March 23 the right to subscribe on or before April 26, 1956 for 18,400 additional shares of capital stock (par $5) on the basis of one new share for each five shares held. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Laird, Bissell & Meeds, Wilmington, Del.

California Electric Power Co.
March 19 it was reported company plans to issue and sell some additional securities in June or July. **Proceeds**—To retire bank loans and for new construction. Probable bidders for bonds may include: Halsey, Stuart & Co. Inc.; Shields & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blyth & Co. Inc.; The First Boston Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; White, Weld & Co. Previous common stock financing was underwritten by Blyth & Co., Inc. and The First Boston Corp.

Carolina Power & Light Co. (9/11)
March 22 it was announced company plans to issue and sell $15,000,000 of first mortgage bonds due 1986. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Equitable Securities Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Scheduled for Sept. 11.

★ **Central Illinois Light Co.**
April 3 it was announced company plans $8,000,000 additional financing during 1956. The type of securities to be issued has not yet been determined. **Proceeds**—For construction program. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Union Securities Corp.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

★ **Cincinnati Enquirer, Inc. (4/26)**
April 12 it was announced bids will be received by Halsey, Stuart & Co. Inc., Chicago, Ill., up to noon (CST) on April 26 for the purchase from it of $1,476,000 Cincinnati Enquirer, Inc., convertible debentures which have been called for redemption on May 10. These debentures are convertible into 147,600 shares of common stock, which would represent about 35% of the stock which would be outstanding.

Coastal Transmission Corp., Houston, Texas
Feb. 29 it was announced an application has been filed with the FPC for construction of a 565.7 mile pipeline system to cost $68,251,000. **Underwriters**—May be Lehman Brothers and Allen & Co., both of New York.

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.

Commercial Credit Corp.
March 12 it was reported company plans early registration of about $25,000,000 of junior subordinated debentures. **Underwriter** — Kidder, Peabody & Co. and The First Boston Corp., both of New York.

Commonwealth Edison Co. (6/5)
Jan. 24 it was announced that company may issue between $35,000,000 to $50,000,000 of bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Blyth & Co., Inc. (jointly); The First Boston Corp.

Connecticut National Bank, Bridgeport, Conn.
April 4 the Bank offered to its stockholders of record April 3, 1956, the right to subscribe on or before April 20 for 209,000 additional shares of common stock. **Price**—$15 per share. **Proceeds**—For working capital. **Underwriters**—Smith, Ramsey & Co., Inc.; Hincks Bros. & Co. Inc.; Chas. W. Scranton & Co.; A. M. Kidder & Co.; G. H. Walker & Co.; and T. L. Watson & Co.

Connecticut Power Co.
March 1 it was reported company plans to issue and sell $5,200,000 of new preferred stock and offer to common stockholders 71,132 additional shares of common stock on a 1-for-10 basis. **Proceeds** — To reduce bank loans. **Underwriters**—Putnam & Co.; Chas. W. Scranton & Co. **Offering**—Expected in June.

★ **Consolidated Edison Co. of New York, Inc. (5/22)**
April 17 company applied to the New York P. S. Commission for authority to issue and sell $30,000,000 of first and refunding mortgage bonds, series L, due May 1, 1986. **Proceeds**—To repay short-term bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Morgan Stanley & Co. **Bids**—Expected to be opened on or about May 22. **Registration** — Scheduled for about April 24.

Consolidated Natural Gas Co. (7/25)
March 15 it was announced company plans to issue and sell $30,000,000 of debentures due 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and The First Boston Corp (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly). **Bids**—Expected to be received on July 25.

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.

Consumers Power Co.
April 7 it was reported company plans to issue and sell $30,000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly). **Offering**—Expected in the Fall.

Crane Co., Chicago, Ill.
F. F. Elliott, President, on March 18 stated in part: "To meet the cost of present proposed capital expenditures, it appears that some additional financing may be necessary." **Underwriters**—Morgan Stanley & Co. and Clark, Dodge & Co.

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.

Detroit Edison Co.
Feb. 20, Walker L. Cisler, President stated that "tentative plans are that about $60,000,000 will be obtained from investors in 1956. Internal funds and bank borrowings will probably provide for the remainder of the $95,000,000 necessary this year to carry forward the company's program of expansion of facilities." Financing may be in form of 15-year debentures to common stockholders. **Underwriters**—None. **Offering**—Tentatively expected in June.

Dolly Madison International Foods Ltd.
Nov. 15 it was announced that Foremost Dairies, Inc. intends at a future date to give its stockholders the right to purchase its Dolly Madison stock. **Underwriter**—Allen & Co., New York.

Du Mont Broadcasting Corp.
Aug. 10 it was announced that corporation, following issuance on Dec. 2 to stockholders of Allen B. Du Mont Laboratories, Inc. of 944,422 shares of common stock as a dividend, contemplates that additional shares will be offered to its stockholders. This offering will be underwritten. Kuhn, Loeb & Co. and Van Alstyne, Noel & Co. handled Du Mont Laboratories class A stock financing some years ago. Stockholders of Laboratories on Oct. 10 approved formation of Broadcasting firm.

Dubl-Check Corp. (5/4)
April 9 it was reported company plans to issue and sell 5,870 shares of preferred stock and 5,870 shares of common stock in units of one share of each class of stock. **Price**—$51 per unit. **Business**—Check cashing service, whereby a coin operated camera photographs the check casher. **Underwriter**—Talmage & Co., New York.

● **Erie RR. (5/16)**
Bids will be received by the company up to noon (EDT) on May 16 for the purchase from it of $6,225,000 equipment trust certificates to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **First National Trust & Savings Bank, San Diego, Calif. (4/27)**
April 4 it was announced Bank plans to offer to its stockholders the right to subscribe for 43,200 additional shares of capital stock (par $10) on the basis of one new share for each 10 shares held as of April 27 (following payment of a 100% stock dividend); rights to expire on May 18. Stockholders will vote April 25 on approving the new financing, etc. **Price**—$31 per share. **Proceeds**—To increase capital and surplus. **Underwriters** — Dean Witter & Co., Blyth & Co., Inc., William R. Staats & Co. and Dewar & Co., all of San Diego, Calif.

First Pennsylvania Banking & Trust Co. (6/7)
March 27 it was announced Bank plans to offer to its stockholders 202,800 additional shares of capital stock (par $10) on the basis of one new share for each 10 shares held on or about May 28; rights to expire on June 22. **Price** — To be established later. **Proceeds** — To increase capital and surplus. **Underwriters**—Drexel & Co., Philadelphia, Pa., and Merrill Lynch, Pierce, Fenner & Beane and Smith, Barney & Co., both of New York City. **Meeting**—Stockholders will vote May 28 on increasing authorized capital stock from 2,028,000 shares to 2,230,800 shares.

Flo-Mix Fertilizers Corp., Houma, La.
Dec. 12 it was reported early registration is expected of 159,000 shares of common stock. **Price** — Probably $5 per share. **Underwriters**—Fairman, Harris & Co., Inc., and Straus, Blosser & McDowell, both of Chicago, Ill.

Florida Power Corp. (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.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly). **Bids**—Expected July 11. **Registration**—Planned for June 14.

● **Fort Worth National Bank**
April 17, the bank offered to stockholders of record April 17, 1956 the right to subscribe on or before May 3, 1956 for 150,000 additional shares of common stock (par $10) on the basis of one new share for each 4⅔ shares held. **Price**—$22.50 per share. **Proceeds**—To increase capital and surplus. **Office**—Fort Worth, Texas. **Underwriters** — Dallas Union Securities Co. and First Southwest Co., both of Dallas, Texas.

General Acceptance Corp.
April 2 it was reported company plans to issue and sell $15,000,000 of debentures due in 1966, $10,000,000 of capital debentures due in 1971 and about $3,500,000 of common stock. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York. **Registration**—Expected late in April.

General Electric Co.
April 2, John D. Lockton, Treasurer, announced that the company plans to issue and sell in the late Spring $300,000,000 of straight sinking fund debentures. **Proceeds**—To retire bank loans and for capital expenditures and working capital. **Underwriters** — Morgan Stanley & Co. and Goldman, Sachs & Co., both of New York.

General Public Utilities Corp.
April 2, A. F. Tegen, President, said that the company plans this year to issue and sell $28,500,000 of new bonds and $14,000,000 of new preferred stock. It is also possible that a new issue of common stock will be offered for subscription by common stockholders before April, 1957. **Proceeds**—To repay bank loans, etc., and for construction program.

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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.

● **Giannini (G. M.) & Co., Inc., Pasadena, Calif.**
April 11 it was reported company plans to issue and sell 100,000 shares of convertible preferred stock (par $20). **Proceeds**—For working capital. **Underwriters**—G. H. Walker & Co., St. Louis, Mo., and Hill, Richards & Co., Los Angeles, Calif.

Hawaii (Territory of) (4/26)
Bids will be received up to 10 a.m. (EST) on April 26, at the office of the Bankers Trust Co., 46 Wall St., New York, N. Y., for the purchase from the Treasurer of the Territory of Hawaii of $7,500,000 public improvement bonds, series A, dated May 1, 1956, and to mature $417,000 on May 1, of each year from 1959 to 1975, inclusive, and $411,000 on May 1, 1976.

Honolulu (City and County of) (4/26)
Bids will be received on April 26 for the purchase of $2,000,000 water supply revenue bonds, due May 15, 1962 to 1986, inclusive.

Houston Texas Gas & Oil Corp., Houston, Texas
Feb. 29 it was announced an application has been filed with the FPC for permission to construct a 961 mile pipeline system to cost $105,836,000. **Underwriters**—May be Blyth & Co., Inc., San Francisco, Calif.; and Scharff & Jones, Inc., New Orleans, La.

Illinois Power Co.
March 1 it was reported company may issue about $25,000,000 of debt securities. **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.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman, Ripley & Co. Inc. and Glore, Forgan & Co. (jointly); Union Securities Corp.

Indianapolis Power & Light Co.
March 21 it was announced company has applied to the Indiana P. S. Commission for authority to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Blyth & Co., Inc.; Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp. (jointly); W. C. Langley & Co., White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co.; Equitable Securities Corp.; Hemphill, Noyes & Co. and Drexel & Co. (jointly). **Bids**—Expected in June.

Jersey Central Power & Light Co.
Feb. 6 it was reported company may later in 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.

Kaiser Steel Corp.
March 30 it was reported that company is studying financing plans for its new major expansion program to involve approximately $113,000,000. Terms have not yet been agreed upon. **Underwriter**—The First Boston Corp., New York.

★ **Kaman Aircraft Corp.**
April 16 it was reported an offering is expected in May of approximately 30,000 shares of common stock. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

★ **Kansas City Power & Light Co.**
April 6 it was announced stockholders will vote April 24 on increasing bonded indebtedness of the company by $20,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). Amount and timing has not yet been determined.

Kansas Power & Light Co.
March 21 it was reported company may soon offer additional common stock to common stockholders on a 1-for-10 basis. **Underwriter**—The First Boston Corp., New York.

Kay Lab., Inc., San Diego, Calif.
March 26 it was reported company plans to sell between $900,000 and $1,000,000 common stock early in May. **Underwriter**—Shearson, Hammill & Co., New York and Los Angeles. **Registration**—Expected in April.

Kern Mutual Telephone Co., Taft, Calif.
March 12 it was reported company plans to issue and sell 12,000 shares of preferred stock (par $25). **Proceeds**—To redeem outstanding 6% preferred stock, to repay bank loans and for improvements, etc. **Underwriter**—Central Republic Co., Inc., Chicago, Ill.

Kimberly-Clark Corp., Neenah, Wis.
Nov. 22 it was announced that the company plans further financing, the nature and extent of which has not yet been determined, except it is not the present intention to sell additional common stock. **Proceeds**—To be used to pay for further expansion, estimated to cost an additional $37,000,000. **Underwriter**—Blyth & Co., Inc., New York.

Lone Star Steel Co.
Jan. 24, E. B. Germany, President, announced that the company plans the private and public sale of new securities during the first half of the current year. **Proceeds**—To retire indebtedness of company held by the RFC and the Treasury Department. **Underwriters**—Probably Dallas Rupe & Son; Estabrook & Co.; and Straus & Blosser.

Maine Bonding & Casualty Co.
Feb. 4 it was announced that the company plans to offer to its common stockholders on a 3-for-7 basis an additional 30,000 shares of common stock (par $10). **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.

● **Metropolitan Edison Co.**
Feb. 6 it was reported that company is considering the sale of additional first mortgage bonds later this year. (probably about $5,000,000 — in June or July). **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.

★ **Metropolitan Edison Co.**
April 16 it was reported company may issue in June or July, depending upon market conditions, about $5,000,000 of preferred stock (in addition to about $5,000,000 of bonds). **Underwriter** — For preferred stock also to be determined by competitive bidding. Probable bidders: Smith, Barney & Co. and Goldman, Sachs & Co. (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and Drexel & Co. (jointly); The First Boston Corp.

National Steel Corp.
March 12 the company announced that it is estimated that total construction expenditures planned to start in the current year and to be completed in mid-1959 will amount to a minimum of $200,000,000. **Underwriters**—Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.; and The First Boston Corp.

Natural Gas Pipe Line Co. of America
Feb. 20 it was reported company plans to issue and sell late this Spring $35,000,000 of first mortgage bonds due 1976. **Underwriter**—If determined by competitive bidding, the following may bid: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly).

New England Electric System
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, Chicago & St. Louis RR. (5/8)
Bids are expected to be received by the company on May 8 for the purchase from it of $4,650,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Northern Indiana Public Service Co.
March 13 it was reported company plans to spend about $52,000,000 for new construction in 1956 and 1957 ($29,000,000 in 1956 and $23,000,000 in 1957). Of the total about $30,000,000 will be obtained from new financing, the type of which has not yet been determined. **Underwriter**—For any preferred stock, Central Republic Co. Inc., Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly). Bonds may be placed privately.

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.

★ **Norway (Kingdom of)**
April 17 it was announced a registration statement will be filed next week covering a proposed issue of $10,000,000 to $15,000,000 of 15-year bonds. **Price**—To be named later. **Proceeds**—Together with $15,000,000 to $20,000,000 of borrowings from the World Bank, for construction of a large hydro electric power plant. **Underwriters**—Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.; Lazard Freres & Co., and Smith, Barney & Co. and associates.

Offshore Gathering Corp., Houston, Texas
Nov. 18 David C. Bintliff, President, announced company has filed an application with the Federal Power Commission for a certificate of necessity to build a 364-mile submarine gas pipeline off-shore the coast of Louisiana from the Sabine River to the Gulf Coast of the State of Mississippi. It is estimated that this gathering system will cost approximately $150,000,000. Type of financing has not yet been determined, but tentative plans call for private sale of first mortgage bonds and public offer of about $40,000,000 of securities (probably notes, convertible into preferred stock at maturity, and common stock). **Underwriter**—Salomon Bros. & Hutzler, New York.

Pacific Northwest Pipeline Corp.
March 20 C. R. Williams, President, announced that about 280,000 shares of common stock (par $1) are to be sold in connection with subscription contracts which were entered into at the time of the original financing in April of 1955. **Price**—$10 per share. **Proceeds**—Together with funds from private sale of $35,000,000 additional first mortgage bonds, and $10,000,000 of 5.6% interim notes and borrowings from banks, will be used to construction program. **Underwriters**—White, Weld & Co.; Kidder, Peabody & Co.; The Dominion Securities Corp.; and Union Securities Corp. **Registration** — Expected soon.

Pan Cuba Oil & Metals Corp. (Del.), New York City
April 9, Walter E. Seibert, President, announced that company will soon file a registration statement with the SEC preparatory to an equity offering planned to take place later this year. **Business**—To explore, drill and operate oil, gas and mineral properties in the United States, Cuba and Canada. **Office**—120 Broadway, New York, N. Y.

Pennsylvania Electric Co. (5/15)
March 15 it was reported company plans to issue and sell about $25,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.; Harriman Ripley & Co. **Bids**—Expected to be received on May 15.

Pennsylvania Electric Co. (5/15)
March 15 it was reported company proposes issuance and sale of $9,000,000 of preferred stock early next year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Kuhn, Loeb & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Smith, Barney & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received on May 15.

Public Service Co. of New Hampshire
Feb. 25, it was reported company plans to issue and sell $8,000,000 of first mortgage bonds. **Proceeds** — To pay cost, in part, of construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co. and Blyth & Co. Inc. (jointly); Equitable Securities Corp.; White, Weld & Co.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Lehman Brothers. **Bids** — Expected sometime in June.

★ **Public Service Electric & Gas Co.**
April 16, Lyle McDonald, Chairman, estimated that requirements for new capital this year will be approximately $80,000,000 to $85,000,000. The types and amounts of the new securities to be issued and the time of sale have not been determined. **Proceeds**—To help finance construction program. **Underwriters**—For any preferred stock—Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. For any debenture bonds—may be determined by competitive bidding; probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co., and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly).

Reading & Bates Offshore Drilling Co.
March 29 it was reported early registration is expected of about 160,000 shares of common stock. **Underwriter**—Hulme, Applegate & Humphrey, Inc., Pittsburgh, Pa.

● **Reading Co. (5/24)**
April 5 it was reported company plans late in May to issue and sell $6,600,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Rochester Gas & Electric Corp.
March 21 it was announced stockholders will vote May 16 on approving a proposal to increase the authorized preferred stock by 100,000 shares. **Underwriter** — The First Boston Corp.

● **Sierra Pacific Power Co.**
April 12 it was announced company is planning to offer 62,576 additional shares of common stock to its common stockholders on a 1-for-10 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). (See also under "Securities in Registration" in a preceding column.) **Underwriters** — May be Stone & Webster Securities Corp. and Dean Witter & Co. if exemption from competitive bidding is obtained.

Southern California Gas Co. (5/23)
Jan. 30 it was reported company plans to issue and sell $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). **Bids**—Expected to be received on May 23.

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.

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.

Taylor Fibre Co., Norristown, Pa.
April 9 it was reported registration is expected early in May of sufficient common stock to raise approximately $500,000. **Proceeds**—To a selling stockholder. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

Tennessee Gas Transmission Co.
Jan. 28 it was reported company may later this year sell $50,000,000 of bonds. **Underwriters**—Stone & Webster Securities Corp., White, Weld & Co. and Halsey, Stuart & Co. Inc.

Thiokol Chemical Corp.
April 9 it was reported company may issue and sell some additional common stock this year. Stockholders will vote April 19 on increasing the authorized common stock by 500,000 shares to 1,000,000 shares. **Proceeds**—For expansion. **Underwriter**—Probably Lehman Brothers, New York.

★ Transcontinental Gas Pipe Line Corp.
April 17, Tom P. Walker, President, announced that negotiations had been completed for the sale of $40,000,000 first mortgage pipe line bonds in May and $20,000,000 of debentures in November. May be placed privately. **Proceeds**—To retire presently outstanding $60,000,000 bank loan.

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 Life Insurance Co. of New York (6/20)
April 12 it was announced stockholders will vote May 14 on changing the capital stock from 250,000 shares of $4 par value to about 1,100,000 shares of $2 par value, in order to effect a two-for-one stock split, provide for payment of a 100% stock dividend and the sale to stockholders of 100,000 additional shares on the basis of one new share for each two shares to be held. Continental Casualty Co., which owns 51% of the presently outstanding stock will reduce its holdings and Continental Assurance Co., which owns about 24% would sell shares to stockholders. **Underwriters**—William Blair & Co., Chicago, Ill., and The First Boston Corp. and Carl M. Loeb, Rhoades & Co., both of New York. **Registration**—Expected about June 1. **Offering**—Tentatively planned for June 20.

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.

Wells Fargo Bank, San Francisco, Calif.
April 11 the Bank offered its stockholders of record April 9 the right to subscribe for 100,000 additional shares of capital stock (par $20) on the basis of one new share for each 4½ shares held; rights to expire on May 9. **Price**—$75 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Dean Witter & Co., Blyth & Co., Inc., and The First Boston Corp.

White Eagle International Oil Co.
April 2 it was reported company plans to register a common stock offering. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

Our Reporter's Report

Now that the monetary authorities have taken action confirming the recent hardening of basic money rates, corporate borrowers and investment bankers may be able to calculate with a bit more assurance what is in store for the new issue market.

There is some indication that institutional buyers of new securities, who have been adamant in their stand for more liberal yields over a period of months, are now disposed to look a bit more kindly on the general situation.

Certainly they have made their point, so far as current yields are concerned when it is noted that the average yield for recognized Double A rated obligations is now well up between 3.60% and 3.70%.

Those who contact these bit portfolio managers feel that they are resurveying the general investment picture with the likelihood that they may be more receptive to new wares that are slated for market unless borrowers decide to hold expansion plans in abeyance.

It will be recalled, however, that some potential borrowers a year or more back, balked when money hardened and turned to bank loans in the hope that the market would snap back and permit funding of such debts on relatively favorable basis.

But the gradual and persistent firming since that time has been reflected in the cost of borrowing. Whether corporate fiscal officials will want to risk another turn of the wheel remains to be seen. Some of the holdouts, however, appear reconciled to the basic change in money rates and are proceeding with their plans.

Bonds vs. Mortgages

There comes a time, in circumstances such as now prevail, when institutional interests find that the element of "marketability" in an investment must be accorded a real degree of value.

With Double A corporates offering yields of 3.6% to 3.7% as against an average return of 4.5% on money put into mortgages, this phase naturally begins to take on real importance.

Such institutions, for their own protection, are disposed to aim for a given ratio of "liquidity" in their holdings. In view of the prevailing relationship between corporate bonds and mortgages, from a return basis, large-scale investors may, it is ventured, be expected to look with more interest toward bonds for a change.

Readjustment Harsh

Bidders for new securities will be operating from a new plane of values in the wake of the latest monetary changes. Some of those who took down new bonds recently were caught far off base on reoffering.

A number of sponsoring syndicates decided to turn such offerings loose with consequent settling of the bonds well off the initial price.

Latest in that category is the group which brought out Kentucky Utilities Co.'s recent $10 million of 3¾% bonds at a price of 101.447. When freed from syndicate the bonds dipped quickly to 97¾ bid and 98¼ asked.

Southern Calif. Edison

Southern California Edison Co.'s $40 million of new 25-year, first and refunding mortgage bonds, first big issue to reach market after the latest adjustment in money rates, mirrored the confusion prevalent even in investment banking circles.

With four groups bidding for the issue, the successful contingent took the bonds down as 3⅝s at a price to the company of 99.2799. The other three bids for the issue as 3¾% ranged from 99.08 down to 98.125.

Reoffering is being made at a price of 99.106 for an indicated yield of 3.68%. To illustrate the change in conditions within two years, it is interesting to note that the company was in the market twice in 1954, borrowing the first time on a 2½% coupon rate while its second loan was floated with a 3% charge.

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World Experience With Freedom And the Karl Marx Way of Life

struction on behalf of the Allied Governments.

The third time was 19 years later when in 1938 I visited most of them to study why many of them had gone Fascist.

The fourth time was eight years later, in 1946, when all but one of these eight states had gone Communist and that one was on the way. That contact with most of them was on a mission on behalf of the United States Government to relieve the great postwar famine.

The First Stage of Their Descent Toward the Abyss

We may first examine the forces in motion in their descent to Fascism. There was a pattern roughly common to all of these nations, except one, in their descent from freedom into the Fascist furnace of human rights. It was not always parallel in timing or in sequent steps.

All these nations made progress in every avenue of life during their early years of freedom after the First World War. But at once the Socialists and their various cults and fronts and the Communists organized fractional political parties with representation in their parliaments. The Socialists professed dislike for the Communists, but they joined them in advocating nationalization of industry, and one of their joint slogans was "managed economy." Pressure groups of farmers, of labor, of business grew apace, each seeking parliamentary representation. With these fractional political parties came the next phase. That was impotent parliamentary coalition governments.

The net result of this stage was to create hesitation, uncertainty and fear in every avenue of free enterprise. It made impotent the individual judgment of men. These poisons weakened the initiative, the vitality and the productivity of their people. Unemployment became chronic. More and more Statism was injected as its remedy. Coalition governments could agree only on more spending in frantic efforts to care for the unemployed. Debts, taxes and inflation grew apace.

Seven of the Eight Nations Go Fascist

With all these confusions the people themselves, except in Czechoslovakia, welcomed a strong or mild Fascist man-on-horseback with his beatific promises. The Fascists bitterly denounced the Communists but they embraced much from Karl Marx in their programs. And private enterprise was still further eroded away by regimentation.

The Eight Nations Go Communist

Just before the Second World War, Stalin took the three Baltic States with their mild Fascist governments into his Communist bosom by violence. In the latter stages of the war, as Stalin's armies moved westward following the defeated Germans, he set up provisional governments in four more of these nations. He agreed with the Western Allies that their ministries should include representation of all the "democratic elements" in addition to the Communists. But when it all washed out, the only so-called "democratic elements" in these ministries were picked selections from legalistic Socialists. And even these have been expelled or executed.

The last of these nations to go under was Czechoslovakia. It had followed all the patterns except full Fascism. It finally fell by a coalition of the extreme Socialists and Communists which seized the Ministry and the "democratic elements" escaped or were assassinated or imprisoned.

One cannot say that the legalistic Socialists or their cults and fronts were wholly responsible for the descent of these eight nations into the Communist pit.

But one thing is certain—and that is that from the beginning of their independence, the Socialists and their cults joined with the Communists to sabotage free men. Certainly the Socialists helped to build the boarding ladders by which the Communist pirates took over the Ship of State. And perhaps the ghost of the Atlantic Charter, by which those nations were assured freedom, now listens to the clank of their chains.

Our Western Hemisphere Experience

I believe that if looked at broadly there is a proof of these conclusions within the Western Hemisphere itself. I think you will find it is a fairly general rule that those of our countries which have the highest standard of living and freedom have today shed the most Statism. Each of you can name these States for yourself.

The Net of our World Experience

Thus, there are some conclusions that we might learn from these years of world experience with the Karl Marx virus-infected civilization.

Despite many setbacks and all the disguises of Karl Marx, we in this Hemisphere have in the main sustained the dynamic incentives and creative energies of regulated economic life. We have thereby made it a better place for the masses of our people to live than anywhere else in the world.

Certainly the exhibits of Karl Marx elsewhere would not indicate that his philosophy has anywhere produced a Utopia.

What of Religious Faith?

There is far more to all this than just economics. Some people seem to forget that the primary dogma of Karl Marx was atheism and substitution of economic materialism for religious faith. It denies the existence of God. It defiles the ideals and spirit of men.

For six thousand years, since the beginning of recorded time, every civilized race has believed in a Supreme Being. They have realized that the laws which control the orderly movement of the stars were not economic materialism.

Religious faith is deeply imbedded in our Western Hemisphere civilization. The Sermon on the Mount established the transcendent concept of compassion and good will among men. From those principles have come our moral foundations, our obligations as our brothers' keepers, and our respect for the dignity of man.

I would not have you think that I believe our civilization is perfect, or that we do not have a multitude of problems, if we would improve the life and invigorate the spirit of our peoples. But these problems can be solved only by free men. And I prefer to go forward with the philosophy of Christ to that of Karl Marx.

The Future of Our Hemisphere

And there are mighty hopes before us.

The last dozen years have seen advances in science, invention and technology which amount almost to revolution in our life and world relations.

If we maintain free minds, free spirits, and direct our steps aright, still other new horizons and new frontiers will open to us. New scientific discoveries, new inventions and new applications of old knowledge will come to us daily.

These new frontiers give us other blessings. Not only have they taken great burdens from the backs of men and expanded the standards of living of all our people. They have opened new opportunities and new areas of adventure and enterprise. They open new vistas of beauty. They also unfold the wonders of the atom and the heavens. Daily they prove the reality of an all-wise Supreme Giver of Law.

Sales Reports

Dealer sales of new shares of The Putnam Fund during the first quarter of 1956 increased 67% over the same period last year, a total of $5,419,122 exclusive of dividend reinvestments. With repurchases for the period down 35%, the amount of net new money entering the Fund represented an increase of 208% over the first quarter of 1955.

Selected American Shares sales in the first three months of 1956 rose to $3,144,752, the largest volume recorded for any first quarter in the history of the fund, and an increase of 112% from the first quarter of last year, according to Harry L. Sebel, President of the fund's sponsor.

Axe-Houghton's three mutual funds report sales running sharply ahead of last year. Preliminary figures show a total dollar volume of $8,450,046 for the first quarter of 1956, which is almost 40% of the total for the entire year of 1955 and more than 50% of the 1954 total, according to Emerson W. Axe, President.

Mutual Funds

By ROBERT R. RICH

Fundamental Surveys Holders

The trend toward investing in common stocks is apparently more pronounced among institutions and trustees than among individual investors. This fact was indicated by a survey of more than 69,000 persons, corporations, institutions, trustees and others who owned shares of Fundamental Investors at the 1955 year end.

Commenting on this and other findings disclosed by the study, Hugh W. Long, President of Fundamental Investors, pointed out that institutional investments in the fund over the past five years have shown a rate of increase 20% greater than that of investments by individuals.

Mr. Long adds that to some extent this accelerated growth is a result of "prudent man" and other enabling legislation enacted by various states over the same five-year period. Such legislation permits at least a part of the funds administered by fiduciaries to be invested in common stocks.

Mr. Long said the survey further revealed that many institutions and fiduciaries favor investments in mutual fund shares over other forms of investing. This, he held, represented a particularly noteworthy finding since the aggregate funds available to these groups are, in most cases, of sufficient size to allow them to diversify their invested capital and secure their own professional management.

The study disclosed, for example, that financial institutions—banks, insurance companies and foundations—are among the largest investors in Fundamental Investors, with individual holdings ranging up to $800,000 and above. Corporate investments in the Fund amount to almost $8 million, with single accounts ranging in value to $600,000.

Other institutional shareholders include churches and ecclesiastical organizations, hospitals, homes, universities, colleges and schools.

Together with holdings of trustees, estates and guardians, total institutional investments in the Fund amounted at the 1955 year end to more than $38 million—equivalent to slightly more than 11% of all Fundamental Investors' shares then outstanding.

Van Strum Now Blue Ridge Adviser

Shareholders of Blue Ridge Mutual Fund, Inc. have approved the appointment of Van Strum & Towne, Inc., investment counsel firm, as investment adviser to the fund, according to Mr. Milan D. Popovic, president. The appointment is effective May 1. Mr. Popovic also reported that King Merritt & Co., Inc., specializing in the retail distribution of mutual funds, had been appointed a distributor for Blue Ridge.

Concurrently Mr. Kenneth S. Van Strum, president of Van Strum & Towne, Inc., announced that Mr. Popovic had been elected a vice-president of the counsel firm. Mr. Popovic has been affiliated with Blue Ridge in various capacities for twenty-five years and is now its president and a director.

Putnam Changes Sales Charges

Putnam Fund Distributors, Inc. has announced revised sales charges and dealer discounts, effective with the new Putnam Fund Prospectus dated April 10, 1956. The new schedule, with increases on sales under $25,000, is as follows:

Amount of Sale at Offering Price	Sales Charge	Dealer Commission
Less than $10,000	8.0%	6.0%
$10,000-$24,999	7.5	6.0
$25,000-$49,999	5.5	4.5
$50,000-$99,999	4.0	3.2
$100,000 and up	3.0	2.4

Group Revises Periodic Plan

In a revision of its periodic remittance plan, Group Securities now offers an optional method whereby payments to shareholders in excess of approximate income rates can be related to a proportion of shares held in the account.

The purpose of the optional feature is that any share liquidation may thereby be in a "controlled and designated proportion of those held," thereby "eliminating the risk of consuming more than was contemplated by reason of sale at lower market levels to meet a fixed dollar payment."

In a report describing the new feature that was mailed by Distributors Group, Inc. to investment dealers, the point is made that the revised periodic remittance plan does for the intelligently planned use of principal what the periodic investment plan does for its building.

It permits the basic investment position to be taken soundly—without unwise pressures for a higher current return than can prudently be secured, with any necessary payments thereafter paid from principal on a regular basis throughout the year—with full disclosure, but no bother.

This statement is related to the fact that the mutual fund shareholder has a distinct advantage over the individual securities buyer in that he may conveniently "add to" or "take from" his total investment without disturbing the proportionate holdings of the underlying investment.

Through Group's plan payments can be regularized at a planned rate with any excess of income or capital gain distributions reinvested at asset value, and with complete information sent to both the shareholder and the dealer at the time of each payment.

Tri-Con Assets Top $300 Million

Tri-Continental Corporation, the nation's largest diversified closed-end investment company, passed another nine-figure milestone with net investment assets at a record $300,016,756 at March 31, it was reported by Francis F. Randolph, Chairman of the Board and President.

The new peak was up from $278,027,599 at the first of the year, and was an increase of $21,989,157 after payment of the extra dividend of 50 cents per share on the common stock on Feb. 24, the Chairman disclosed. The 1956 figure was about 24% higher than net investment assets of $242,032,305 on March 31, 1955.

Value of portfolio investments rose $15,585,468 in the first quarter, and the $6,403,689 balance of the increase in net investment assets represented new funds received for 360,577 shares of common stock issued upon exercise of 283,919 warrants, Mr. Randolph stated.

Common stock asset value was $43.35 per share on 4,798,541 shares on March 31, after provision for possible taxes on unrealized appreciation, and was up from $42.54 on 4,437,964 shares at the beginning of the year. The increase was limited, Mr. Randolph pointed out, by the large exercise of warrants and to lesser extent by payment of the extra dividend.

Net investment income for the quarter was $2,095,838, about 19% larger than the $1,753,563 of the corresponding period in 1955. The Chairman attributed the increase to higher dividend payments on many portfolio stocks and to income earned by new funds received for common stock issued upon exercise of warrants. The first quarter dividend of 30 cents was the same amount declared in the corresponding quarter of 1955 on 610,213 fewer shares of common stock then outstanding.

Eaton & Howard Assets Now Total $239 Million

Combined assets of the two Eaton & Howard mutual funds were at new high of $239,046,116 on March 31, 1956, compared with $189,437,073 a year ago.

Eaton & Howard Balanced Fund quarterly report, issued to 25,070 shareholders, shows assets of $176,390,190, an increase of $28,707,581 during past 12 months. Shares outstanding on March 31, 1956, totaled 7,787,708 compared with 7,366,259 on March 31, 1955. Value per share was $22.65 on March 31, 1956, compared with $20.05 a year ago. Common stocks totaled 70.7% of Fund on March 31, 1956; 9.9% was invested in preferred stocks; 13.4% in corporate bonds; 6.0% in cash, U. S. Government bonds and short-term notes. Largest common stock holdings by industries were oil (17.0%); power & light (10.0%); insurance (5.3%); chemical (5.2%); banking (4.6%).

Eaton & Howard Stock Fund quarterly report, issued to 11,652 shareholders, shows assets of $62,655,926, an increase of $20,901,462 during past 12 months. Shares outstanding on March 31, 1956, totaled 2,991,741 compared with 2,334,602 on March 31, 1955. Value per share was $20.94 compared with $17.89 a year ago. Common stocks totaled 86.6% of Fund on March 31, 1956; 0.9% was in preferred stocks; 12.5% was in U. S. Governments, short-term notes and cash. Largest stock holdings by industries were oil (15.3%); insurance (8.2%); power & light (7.6%); chemical (7.3%); natural gas (5.2%).

United Income fund had net assets March 31 of $152,623,701, equal to $10.52 a share, against $116,546,955, or $9.07 a share, a year earlier. The fund has net investment income of $1,201,636 and securities profits of $1,751,477 for the quarter, against investment income of $1,050,636 and securities profits of $2,216,436 a year before. The number of shares outstanding was 14,505,707 against 12,858,740.

United Accumulative fund's net assets were $95,401,596, equal to $11.69 a share, compared with $55,861,933, or $9.72 a share. Investment income was $656,509, against $462,599; securities profits were $1,055,881, against $1,059,979. The number of shares outstanding was 8,158,354 against 5,744,318.

United Science fund's net assets were $34,393,752, equal to $11.22 a share, against $25,170,482, or $9.21 a share. Investment income was $168,245, against $137,128; securities profits totaled $303,810, against $648,514. The number of shares outstanding was 3,064,279 against 2,731,948.

United Continental funds' net assets were $24,143,816, equal to $8.32 a share, against $15,145,680, or $6.94 a share. Net investment income was $180,163, against $118,481; securities profits were $479,287, against $323,411. The number of shares outstanding was 2,903,213 against 2,180,910.

Sovereign Investors reporting as of March 31, 1956 shows record high figures in total net assets, number of stockholders and shares outstanding. Assets were $1,712,236.37 compared with $1,325,165.30 March 31, 1955 or a net gain of 29% for the period. The net asset value per share increased from $11.50 per share on March 31, 1955 to $13.28 on March 31, 1956, an increase of 15%.

Railroad Securities

By GERALD D. McKEEVER

Pennsylvania Railroad

Just three weeks ago Pennsylvania RR. Co. stock made lots of news, advancing over three points to the inter-day high of 28 on March 29, and closing at 27⅝ for a gain of 3¼ points on that day on heavy volume. It closed at the same price on the following day, but has since executed a partial but orderly retreat. Nevertheless this stock is still some two points higher than it had been selling before the apparent discovery of recondite values that caused the sudden buying rush.

The term **recondite values** is used because so often students of a situation—not necessarily among the Rails—become intrigued by the fact that market prices of securities seem to take no cognizance of certain classic statistical measures of value. This is particularly the case with railroad securities, however, with such measures as "book value per share" or the per share value of certain special assets which could not be disposed of without impairment of the road's well-being, or, the per share value of expenditures for additions and betterments and modernization, which unfortunately, as it has turned out, have not contributed proportionately to an increase in earning power.

On the latter point, for instance, it is stated that the Pennsylvania RR. has spent $1.1 billion on additions and betterments and modernization since 1947. This includes dieselization in which this road was a late starter, but is now the major owner of diesel locomotives, with a fleet of 2,055 units representing 2,849,370 hp including the 71 additional units referred to in the road's 1955 report. However, the unhappy truth is that, for all this $1.1 million investment since 1947, or the fabulous figure of $83.50 per share on the road's 13,167,754 shares of stock, the $3.13 per share earnings of 1955 were only pennies better than the $2.89 per share earned in 1948. Furthermore, if we give effect to the 1955 tax deferral due to accelerated amortization which amounted to about $12.5 million, or to about 95 cents per share, the 1955 showing would fall far short of the earnings for 1948 when this program was just beginning.

This is no indictment of the Pennsylvania RR. at all. All railroads are beset with a similar handicap due to mounting costs that make huge capital expenditures a "must" rather than a plus factor, and which, in many cases leave the roads little or no better off earningswise than they had been. The reverse side of the coin is, of course, that if this money had not been so spent, the roads would have been in real trouble by this time. For instance, it was recently stated by the President of the Chesapeake & Ohio that if the road had not been dieselized to the extent it was in 1955, its operating costs would have been 25% higher. If, for the sake of a rough calculation, we apply this ratio to total Class I railroad operating expenses for 1955 some 20% of the $925 million net income of the group for the year would have been wiped out. Applying the same ratio to the Pennsylvania, which is subject to the error, of course, that this road has a considerably higher operating expense ratio than the C. & O., the Pennsylvania RR. would have shown a deficit of some $150,000,000 rather than the $41,184,000 net income which it did report, and which was the best since 1945.

To have avoided such disaster by wise planning and wise spending is a most creditable achievement of the road's management. It is nevertheless a fallacy to consider this additional investment in the light of a "plus factor" for the equity. The stock of any concern is worth to the investor as much as it can earn and pay presently or prospectively unless the concern is in full or partial liquidation. If the management has to spend more to make the stock a worthwhile investment, that adds nothing to its practical value as long as the company continues to be an operating concern.

The Pennsylvania RR. is a vast complex as to corporate structure, in spite of steps that have been taken to simplify it. In the past three years the road has reduced the number of its subsidiaries and affiliates from 170 to 110 and last year it disposed of nine water companies which, set up primarily to supply water for steam locomotive operation, were no longer necessary to conduct the road's business. It is planned this year to abolish the "Trust of 1878" which is in effect a holding company for stocks of leased roads in which the Pennsylvania originally had a much smaller ownership than today, and much of which can now be consolidated. The latter simplification will produce no immediate tangible results, but some $6 million was received from the sale of the water companies.

The point of this is that unless the simplification program is to be carried to the extreme by the liquidation or spin-off of such valuable holdings as the road's 45% ownership of Norfolk & Western common or (through its 100% owned Pennsylvania Company) 56% of the preferred and over 99% of the common of the Wabash, the value of these holdings is not realizable. Furthermore, if they were disposed of, the earnings of the road would suffer and the stock would be worth less accordingly. It is thus a rather impractical "statistic" to set the per share book value of such holdings against the market value of the stock.

So much for the fantasy. The realistic approach is to attempt to evaluate Pennsylvania RR. stock on the basis of prospective earning power and the outlook for dividends and to see if there is anything in this outlook to justify the recent advance in the price of the stock. As mentioned earlier, the Pennsylvania earned $3.13 per share in 1955, and out of this a total of $1.50 per share was paid—25 cents regular in four quarterly payments and 50 cents year-end extra. At the current price of 26¼ the yield will be 5.7% if last year's payments are repeated. This yield is very little better than that of Southern Pacific and almost the same as that afforded by Great Northern at current prices, and neither of these roads has a maturity problem to cause it to stint on dividends and both have a notable growth factor and both are lower cost operations—particularly Great Northern.

Is, then, the price of Pennsylvania stock "discounting" higher earnings and a larger dividend? It is hard to become convinced of this at the present time, and, on the other hand, it appears that it may take "a lot of doing" to do even as well this year as in 1955. Although preliminary estimates appear to indicate that on an annual basis the freight rate increase received March 7, and which amounted to about 5½% for the Pennsylvania, was sufficient to cover by a considerable margin the wage increases that became effective in the last quarter of 1955, only about 80% of the freight rate increase will apply to this year's income. As a result of the two month lag, the Pennsylvania earned only 16 cents per share for the first two months this year as against 23 cents for the corresponding 1955 period.

Moreover, there has been a general increase in expenses, and the road's management has placed the total increase in its costs in the last several months at the rate of $59 million annually as against a $42 million gain in revenues from the freight rate increase, a $17 million gap. However, the roads have applied for a 5% increase in passenger fares, a 7½% increase in Pullman fares and an increase in express rates. This would produce another $5 million annually for the Pennsylvania according to the road's own estimate, but this would still leave a $12 million gap equivalent to over 90 cents per share before taxes—and the latter are being accrued at the rate of only about 15% thus far this year. Thus a reduction in the road's net would seem to be in store unless this gap can be closed by virtue of increased operating efficiency and other cost cuttings.

One source of economy will be the new $25 million Conway yard which will go into full operation late this year. It is estimated that this modern "push button" yard will earn 30% on the investment which would be 57 cents per share before tax, but the eastbound tracks have been in operation since last November, and whatever has been saved has been swallowed up by increases in other expenses. Also a 20% savings is expected on the $12 million Hollidaysburg car shop, or another 18 cents per share on an annual basis, but this giant facility will not go into operation until June. A third source, further dieselization, does not give much room for improvement. Passenger and freight operations are now 99% and 97% diesel or electric, respectively, and yard operations 90%.

A possible source of cost cutting could, of course, be a reduction in the rate of maintenance. The Pennsylvania has not been one of the roads to resort to this unwholesome measure and, as a result, its property is in very good condition. Bad order freight cars are close to the minimum proportion for this road, for instance, and because of the "fat" that has been built up, some retrenchment might be possible. A reduction to 30.5% from the 32.1% rate of 1955 would close the $12 million gap which would otherwise remain after giving effect to rate increases received and applied for. At any rate, the management estimates that the 1956 net will be as good or possibly a little better than the $3.13 per share of 1955.

This by itself does not bespeak a dividend increase and other considerations would make it seem even less likely. In the first place, the road expects to spend more this year on additions and betterments than the $66 million outlay for this purpose in 1955 and which occasioned a $22,381,000 decline in working capital, and, consequently, another decline in this item is expected this year. Secondly, the road will have to provide for the $49 million maturity of the consolidated 4½s in 1960, and even though some thought is being given to a partial refunding via the Pennsylvania Company which has a considerable margin of borrowing power, conservation of cash would seem to be in order.

The Pennsylvania is the Titan of American railroads, operating in 13 states which hold about half the nation's population and it holds the top position among all roads as to total investment, gross revenues and ton-mileage. However, its problems are in proportion to its size, and these include an over-large proportion of passenger service which lost some $50 million last year and contributed to the unwieldy Transportation ratio of 44.4% for 1955, and which jumped to 46.8% in January of this year. It also has the problem of a heavy and complex funded debt structure and a trend of traffic that is less than inspiring. From an investment standpoint, it may be said that the Pennsylvania should be regarded more with profound respect than with too great expectations for the near term. However, the present management is fully aware of the road's problems and is utilizing available means to meet them. This, of course, will take time.

Securities Salesman's Corner

By JOHN DUTTON

Use Your "Chronicle"

If you use your **Commercial & Financial Chronicle,** and other reliable financial publications, they can help you in many ways. We all learn from one another. Reading not only gives you general background, but articles on specific subjects that are written by qualified experts can be a valuable source of material for you in your sales work.

Within the last month I have used material written on a group of attractive growth stocks from an article that appeared in the "Chronicle" in this way: I prepared a list of 10 growth stocks which I liked and took interesting material from this article (not ordinarily available in statistical reports) and set these 10 stocks up on two typewritten sheets. Each paragraph carried a caption naming the particular stock I then wrote a description paragraph about it based upon the information contained in the article. In addition I included a Standard Poor's report on each issue and presented it to several clients who wished to invest in some "growth stocks." The material was interesting and timely and, as for the statistical data, the reports I attached took care of that.

This made a very impressive presentation that was concise and readable, and it helped materially in giving my clients a better understanding of why I favored these particular issues, than if I had just made statistical reports available to them.

There are articles appearing in the "Chronicle" by men who are the very "tops" in the field of security analysis, as well as other phases of finance and business. If you could spend a half hour with the head of research of some of our most outstanding investment firms, I am sure that you and I would be grateful for such an opportunity. If one of these men writes a valuable article for the "Chronicle" you can have a visit with them every week. Knowledge is power — providing it comes from the right source.

And Reprints

Time and again articles and speeches made by authorities on many phases of economics, finance, Federal Reserve policy, and the outlook for various industries appear in the "Chronicle." Reprints can be made of these articles and permission I am sure will be granted by the publishers if any investment firm wishes to do so. Advertisements making this type of information available can uncover some interesting leads for your sales organization. As mailing pieces, they can also be used by salesmen who wish to show a continuing interest in customers, and who realize that the way to build confidence is to demonstrate this by mailing an interesting item to a client.

Some salesmen only get in touch with a customer when they have something to sell. This is a short-sighted policy. Send your customers an informative item occasionally, write a short note on it, and several days later use it as an excuse to make a friendly phone or personal call. Build friendship by showing our customers that you are an investment advisor, interested in their welfare, not just a seller of securities, and you will prosper more. Uncle Sam's mail can help you do this —and so can publications such as the "Chronicle."

Use Your "Chronicle" for Information

It is the well posted man who obtains the confidence of the large investor. If someone asks you about a coming new issue, do you know about it? If not, every week you can find out in a few minutes by the up-to-the-minute data appearing in the "Securities Now in Registration Section" of the "Chronicle." Here you find reports not only on issues registered with the SEC but also those in the all-important "prospective" phase.

How's business? Every week there is a statistical table that will give you the latest "Indications of Business Activity." It is factual, only takes a few minutes to scan this and you have it. "The State of Trade and Industry" column will give you in a nutshell the latest data on employment, production, and general business throughout the country.

There is a list of available Dealer-Broker investment literature—see something you like—just write for it.

And there are standard features every week on government, railroad, public utility securities and Mutual Funds, plus this little piece, which I hope will please my Editor and Publisher this week and will also be helpful to those of you who find something worthwhile in it from time to time.

Manhattan Bond's Portfolio Changes

Manhattan Bond Fund reports the revisions effected in the Fund's investments in the three months from Jan. 1 to April 1, 1956.

The fund's holdings of Baltimore and Ohio Railroad Co. first 5s of 1975 and of the same road's refunding and general 5s of 2,000 were called for payment. Three issues of New Orleans, Texas and Mexico Railroad Co. bonds were exchanged under that company's reorganization plan for Missouri Pacific Railroad Co. collateral trust 4¼s of 1976.

The fund reported that its investments in Southern Railway Company Development and General 6½s of 1956, which matured during the period, were sold in advance of maturity at an average price slightly above maturity value. Added to the fund's holdings were M. Lowenstein & Sons, Inc. Convertible Debenture 4⅜s of 1981 and Fruehauf Trailer Co. Convertible Debenture 4s of 1976.

John Siberell Opens Own Office in South Bend

SOUTH BEND, Ind. — John Siberell is engaging in a securities business from offices in the Sherland Building. Mr. Siberell was previously Vice-President of Albert McGann Securities Co., Inc.

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)	April 22	§99.4	*100.9	99.5	94.6
Equivalent to— Steel ingots and castings (net tons)	April 22	§2,447,000	*2,483,000	2,449,000	2,284,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	April 6	7,171,100	7,149,190	7,162,250	6,811,400
Crude runs to stills—daily average (bbls.)	April 6	¶7,517,000	7,694,000	7,982,000	6,992,000
Gasoline output (bbls.)	April 6	25,579,000	25,444,000	26,628,000	23,434,000
Kerosene output (bbls.)	April 6	2,342,000	2,238,000	2,591,000	2,300,000
Distillate fuel oil output (bbls.)	April 6	12,174,000	12,033,000	13,573,000	11,105,000
Residual fuel oil output (bbls.)	April 6	7,559,000	8,205,000	8,365,000	8,293,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	April 6	197,322,000	198,209,000	195,669,000	183,185,000
Kerosene (bbls.) at	April 6	17,644,000	17,333,000	18,269,000	18,696,000
Distillate fuel oil (bbls.) at	April 6	60,808,000	62,583,000	69,739,000	61,934,000
Residual fuel oil (bbls.) at	April 6	32,651,000	33,896,000	34,865,000	44,620,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	April 7	685,397	724,944	697,601	659,217
Revenue freight received from connections (no. of cars)	April 7	655,544	679,502	690,037	620,034
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	April 12	$529,844,000	$276,501,000	$648,944,000	$272,711,000
Private construction	April 12	376,133,000	156,049,000	473,115,000	133,020,000
Public construction	April 12	153,711,000	120,452,000	175,829,000	139,691,000
State and municipal	April 12	109,657,000	108,750,000	125,526,000	98,221,000
Federal	April 12	44,054,000	11,702,000	50,303,000	41,470,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	April 7	8,640,000	10,280,000	9,525,000	8,200,000
Pennsylvania anthracite (tons)	April 7	462,000	503,000	408,000	*433,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	April 7	104	*122	109	122
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	April 14	10,918,000	10,846,000	11,202,000	9,602,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	April 12	255	217	300	204
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	April 10	5.179c	5.179c	5.179c	4.797c
Pig iron (per gross ton)	April 10	$60.29	$59.71	$59.09	$56.59
Scrap steel (per gross ton)	April 10	$54.83	$53.67	$48.83	$37.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	April 11	46.775c	45.975c	47.525c	35.700c
Export refinery at	April 11	48.100c	47.225c	49.175c	37.325c
Straits tin (New York) at	April 11	99.250c	100.000c	101.375c	91.500c
Lead (New York) at	April 11	16.000c	16.000c	16.000c	15.000c
Lead (St. Louis) at	April 11	15.800c	15.800c	15.800c	14.800c
Zinc (East St. Louis) at	April 11	13.500c	13.500c	13.500c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	April 17	92.34	93.08	94.72	96.50
Average corporate	April 17	105.52	106.21	107.62	109.42
Aaa	April 17	108.34	109.24	111.07	112.93
Aa	April 17	107.44	107.98	109.79	110.88
A	April 17	105.69	106.39	107.62	109.60
Baa	April 17	100.81	101.47	102.46	104.48
Railroad Group	April 17	104.31	105.00	106.21	107.62
Public Utilities Group	April 17	106.39	107.09	108.16	109.97
Industrials Group	April 17	105.69	106.56	108.34	110.52
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	April 17	3.10	3.04	2.90	2.75
Average corporate	April 17	3.42	3.38	3.30	3.20
Aaa	April 17	3.26	3.21	3.11	3.01
Aa	April 17	3.31	3.28	3.18	3.12
A	April 17	3.41	3.37	3.30	3.19
Baa	April 17	3.70	3.66	3.60	3.48
Railroad Group	April 17	3.49	3.45	3.38	3.30
Public Utilities Group	April 17	3.37	3.33	3.27	3.17
Industrials Group	April 17	3.41	3.36	3.26	3.14
MOODY'S COMMODITY INDEX	April 17	422.8	421.4	406.7	401.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	April 7	380,425	291,219	285,879	289,436
Production (tons)	April 7	276,703	290,965	285,170	255,796
Percentage of activity	April 7	94	101	100	95
Unfilled orders (tons) at end of period	April 7	647,160	546,994	588,027	547,884
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	April 13	108.45	108.00	107.33	107.10
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	Mar. 24	1,598,596	1,624,939	1,119,508	1,253,152
Dollar value	Mar. 24	$86,427,561	$85,358,730	$57,805,470	$67,665,162
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 24	1,326,752	1,450,202	958,728	1,143,902
Customers' short sales	Mar. 24	8,383	6,807	4,573	7,983
Customers' other sales	Mar. 24	1,318,369	1,443,395	954,155	1,135,919
Dollar value	Mar. 24	$67,600,841	$74,191,937	$49,085,252	$57,768,454
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 24	296,470	380,650	263,920	314,080
Short sales	Mar. 24	----	----	----	----
Other sales	Mar. 24	296,470	380,650	263,920	314,080
Round-lot purchases by dealers—					
Number of shares	Mar. 24	565,450	554,670	384,600	431,350
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	Mar. 24	569,630	576,590	402,300	491,730
Other sales	Mar. 24	14,546,840	15,927,510	10,657,520	12,553,500
Total sales	Mar. 24	15,116,470	16,504,500	11,059,820	13,045,230
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 24	1,827,630	1,978,180	1,274,210	1,589,320
Short sales	Mar. 24	318,150	337,870	233,500	277,660
Other sales	Mar. 24	1,555,890	1,631,420	1,091,930	1,379,820
Total sales	Mar. 24	1,874,040	1,969,290	1,325,430	1,657,480
Other transactions initiated on the floor—					
Total purchases	Mar. 24	396,990	359,850	256,770	272,680
Short sales	Mar. 24	28,620	19,900	21,400	18,900
Other sales	Mar. 24	366,620	406,980	243,160	260,060
Total sales	Mar. 24	395,240	426,880	264,560	278,960
Other transactions initiated off the floor—					
Total purchases	Mar. 24	654,620	714,080	618,999	475,495
Short sales	Mar. 24	99,630	108,060	65,900	91,570
Other sales	Mar. 24	866,105	801,550	595,295	583,010
Total sales	Mar. 24	965,735	909,610	661,195	674,580
Total round-lot transactions for account of members—					
Total purchases	Mar. 24	2,879,240	3,052,110	2,149,979	2,337,495
Short sales	Mar. 24	446,400	465,830	320,800	388,130
Other sales	Mar. 24	2,788,615	2,839,950	1,930,385	2,222,890
Total sales	Mar. 24	3,235,015	3,305,780	2,251,185	2,611,020
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	April 10	113.4	*113.5	112.5	110.5
Farm products	April 10	88.0	88.4	86.6	94.3
Processed foods	April 10	100.8	*100.8	99.2	102.6
Meats	April 10	76.5	*76.3	70.4	84.2
All commodities other than farm and foods	April 10	121.3	*121.2	120.6	115.7

*Revised figure. ¶Includes 862,000 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 125,828,319 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of January	140,394	140,748	128,203
Stocks of aluminum (short tons) end of Jan.	19,816	15,020	20,041
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of March	10,921,000	*10,118,000	9,981,754
Shipments of steel products (net tons)—Month of February	7,468,393	7,587,870	6,119,900
AMERICAN PETROLEUM INSTITUTE—Month of January:			
Total domestic production (barrels of 42 gallons each)	248,081,000	246,548,000	232,789,000
Domestic crude oil output (barrels)	223,160,000	221,804,000	209,600,000
Natural gasoline output (barrels)	24,854,000	24,703,000	23,127,000
Benzol output (barrels)	67,000	41,000	62,000
Crude oil imports (barrels)	24,944,000	27,419,000	22,922,000
Refined products imports (barrels)	19,137,000	19,144,000	18,872,000
Indicated consumption domestic and export (barrels)	312,004,000	327,362,000	288,333,000
Decrease all stock (barrels)	19,842,000	34,251,000	13,756,000
BUILDING CONSTRUCTION — U. S. DEPT. OF LABOR—Month of March (in millions):			
Total new construction	$2,983	$2,703	$2,989
Private construction	2,194	2,021	2,193
Residential building (nonfarm)	1,109	987	1,185
New dwelling units	995	885	1,085
Additions and alterations	84	72	79
Nonhousekeeping	30	30	21
Nonresidential building (nonfarm)	655	646	558
Industrial	226	225	186
Commercial	257	251	207
Office buildings and warehouses	96	100	82
Stores, restaurants, garages	161	151	125
Other nonresidential building	172	170	165
Religious	53	55	53
Educational	39	40	41
Hospital and institutional	25	25	28
Social and recreational	18	17	16
Miscellaneous	37	33	27
Farm construction	94	86	103
Public utility	329	295	333
Railroad	30	25	25
Telephone and telegraph	60	55	55
Other public utility	239	215	253
All other private	7	7	14
Public construction	789	682	796
Residential building	19	20	23
Nonresidential building	303	279	349
Industrial	33	28	77
Educational	195	187	190
Hospital and institutional	23	19	27
Other nonresidential building	52	45	55
Military facilities	87	79	82
Highway	205	160	190
Sewer and water	92	77	81
Public service enterprises	30	23	14
Conservation and development	42	34	45
All other public	11	10	12
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE — Month of February (000's omitted)	$324,000	$809,000	$260,000
COKE (BUREAU OF MINES)—Month of Feb.:			
Production (net tons)	6,474,775	*6,914,836	5,390,742
Oven coke (net tons)	6,234,670	*6,660,922	5,326,969
Beehive coke (net tons)	240,105	*253,914	63,773
Oven coke stock at end of month (net tons)	1,634,689	1,648,673	2,613,521
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM — 1947-49 Average=100—Month of March:			
Adjusted for seasonal variations	118	*118	115
Without seasonal adjustment	107	*92	100
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of March:			
Gas, water heater shipments (units)	263,200	251,200	263,100
LIFE INSURANCE — BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of February:			
Death benefits	$192,500,000	$204,900,000	$176,900,000
Matured endowments	52,600,000	59,300,000	51,300,000
Disability payments	8,800,000	10,200,000	8,800,000
Annuity payments	40,700,000	54,400,000	38,400,000
Surrender values	76,800,000	76,900,000	73,900,000
Policy dividends	80,000,000	117,100,000	75,100,000
Total	$451,400,000	$522,800,000	$424,400,000
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of March:			
Industrials (125)	3.68	3.93	4.18
Railroads (25)	5.02	5.40	4.79
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.52	4.59	4.54
Banks (15)	4.36	4.41	3.89
Insurance (10)	2.72	2.87	2.58
Average (199)	3.86	4.09	4.21
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of January:			
Net railway operating income	$62,877,376	$77,668,504	$68,899,132
Other income	22,756,895	57,904,496	21,341,995
Total income	85,634,271	135,573,000	90,241,127
Miscellaneous deduction from income	4,859,499	8,639,001	4,323,312
Income available for fixed charges	80,774,772	126,933,999	85,917,815
Income after fixed charges	49,813,714	98,777,669	54,557,699
Other deductions	3,449,683	3,773,477	3,017,909
Net income	46,364,031	95,004,192	51,539,790
Depreciation (way & structure & equipment)	45,095,906	45,489,945	43,804,884
Federal income taxes	25,057,419	5,737,114	21,306,117
Dividend appropriations:			
On common stock	32,757,869	55,503,043	22,167,646
On preferred stock	4,123,224	4,596,425	6,300,616
Ratio of income to fixed charges	2.61	4.51	2.74
U. S. GOVT. STATUTORY DEBT LIMITATION —As of March 31 (000's omitted):			
Total face amount that may be outstanding at any time	$281,000,000	$281,000,000	$281,000,000
Outstanding—			
Total gross public debt	276,344,537	280,108,465	274,047,818
Guaranteed obligations not owned by the Treasury	59,205	58,084	32,614
Total gross public debt and guaranteed obligations	$276,403,702	$280,166,549	$274,080,432
Deduct—other outstanding public debt obligations not subject to debt limitation	468,907	470,287	509,223
Grand total outstanding	$275,934,795	$279,696,262	$273,571,209
Balance face amount of obligations, issuable under above authority	5,065,204	1,303,737	7,428,790

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The State of Trade and Industry

trucks. In the previous week Dominion plants built 11,114 cars and 2,222 trucks, and for the comparable 1955 week, 10,129 cars and 2,625 trucks.

Business Failures Registered a Higher Trend Last Week

Commercial and industrial failures rose to 255 in the week ended April 12, from 217 in the preceding week, Dun & Bradstreet, Inc., reports. Failures exceeded the 204 a year ago and the 198 in 1954. However, they were 19% below the pre-war level of 313 in the comparable week of 1939.

Failures with liabilities of $5,000 or more, increased to 222 from the 192 a week previous and from the 166 of last year. Small failures with liabilities under $5,000, totalled 33, exceeding the level of the previous week when 25 occurred. They were slightly below the year ago level of 38. Thirty concerns failed with liabilities in excess of $100,000 as against 17 last week.

Retailing accounted principally for the rise in failures during the week, with 123 as compared with 103 in the preceding week. The toll among manufacturers increased to 50 from 39, wholesaling to 27 from 20 and among commercial service establishments to 23 from 14. Construction failures dipped to 32 from 41. All industry and trade groups reported a rise over 1955.

Wholesale Food Price Index Holds Unchanged In Latest Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., registered $5.96 on April 10, unchanged from the 1956 peak touched last week and again on March 13. The current figure marks a drop of 8.9% from the year-ago level of $6.54.

Higher in wholesale cost last week were flour, corn, rye, barley, beef, lard, sugar, coffee, cocoa and lambs. Lower in price were wheat, hams, bellies, eggs, potatoes, raisin, steers and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Last Week Registered Highest Level Since Week of Sept. 12, 1952

Further price gains in some basic commodities lifted the general commodity price level to new high ground for the year and longer. The Dun & Bradstreet daily wholesale commodity price index touched 292.45 on April 9, the highest since Sept. 12, 1952, when it stood at 293.07.

The index closed at 292.28 on April 10, comparing with 289.22 a week earlier, and with 275.26 on the corresponding date a year ago.

Grain markets continued to strengthen largely influenced by a bullish interpretation of legislative developments concerning the new farm bill. Wheat, corn and soybeans all struck new high levels for the season. A tightening situation in "free" wheat and adverse weather conditions over a large part of the belt contributed to the strength in the bread cereal. Corn was active and strong aided by smaller producer marketings. Support in rye, oats and barley stemmed from reports late in the week that high price supports would be fixed for those grains. The advance in soybean prices reflected firmer soybean oil and meal markets. Trading in grain and soybean futures on the Chicago Board of Trade was active with daily average sales totalling about 56,300,000 bushels, as against 57,000,000 the week before and 43,300,000 in the same week a year ago.

There was some improvement in domestic flour sales last week. The market was featured by increased bookings of Spring wheat bakery flours as a number of mills granted price concessions of around 30 cents per hundredweight. Moderate activity in family flours developed late in the week on mill protection against a 20 cent advance.

Roaster demand for green coffee continued rather light, but the market developed a slightly better tone at the close.

After touching new low levels early in the week, cocoa prices turned upward to finish slightly higher for the week and registered the first week-to-week advance in about six weeks. Warehouse stocks of cocoa showed a mild increase to 345,894 bags from 343,435 a week previous and compared with 160,643 bags a year ago. The domestic lard market was mostly steady, aided by stronger vegetable oil prices. Hogs held firm most of the week but dipped at the close as the result of heavier receipts. Sheep and lamb prices continued to rise.

Spot cotton prices moved slightly higher the past week in rather dull trading. Sales in the 14 spot markets were reported at 33,300 bales as against 52,400 a week earlier and 70,500 in the corresponding week a year ago.

Firmness in prices was attributed to good trade support, credited to mill account and commission house buying.

Foreign inquiries for cotton decreased, reflecting Easter holiday observances. Withdrawals from the 1955 loan stock during the week ended March 30 decreased for the fourth successive week. Repossessions in that period were reported by the CCC at 46,920 bales, against 71,071 a week earlier and 88,277 two weeks previous. Outstanding loans on 1955-crop cotton were reported at 6,358,760 bales.

Trade Volume Eased Slightly For Week and Like Period a Year Ago

Although post-Easter reduced priced sales stimulated consumer buying of Spring apparel, furniture and building materials last week, the total dollar volume of retail sales declined slightly.

Retail purchases were moderately below those of the comparable 1955 period, when Easter shopping was still underway.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 2 to 6% lower than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England and Middle West —7 to —3; East —8 to —4; South and Pacific Coast —6 to —2; Northwest —3 to +1 and Southwest —4 to 0%.

The buying of women's Spring apparel expanded somewhat last week with gains reported in budget dresses, suits and sportswear. Retailers reported a slight decline in the buying of men's apparel, with noticeable losses in furnishings and sportswear.

Wholesalers reported gains in the purchasing of men's apparel, household furnishings and industrial fabrics. Total wholesale orders rose moderately and the level somewhat exceeded that of the comparable period a year ago.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index of the week ended April 7, 1956, decreased 15% below those of the like period of last year. In the preceding week, March 31, 1956, an increase of 7% (revised) was reported. For the four weeks ended April 7, 1956, a decline of 1% was reported. For the period Jan. 1, 1956 to April 7, 1956 a gain of 2% was registered above that of 1955.

Retail sales volume in New York City the past week rose 3% above the level of the corresponding period a year ago. The week's increase, it was reported, was curtailed by the strike in progress at Macy's, the city's largest store.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended April 7, 1956, declined 13% under those of the like period last year. In the preceding week, March 31, 1956, an increase of 5% (revised) was recorded. For the four weeks ending April 7, 1956, a drop of 5% was recorded. For the period Jan. 1, 1956 to April 7, 1956 the index recorded a rise of 1% above that of the corresponding period of 1955.

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Dealer-Broker Investment Recommendations & Literature

Quebec Metallurgical Industries—Circular—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

Remington Arms Co. — Memorandum — Jones, Kreeger & Hewitt, 1625 Eye Street, Northwest, Washington 25, D. C.

Reynolds Metals Company—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available in the current issue of "Market Observations" are data on **United Fruit Co., United Aircraft Corp., Southern Pacific, United States Pipe & Foundry,** and **Fruehauf Trailer Co.**

Reaction Motors, Inc.—Analysis—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

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

Sharon Steel—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

"Shell" Transport and Trading Company Ltd. — Analysis — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

"Shell" Transport & Trading Co.—Memorandum—Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

Texo Oil Corporation—Analysis—McLaughlin, Cryan & Co., 1 Wall Street, New York 5, N. Y.

Transamerica — Analysis — Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin is a brief analysis of **Vick Chemical.**

Union Tank Car—Bulletin—Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y.

Ventures, Limited — Bulletin — Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

Harris Upham Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward E. McCarthy has been added to the staff of Harris, Upham & Co., 136 Federal Street.

Two With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — James W. Ross and Arthur Yaffe have become associated with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Hyman Horn Opens

Hyman Horn is conducting a securities business from offices at 505 Fifth Avenue, New York City.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Dwight D. Eisenhower & Co., THE friends of labor. The men who lead the Democratic Congress, just a bunch of indifferent bums, who through laziness or worse, are keeping from being passed bills which would benefit millions of laboring men.

This is the picture which is being presented here by some of the neo-liberal Republicans in the House, particularly Representatives Hugh Scott, of Pennsylvania, and Peter Frelinghuysen, Jr., of New Jersey, working in effective cooperation with the Secretary of Labor, James P. Mitchell, to get the gospel across.

The funny part of the thing is that this situation, which has largely escaped the daily press, has got the committee for the proper political education of the AFL-CIO members all steamed up. They have noted the double play, and fear that maybe some of the voting, down-trodden union members might apprehend that the Eisenhower Administration is after all for labor. The proper education of union members is to vote Democratic.

It seems the Eisenhower Administration has a Labor Program. It was detailed recently by the Rep. Mr. Scott, one of the earliest of the Eisenhower fans, in a speech on the floor. Among other things this program involves:

In importance No. 1, a proposal for a federal-state grant system to "improve" state industrial safety programs. Under this scheme the Labor Department would dish out Federal money to state labor departments or similar agencies to set up new and improved standards of promoting industrial safety within the states.

This is a program for Federal-State cooperation, of course. The Federal Government will spend the money only so long as the states agree to enforce the safety standards cooked up in the Federal Department of Labor.

Mr. Mitchell held a press conference and told how for the first time in years, the trend of industrial accidents had begun to rise. The Capitol Hill boys promptly followed by speaking along the same line. Federal money, of course, can cure anything. It is as omnipotent as a late legal scholar once termed the Canadian Parliament, which he said could do anything but make a man into a woman, or a woman into a man.

Broaden Contracts Act

It appears that despite laws going back into the 19th century affecting workmen employed by firms having government contracts, that there are "loopholes" under which some 1,000,000 persons in the United States could legally be required to work seven eight-hour days a week without the payment of premium wages for overtime. One of the Administration bills on its Labor Program would prevent employers from ever committing such a crime, and see that taxpayers should not evade the responsibility for such overtime costs.

A third part of the Administration Labor Program would liberalize somewhat the unemployment compensation payable in the District of Columbia. The District of Columbia is regarded by organized labor as the pace setter in UC, and the enactment of this bill would show that the hearts of Eisenhower & Co., are OK when it comes to unemployment pay.

A fourth part of the Labor Program is a liberalization of the Longshoremen's and Harbor Workers' Compensation act, which the Hon. Mr. Scott said is also the basic workmen's compensation act of the District of Columbia. There, again, this bill is intended to show by example the idea that the hearts of the Eisenhower team are Sound for Labor.

Extend UC to Puerto Rico

A fifth part of the Labor Program of the Eisenhower Administration is a bill which would extend Unemployment Compensation to Puerto Rico, even though the island's legislature has not done so as yet. There are two additional but relatively minor bills.

Except for some three of these seven bills, the Democratic Congress has entirely ignored them, though three have been given some hearings, and the present prospects for action appear nil. These were all introduced during the first session of the 84th Congress.

So, observed Mr. Scott:

"The effect of ignoring these first session proposals indicates a distressing lack of interest in the problems of wage earners on the part of the Democratic leadership of the House."

Mr. Scott has touched the Democratic leadership in its sensitive spot, in the person of Rep. Graham Barden, Chairman of the House Labor Committee. Barden, one of the dwindling band of conservative Democrats, doesn't believe yet that a Federal act is the only means left for the cure of ills, real or fancied.

Utility Battle Looms

There was scheduled to begin earlier this week before the Senate Interstate and Foreign Commerce Committee the opening round of what may well be a decisive battle to allow privately-owned utilities to share in the future growth of electric power generated both by thermal means or hydro, and by nuclear power.

In brief, the situation is that a technicality in a 20-year-old law is going to be used by the public power front as a means for gradually throttling the growth of thermal or atomic power under private ownership if public power can get away with it. The technicality is now in the law. Unless it can be removed by legislation, public power will win an enormous long-term victory.

Large Units Needed

Increasingly as the technique of generating electric energy develops, it is found by the utility industry that larger and larger generating plants are required to produce the lowest cost power, whether these units are hydro or thermal.

Some 58% of the electric utilities in the United States, according to the latest official figures, have undepreciated plant accounts of less than $50 million apiece. It is considered that about the minimum size of new plants that can operate efficiently is in the neighborhood of 200,000 KW, and that such plants cost $400 million or more.

As the industry sees it, the obvious solution to high cost generation under modern competitive conditions is for a group of two or more operating electric utilities to pool their resources and borrowing capacity, and construct the larger generating facilities to provide them with power.

However, if a group of operating companies pool their resources for such a venture, they immediately become subject to the Public Utility Holding Company Act of 1935. This act provides that any company which owns 10% or more of the stock of an operating company becomes a public utility within the meaning of the 1935 act.

Since the usual method of financing would be by an exchange of stock or mutualization of ownership, both the big generating facility and the operating companies would become subject, under the definition of the 1935 act, to the regulation of the Securities and Exchange Commission, as well as to the present regulation of the Federal Power Commission and state utility commissions. Even a 5% stock ownership in an operating company qualifies a company to regulation by the SEC as an affiliate of a holding company.

Hits Atomic Development

Likewise, the cost of developing atomic energy exceeds that of the average utility. For operating companies generally and on a large scale to share successfully in developing atomic power, would seem to dictate the necessity for their subjecting themselves to regulation under the holding company act also. So unless the 5% and 10% ownership qualifications of the 1935 act are not removed, and by special legislation for the purpose, pooling of effort by operating companies to jointly develop atomic power will also be hampered seriously.

There is a further trend which will be constricted in its development by the definitions of the 1935 act, an act, incidentally, seeking to prevent alleged abuses having nothing to do with these modern developments.

Manufacturing companies play a large part, often, in the atomic energy art. Many are also looking ahead for expanding sources of energy, and are disposed to cooperate with operating utilities to develop atomic-generated power. However, a manufacturing company also would automatically become subject to the regulation of the SEC if it had the small amount of ownership required to subject it to that act under its present definitions.

Public Power Opposes

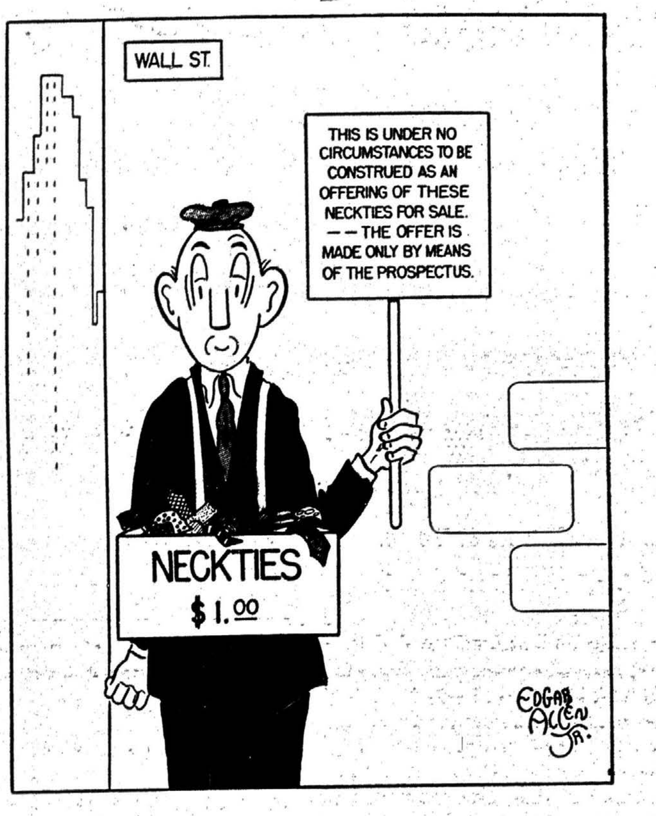
There was scheduled to begin this week a series of hearings on bills which would waive the requirement of subjection to the Holding Company Act of any such pooling arrangements among operating companies to build larger generating plants, to build atomic power plants, or to cooperate with other industry in developing power.

However, the American Public Power Assn., and the National Rural Electrification Assn., both have already protested this limited exemption from the Holding Company Act. They do so because of their great love for the Holding company act, they aver. REA "cooperatives" pool their resources to build generating plants, the same as the bill would provide for private utilities.

However, the public power group has the half Nelson on the body of the privately-owned electric utility business, so long as the present definitions of the Holding Company Act stand. The legislation before the Senate committee will have tough sledding, and even though the subcommittee considering it is sympathetic, the adaptation of the 1935 act to modern economic conditions will not be able to pass this year.

[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



Business Man's Bookshelf

Best Read Book in America — Brochure detailing different advertising techniques applicable in the use of match book advertising — Match Industry Information Bureau, 500 Fifth Avenue, New York 36, N. Y.

Investment of Foreign Capital in the Arab States — Aziz S. Sahwell — American Friends of the Middle East, Inc., 47 East 67th Street, New York 21, N. Y. (paper), 25c.

Organized Labor and the Anti-trust Laws — National Association of Manufacturers, 2 East 48th Street, New York 17, N. Y. (paper), 5c.

Rail Transport and the Winning of Wars — General James A. Van Fleet — Association of American Railroads, Transportation Building, Washington 6, District of Columbia.

Regulations Concerning Dealings in Gold and Foreign Exchange in Belgium and in the Grand Duchy of Luxembourg — 7th Supplement — Monetary and Economic Department, Bank for International Settlements, Basle, Switzerland (paper), Sw. fcs. 3 (complete work, original compilation with the seven supplements, Sw fcs. 40.)

Regulations Concerning Dealings in Gold and Foreign Exchange in France — 16th supplement — Bank for International Settlements, Basle, Switzerland (paper).

Save It, Invest It, and Retire — Donald I. Rogers—Henry Holt and Company, 383 Madison Avenue, New York 17, N. Y. (cloth), $2.95.