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EDITORIAL

As We See It

Slowly and at times apparently somewhat painfully, current thinking about such things as saving and spending appears to be undergoing a certain reorientation. A continuation of this altered trend of thought could prove in the long run to be of very large importance. Early New Deal philosophy was saturated with over-saving and underspending theories. One result was that managers of our national affairs at that time, and their fellow travelers, sat up nights thinking up a way of discouraging saving and stimulating spending. Of course, it could hardly be expected that politicians, near-politicians and reformers should think very carefully about the precise meaning of terms they were using. In much that they had to say, "saving" and "spending" appeared to be regarded as quite antithetical—which is hardly in accord with the fact unless one considers the terms "saving" and "hoarding" to be synonymous. In any event, what with the redefinition of many common terms under the influence of Keynes, confusion often appeared to be the leading characteristic of the discussions and arguments of the times.

But, however all that may be, the fellow who prudently refrained from spending a part of his income and put these savings on deposit to draw interest, invested them in bonds or sound equities or mortgages, seemed either forgotten or regarded as essentially antisocial in the New Deal scheme of things. Designedly or not, steps taken, the one after another in those days, rendered it impossible for prudence to find more than a mere pittance in interest as a reward for frugality. The man who could be persuaded to borrow

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Broadening the Market For FHA-VA Mortgages

By JOHN M. MEYER, JR.*
Senior Vice-President, J. P. Morgan & Co., Inc.

Organization of a Fiduciary Corporation to buy FHA and VA mortgages and sell its obligations against them to self-administered or trusteed corporate pension and various philanthropic funds is proposed by J. P. Morgan's Senior Vice-President as the answer to market-broadening attempts. Mr. Meyer points out that the vast and growing pension fund market already totals more than $25 billion and possesses relatively small amounts in mortgages. Believes this revival of that intended in the National Housing Act of 1934 deserves careful study in view of the operations of the New York Institutional Securities Corporation Debenture Service.

I happen to be employed by a commercial bank which administers and advises upon the investments of various Pension Trusts and other Funds. The remarks which follow represent only my personal views, though, of course, I have discussed them at some length with my associates and their general tenor with one or two friendly and forthright competitors in the commercial banking field.

John M. Meyer, Jr.

Perhaps the choice of a newcomer to the mortgage field may not be too impractical, for as you know, many of us who are concerned with investing for or advising on the investments of Pension Trusts and other Funds are or once were bond men, stock men or investment men as distinct from mortgage men. Your Chairman may have felt that in choosing a neophyte in the mortgage field and a so-called investment man he was producing, for better or worse, some kind of a sample of those who try to invest other people's money. I for one do not believe that the presence of so many bond men in this particular invest-

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*An address by Mr. Meyer before the Eastern Mortgage Conference, New York City, April 30, 1956.

What Makes Stock Prices?

By DR. CHARLES F. ROOS*
Chairman, Econometric Institute, Inc.

Internationally known mathematical economist's studies upset theories that stock market is either a discounter of the future business trend or purely a game of chance. Hunches cancel each other out and, like unexpected events, and the work of chartists and stock market technicians, have little significance on the long-term trend which, Dr. Roos shows, is determined by those who do know what is happening to: (1) earnings and dividends; (2) interest rates; (3) investors' purchasing power; (4) security market credit; and (5) income distribution. Calls attention to the close stock price correlation to dividends and earnings, net customer debit balances of member firms, income distribution change of top 1%, and currency-deposit personal holdings; and small spread between actual and calculated price derived from multiple correlation of principal factors affecting stock prices.

In the Spring of 1955, the Senate Committee on Banking and Currency conducted an extensive investigation of "Factors Affecting the Buying and Selling of Equity Securities." In general, the conclusions were that stock prices were too high; and one eminent economist asserted that stock prices were once again at levels which might result in declines of 1929-1932 magnitude. Since those hearings, stock prices have moved irregularly but nonetheless surely into new high ground and early in April the Standard and Poor Index was about 35% above its level during the March 1955 hearings. Clearly the criteria used in the Senate hearings were defective.

Charles F. Roos

In the March-April 1956 issue of the "Harvard Business Review" there appears a comprehensive article entitled: "The Stock

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*An address by Dr. Roos before the New York Society of Security Analysts, Inc., New York City, April 20, 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 38.

The Security I Like Best

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

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

WALTER K. GUTMAN

Senior Security Analyst
Goodbody & Co., New York City
Members New York Stock Exchange

Fansteel Metallurgical Corporation

I first learned about Fansteel during World War II. At that time brain injuries were very much on everyone's mind and the doctors had discovered that tantalum was not corroded by body acids and could be made into delicate threads and plates needed for the repair of the skull. Fansteel, the only company making tantalum, became one of the romance stocks par-excellence and shot to prices far beyond its immediate worth. It was one of the curiosities of the stock market that, whereas investors stayed rigorously away from aircraft stocks because they felt (quite wrongly) that the aircraft industry would fold up after the war, they were fascinated by tantalum because of its medical possibilities, even though it was certain that the quantity of brain surgery being done would decline precipitously once the fighting stopped. But it is also one of the curiosities of Wall Street that these speculators were right too. Tantalum had unusual properties of strength, corrosion resistance, high melting point and 10 years later these qualities are the basis for a sizeable and fast growing business.

Walter K. Gutman

Fansteel was then and still is much the largest commercial processor of tantalum and also of columbium. The reason why Fansteel also processes columbium is that it occurred along with tantalum in the same ore. When tantalum predominates, the ore is called tantalite, when columbium is the major fraction, it's called columbite. Columbium also has unusual corrosion and heat resisting properties and, in the opinion of some experts—though not all—its neutron cross-section, which represents the tendency of a material to absorb neutrons, favors its use in reactors. A larger use may be in the chemical plants which will have to be built to process and clean up for use the fissionable materials used in the reactors. Columbium is used in stainless steel No. 347, a high heat-resisting alloy where its purpose is to stabilize the carbon in the steel. The process by which it does this is complex—I have been told not to try to understand it—but it is reasonable to believe that this use for columbium will grow as industrial and defense demands for high performance alloys expand.

Separation of the two minerals from their ore and purification is not at all easy. There are six processes known in the literature of which only one, the old Marignac process, developed in 1866, has been used in practice. The Bureau of Mines has developed a promising process which is well suited for treating low-grade tantalum-columbium ores. The process is inherently continuous and Fansteel is reported to be pilot planting this technique to prove it out commercially.

A new factor in the field whose plant started up late in April on a relatively small scale so far, is Kawecki Chemical, working — the trade believes — on its own modification of the Marignac process. Kawecki will probably not make tantalum or columbium metal except in produced form, as yet. Union Carbide, Kennicott Copper, Horizons, Inc., and National Research are known, or believed to be, researching ways of producing tantalum and columbium. The sudden interest of these companies is, of course, a symptom of the broadening usefulness of the metals.

The reason I pick Fansteel for "The Security I Like Best" now is that it gives the investor an unusual combination of well-established earning power, and good balance sheet, combined with the romance of growth prospects of new materials. If you took each of these aspects by itself, Fansteel would not be so unique, but there are not too many companies which have all of them. Kawecki Chemicals, for instance, while undoubtedly an interesting situation, does not have large scale, well-established earning power, Union Carbide, while enormous in terms of earning power, does not have a small capitalization. Since 1951, sales of Fansteel have been over $20 million annually, in 1955 they were virtually $28 million and this year they will be over $30 million. That makes it a good sized company. Net per share in 1955 was $3 and this year should be well over $3 and next year when the plant expansion now going on proves fruitful, earnings could be $5 a share. This means that Fansteel is selling rather reasonably as romance stocks go. Undoubtedly, one reason for this is that many investors think it is just a steel company. Actually, it processes no steel at all, its name represents an Americanization of the German name of its founder—Phanstiehl.

The big break for tantalum came in 1949 when Fansteel's engineers experimented with it to make high grade capacitors. Capacitors store and discharge electrical potential and are the electrical valves and regulators in countless circuits. It was found that tantalum provided a way of making capacitors of high performance but of very small size because of the large surface area which could be provided. This was a reflection of the metal's strength — in other words, the same properties which made it possible to make very thin threads and plates for brain surgery, made it possible to make miniature capacitors of very high performance. The cost was high too, but the rapid development of the electronic industry, both for defense and civilian use, provided a market where the characteristics of tantalum capacitors were worth the cost. Sixteen percent of Fansteel's record 1955 sales were accounted for by tantalum capacitors or components of such capacitors. A major part of Fansteel's expansion program, perhaps the largest the company has ever contemplated, will be devoted to tantalum capacitors. Plans are to quadruple the output of these capacitors. Capacity to make columbium metal will also be substantialy increased since columbium and tantalum are products of the same ore.

While tantalum and columbium are the fastest growing sectors of Fansteel's business, the bread and butter sectors, which also have the toasty taste of a good future before them, should not be forgotten. Fansteel is one of the world's largest producers of electrical contacts used in automobiles, aircraft, railway, electronic equipment, etc. These accounted for 25% of 1955 sales. Its new "ventilated" tungsten contacts are now standard on all Ford cars and approved by others.

This Week's Forum Participants and Their Selections

Fansteel Metallurgical Corp. — Walter K. Gutman, Senior Security Analyst, Goodbody & Co., New York City. (Page 2)

General Tire & Rubber Co. — Howard Stein, Manager of Investors Service Dept., Dreyfus & Co., New York City. (Page 2)

Integrated with the contact division, because of their common use of tungsten, is the Vascolet-Ramet Corporation, a 100% owned subsidiary which makes tungsten-carbide for machine tool, mining and oil drilling bits, and also makes the bits themselves. Vascolet-Ramet is the third largest in its industry, coming after Carboloy and Kennemetal. It accounted for better than 20% of Fansteel's 1955 sales. Solenium rectifiers, stacks, and related items are also important in Fansteel's operations. Because of the swing over by the auto industry to the 12-volt system, selenium rectifiers are in especially growing demand. Processing of molybdenum into sheet, tubing, etc. also makes a worthwhile sales contribution and may some day break out into a bigger business. Through W. W. Alloys, Inc., Fansteel does a worthwhile business in alloys which have copper as the base. Welding electrodes, high conductivity forgings, fabricated parts for electrical use, are some of the products of this subsidiary.

Fansteel has enjoyed pre-tax and pre-depreciation profit margins of over 18% in five of the last six years. Cash flow in 1955 was about $3.3 million, this year should be about $3.6 million. This, after paying the $1 dividend indicated will be ample to finance the expansion program now authorized, but if expansion plan No. 2, now being contemplated, is put into operation, some financing will probably be needed. However, with only $1 million of long-term debt and a stockholder's equity of $14.5 million, including $8.3 million of net working capital, a good part, if not all, the financing could be done by debt. The $1 cash dividend payments will probably be supplemented by stock towards the year's end. Fansteel Metallurgical Corp. is listed on the New York Stock Exchange and currently quoted at 44½.

HOWARD STEIN

Manager, Investors Service Dept.
Dreyfus & Company, New York City
Members, New York Stock Exchange

General Tire & Rubber Co.

The active and imaginative management of General Tire and Rubber has developed the company into one of the outstanding growth situations on the Big Board. Through intelligent diversification into "trend" industries and expansion of its own rubber and tire lines, General has posted a noteworthy rise in sales and profits.

Howard Stein

Earnings in 1955 (fiscal year ended Nov. 30) soared to $6.29 a share from $2.89 the year before—both

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Sensible Instalment Credit To Stabilize the Economy

By DR. NEIL CAROTHERS
Dean Emeritus, College of Business Administration
Lehigh University

Appealing for non-Governmentally regulated placing of instalment selling on a sane and sensible basis, Dr. Carothers probes consumer debt's usefulness and salient shortcomings believed to be usually ignored and claims: (1) many sensible instalment credit restraints in the past five years have been abandoned; (2) post World War II rent control continuation discouraged home building and vast price inflated building program was helped by guaranteed mortgages at "fantastically easy terms"; (3) consumer debt system "depends for its solvency on a continually accelerating boom," and with a collapse, mountain of consumer debt prevents recovery as occurred after 1929 when excellent debt-repayment record was at the expense of new demand for goods, and (4) instead of acting as a stabilizer, the boom is more bloated and depression intensified by present consumer credit practices.

Last fall one of our best industrial research organizations held a conference on the Economics of Consumer Debt. There were present 16 economists. These were not abstract theorists. Only five are academic. The others are highly paid economists on the staffs of our largest corporations or commercial research organizations. The group included the greatest experts on consumer credit in this country.

Neil Carothers

The report of the conference covers 80 printed pages. It was notable for the questions it did not settle. In many hours of discussion there was no analysis of the economics of consumer credit, no agreement as to the influence of consumer credit on prices, no agreement as to the degree to which consumer credit intensifies a boom and aggravates a depression. The vital question whether consumer debt is now too high was left unsettled.

Some wholly unsupported statements went unchallenged. One was that there is no method of determining when consumer debt is too high. Another was that it is advantageous to have a 7½ million car year even if it means a 5½ million car year following. A third was that the benefits of consumer debts in a boom period outweigh the injury they cause in a recession. In the discussion three panelists expressed their serious concern over the present volume of debt. But the Chairman said in a summary that it was agreed that the present debt "is not alarming."

The failure of such a conference of experts to reach any conclusions illustrates the complexity of the economics of consumer debt. No economist has all the answers to this question. But there are certain facts that are undeniable. These facts are ignored by industry, by government, and inexcusably, by economists.

Sound Credit Uses

Consumer credit is older than the Bible. There were money lenders in Ancient Greece. In America we have been building homes on mortgage since Plymouth Rock. Personal loans, charge accounts, and instalment sales of household goods are old institutions in this country.

Any consideration of consumer credit should sharply differentiate the many forms. Credit on homes is a very special form. Few people can save enough money to buy or build a home for cash. Home ownership is somewhat cheaper than renting, and it has definite social usefulness. The necessity of consumer credit on home purchases is unquestionable.

For millions of families the automobile has become a necessity. Cars are expensive, and purchases on credit are justified in some cases, but only in some cases. Household appliances relieve the drudgery of living, and household furniture is sometimes a necessity. In some cases such instalment selling is justified, in most cases not. Personal finance loans to meet emergencies are a necessity in our harshly competitive world. Charge accounts are a convenience.

Thus it is that all these forms of consumer credit have a useful function in our economy. But they are justified only when cash payments are not possible. They should be restrained and restricted by terms which call for large down payments and rapid completion of payments. This statement is not a mere generalization such as the many presented at the conference. It is a statement supported by economic fact. It has already been said that various forms of consumer credit are useful or even necessary in our economy. But the fact is that all forms of consumer credit are expensive additions to the cost of living, a net deduction from the national income, a danger to economic prosperity, when availed of on an extremely extensive scale, as at present, and a pos-

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Standard Oil Company (Indiana)

By IRA U. COBLEIGH

Enterprise Economist

A salute to a patrician in petroleum.

In the above title the "Indiana" is only for purposes of identification. The corporate name is simply Standard Oil Company; and as a result of the historic break-up of the Standard Oil trust in 1911, this company retained unchallenged right to the "Standard" moniker in 15 midwestern states. But its total business is by no means, thus restricted. Through subsidiaries, The American Oil Company on the Eastern Seaboard, Utah Oil Refining in the Rockies and on the West Coast, and Pan-Am Southern in the South, Standard Oil Company does business in 45 out of the 48 states.

Ira U. Cobleigh

By any standards, Standard Oil Company is an azure blue chip. Exceeded in total assets only by Standard of N. J. and Socony Vacuum, it carried gross for 1956 to an all-time high of $1,781.3 million, up 7.3% from 1954. This fabulous total plus $32,636,188 in other income (mostly from dividends on Standard of N. J. common owned) carried down to $157,117,828 of net—up $40 million over the preceding year.

The actual production of crude oil has, for the past 20 years, been the most profitable section of the oil business; and this generalization applies equally to the big integrated companies like SN. So we'll talk about production first. It's mainly derived from the United States with some from Canada; and there's a big 15,000,000 acre exploratory land play in Cuba, in which SN has a one-half interest and a 200,000 acre joint exploration in Canada with Hudson Bay Oil & Gas. Actually SN produced, in 1955, about 45% of all the oil it processed, delivering 274,000 net barrels of crude and natural gas liquids daily. Of this, Canadian production now runs about 8,000 bbls. per day, principally from the Pembina field where SN has a one-half interest in 25,000 proven acres, and 170 wells.

To bring all this oil to refinery SN, through its Service Pipe Line Company, operates the most extensive crude pipeline in the world totalling 17,400 miles (much longer than the Southern Pacific Railway total).

Thirteen refineries processing 655,000 barrels a day handle not only the oil produced but the heavy barrelage which must be bought to supply company needs; and this veritable Niagara of oil is marketed through 4,526 bulk plants and over 30,000 retail outlets.

To bring the magnitude of SN within the range of easy comprehension, consider that of our national petroleum total. SN produces 4%; refines and sells 8%, and propels about 16% through its mammoth maze of pipelines.

Financing SN is big business, yet the amazing thing about this titan is that it has never sold a share of common to the public, (although it did market in 1954 an issue of 3⅛% debentures, now selling at 140, convertible into common at $43.50 through 10/1/57 and at $46 thereafter). The present outstanding 33,630,485 shares of common have come into existence mainly from splits and dividends on the 10,000 common shares outstanding in 1912, and quoted then at $1,500 apiece. Each one of those shares has blossomed into 1,800 of the present ones; and total dividends on that single $1,500, 1912 model certificate, would have, by 12/31/55, exceeded $73,000. From such bountiful investments grow Rockefeller Foundations!

Some industries, such as bottling plants, cement mills or electric generating systems, can build a plant and earn from it, without important capital addition, for years — but not the oil business. The search for new sources and reserves of crude is inexorable, and in the case of SN calls for tens of millions for exploration each year. Addition to plant in 1955 alone was $230 million for improved refining, transporting and marketing facilities. Such outlay will be above $255 million for 1956. In the aggregate it costs $10,000 to build completely integrated facilities for handling a daily barrel of oil; or about $40,000 of investment for each employee.

While SN has a perfectly voracious appetite for crude, it manages to move ahead year by year in its reserves of crude and gas. While not tapping the fabulous and lush wells of Araby (which average 6,000 barrels a day), it has some 10,000 wells in North America, and reserves of 2,097 million barrels of crude and natural gas liquids, plus 11½ trillion cubic feet of gas. (Texas is the largest single production area.) The foregoing reserves can, without undue optimism, be calculated to be worth around $72 per common share presently outstanding. Proven oil reserves in the ground are regarded by many as a wonderful inflation hedge, since you know the oil is there, and the cost of getting it out is unlikely to advance greatly (on a per barrel basis) over the foreseeable future. It's the looking for oil that's so costly!

Standard Oil Company has been right up front in research results for a number of years. It developed, some years ago, the Hydrofrac process now widely used, with royalties running to SN. The Ultraformer cracking process for hopping up the octane content is an SN first. Improved oils for high compression motors, and a lead-free gasoline now marketed by Amoco are other laboratory achievements.

There are a lot of people with a continuing interest in SN. Millions of persons across the U. S. are daily customers; there are 132,800 stockholders (12/31/55) who should be a contented lot; and 51,500 employees of whom 60% regard their employer with enough confidence and affection to own its shares.

Mention has already been made of the fortunes that patient share holding delivered to early buyers here. Recent purchasers haven't done too badly, either. There was a 100% stock dividend in 1954; and cash, plus Standard of N. J. shares (one share of N. J. for each 150 shares of Indiana held) created a cash value for 1955 dividends, of about $2.40 a share. Moreover, these dividends in New Jersey common should continue. On Nov. 15, 1955 there was in SN treasury, 1,587,197 Standard of N. J. shares with a market value at that date of $236 million against a book cost of only $36 million. Of these shares, 177,000 shares were delivered 12/19/55 to Indiana shareholders. The balance represents a dividend kitty of obvious magnitude, for distribution in coming years.

As a matter of record SN has paid dividends, without missing a single year, since 1893. No wonder you find SN entrenched in the portfolios of the leading endowed institutions, investment trusts and insurance companies.

Not only is SN rich in oil, in modern plant distributing and merchandising facilities, in portfolio assets, but in that other essential ingredient of corporate success—cash. At the 1955 year-end SN had a net working capital of $479 million.

For 1955, net per share earnings were $4.81 against $3.73 the year earlier and prediction that SN common will earn above $5 in 1956 seems academic. The management, headed by Dr. Robert E. Wilson, Chairman of the Board (and one of the best informed oil men in the world), is among the most effective in the industry.

The importance of oil in our roster of big corporations is not widely enough appreciated. For example, there were at 12/31/55, 51 oil companies whose shares are listed on the N. Y. S. E., and the total market value of these 51 issues was over 18% of the entire market value of all listed issues. This fabulous, and fabulously growing, industry will increase by another 8% this year, will spend above $5 billion in capital additions, and will avidly seek new and additional oil reserves to replace the 8,000,000 barrels a day we now consume in the U. S.

Of the major factors in oil, Standard Oil Company (Indiana) is among the most renowned and resplendent. If you ever need proof of the merit of common stocks as long-term investments, consider SN, its growth, its dividends and its future. Investing in Standard Oil Company has produced results that are way above standard!

Phila. Inv. Women Meet

PHILADELPHIA, Pa. — The regular board meeting of the Investment Women's Club of Philadelphia will be held Monday, May 7, 1956, at 5:15 p.m. in the Board Room of Dolphin & Co.

The State of Trade and Industry

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

It was noted in the past week that fractional declines were reported in the steel, electric power, lumber and petroleum industries.

Notwithstanding this slight dip in total industrial production, over-all output registered a noticeably higher level than the comparable period in 1955.

In the field of employment, it was learned that the United States Department of Labor reported a decline in new unemployment across the country.

Its Bureau of Employment Security states jobless pay—which reflect layoffs—dropped by 21,900 to 202,900 in the week ended April 21. The decline, reported by 40 states, brought the volume of first claims to its lowest level since last November. According to the bureau, the lower figures were due to a slackening in layoffs in "a wide variety of industries." Initial claims a year ago totaled 234,400.

In the week ended April 14, the total of workers drawing unemployment insurance benefits edged up 4,000 to 1,380,700. The total a year ago was 1,499,000.

The Labor Department said special reports from seven states employing more than 75% of the nation's auto workers showed about 10,000 new auto layoffs in the week ended April 21. Most of these job separations were concentrated in four states—Michigan with 6,300, Indiana with 1,300, Wisconsin with 1,200 and New York with 1,000. During the same week the same states reported recalls of about 2,000 auto workers. The department estimated total auto layoffs as of the week ended April 21 at a net figure of about 123,000.

The "forgotten man" in the steel market picture is export. This could serve as a prop should domestic demand falter, states "The Iron Age," national metalworking weekly, this week.

The key to the strength of United States demand is that steel producers are avoiding heavy export commitments. Even those who are talking about a third quarter letdown are not going out of their way to court the foreign consumer.

It is estimated that exports to Europe and other foreign consuming areas will total slightly more than the 4,400,000 tons shipped abroad last year. The chances are the 1956 total would be a lot more if United States mills could spare the steel, continues this trade authority.

A check on foreign inquiries indicates that well over a million tons of potential orders are going begging here. The big drawback is that much of it is in hard-to-get products such as plates and structurals. Backlogs of foreign mills are heavy and reconstruction work in Europe is suffering for lack of needed steel items, this trade weekly reports.

Since steel producers themselves disagree on whether consumers have built heavy inventories, it is questionable whether a third quarter letdown, if any, will be of any significance. A slowdown in third quarter production will be due as much to vacations and hot weather as to any lack of business.

Disagreement among steel leaders over the need for an immediate price increase is deepseated. Public sounding off on the subject is more than window dressing. Nevertheless, no general price boost is likely until after the settlements with steel labor. By that time, tempers may have cooled, this trade magazine adds.

The auto industry, which closed out its all-time record week exactly one year ago, is scheduling its May daily rate of United States car output 6.2% below April, "Ward's Automotive Reports" stated on Friday of the past week.

The schedule, which marks the first downturn since January, calls for 24,800 completions daily compared with 26,450 during April.

At the same time, "Ward's" counted 153,007 car and truck completions a week ago, a 29.4% decline from the like week in 1955 when the industry's all-time record 216,629 total was established.

Thus, production the past week held steady with the prior week's 153,267 despite an inventory shutdown at Willys in Ohio, lack of assembly Monday at Chrysler in Detroit and observance of Memorial Day Thursday by several General Motors Corp. and Ford Division plants in Southern United States.

Moreover, despite a change-of-pace from 134,000 cars weekly in the first half to 129,000 in the latter half of April, according to the statistical authority, the auto makers operated at 98.9% of scheduled volume in the month.

April production is estimated by "Ward's" as reaching 556,000

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Business Man's Bookshelf

Administrative Intelligence—Our Greatest Need for Good Success — Thomas G. Spates — Industrial Relations Section, California Institute of Technology, Pasadena, Calif. (paper), $1.

Check List for Marketing Management: Advertising, Marketing Research, Merchandising, Sales Management and Sales Promotion — C. J. Courtney — C. J. Courtney, College of Commerce, Creighton University, Omaha 2, Neb. (paper), $2.50.

Hedging Highlights: Facts about Price Insurance and Speculation in the Grain Market — Public Relations Department, Chicago Board of Trade, 141 West Jackson Boulevard, Chicago 4, Ill. (paper), on request.

Journal of Political Economy April 1956—Containing articles on Welfare Cost of Inflationary Finance; Controlled Inflation in Israel; Econometric models of the United States; "Availability" and Other Influences on the Commodity Composition of Trade; etc.—University of Chicago Press, Chicago, Ill. (paper), $1.50.

Latin American Sales and Credit Guide—35th annual revised edition—Free descriptive folder outlining subscription terms from the publisher—American Foreign Credit Underwriters Corporation, 253 Broadway, New York 7, N. Y.

Life Insurance Investment in Commercial Real Estate — Harold Wayne Snider—Richard D. Irwin, Inc., Homewood, Illinois (cloth), $4.00.

Marketing Grain Through a Grain Exchange — Prepared by the University of Illinois in cooperation with the Chicago Board of Trade—Public Relations Department, Chicago Board of Trade, 141 West Jackson Boulevard, Chicago 4, Ill. (paper), on request.

Questions and Answers: Important Facts about the Grain Exchange —Public Relations Department, Chicago Board of Trade, 141 West Jackson Boulevard, Chicago 4, Ill. (paper), on request.

Savings and Loan Annals for 1955 — United States Savings and Loan League, 221 North La Salle Street, Chicago 1, Ill. (cloth), $5.

Soybeans: The Story of Soybeans, Soybean Oil, and Soybean Meal, their uses and products—Public Relations Department, Chicago Board of Trade, 141 West Jackson Boulevard, Chicago 4, Ill. (paper).

Tax and Business Law Parade—Booklet tracing high points in the development of the law important to business and its advisers — Commerce Clearing House, 4025 West Peterson Avenue, Chicago, Ill. (paper).

Two Keys to Modern Marketing—Charles G. Mortimer—The Updegraff Press, Ltd., Scarsdale, N. Y. (paper), $1.

Wage Inflation and the Farm Problem — J. H. Kellegham — Economic Trend Line Studies, 310 South Michigan Avenue, Chicago 4, Ill. (paper), $1.00.

What's New at Alden's—Brochure showing new series of integrally molded insulation connector designs—Alden Products Company, Dept. 13 WN, 117 North Main Street, Brockton 64, Mass.

Observations . . .

By A. WILFRED MAY

FINANCIAL FRANKENSTEIN

And now the deluge in stock splits! Stepped up to a grand total of 239 in 1955, such certificate slicings to the tune of 150 have already been ordered since the turn of this year.

A. Wilfred May

But it is not only through its influence on the stock market, including the stimulation toward its new New Era inflation, that this device is becoming growingly important. It is even bobbing up at annual company meetings as one of the major facets of "discussion"—along with compensation curbing, dividend liberalization, and stockholders' lunch — between shareholder "representatives" and management. At the recent Amer. Tel. & Tel. gathering, major attention—and publicity—was occupied by vitriolic demands on heinous management for stock-splitting from a retired jurist on behalf of an allegedly abused philanthropic agency holding 650 shares of the stingy company's stock.

The Purposes And Results

Let us examine some of the serious motives prompting the splitting of stock by conscientious managements; together with the actual results.

First, the popular assumption that stock-splitting importantly increases the number of share owners. Surely skepticism about this is warranted by the record of the splitting companies in Standard and Poor's list of 50 industrials in which there was no otherwise-caused increase in shares or owners. As indicated in the following table, it may be concluded that stock-splitting companies generally show an accelerated owner growth immediately following the split; but this greater rate of growth resulting from the stock split tends to decrease to the former pre-split normal rate of growth by three years after the operation:

Increase in Share Owners of 13 Standard & Poor's Splitting Cos. With Significant Data Available for Five Surrounding Years

	Year Before Split	Year of Split	—Years After Split— 1 Year	2 Years	3 Years
Increase in Share Owners	2%	5%	9%	6%	2%

Du Pont, which has not been split since 1949, and selling above 200, nevertheless in 1955 gained 7.4% in its number of shareholders. Similarly, over the postwar decade 1945-1955, American Tel. and Tel., although un-split in the upper 100 price range, showed a greater average of yearly per cent change—at 7.6%—than any of the six companies with the next largest common stock lists, all of which have split their stock. Its relatively high price per share evidently constituted little of a deterrent to buyers, their number more than doubling, from 683,900 to 1,408,000. During the same period, similarly, the number in un-split Socony's stockholder family rose by 44,000, or 33.9%. On the other hand, split (in 1955) Cities Service *lost* 142,000, or 44.4%, of its shareholder total.

And it seems significant that, at that supposedly forbidding high "un-split" price of $64.50 per share, Ford Motor stock recently was avidly consumed by 350,000 eager new stock buyers.

Price and Market Behavior

The linking of reduced price to favorable market action by the split advocates is likewise rendered dubious by the actual performance record. A study of market action during the calendar year 1955 by Harold Clayton of Hemphill, Noyes & Company shows that issues priced at 70 and over advanced by an average of 25%, the 40-50 issues by 22%, the 30-40 stocks by 11%, the 20-30 shares by 8.9%, the 10-20 units by only 3%, with the $1-to-$10 issues declining by 1.8% (The Dow-Jones Industrial Average and the Hemphill, Noyes over-all index both rose by about 20% during the period).

The Pressure on Our Largest Corporation

The agitation for stock-splitting seems to be particularly inappropriate in the case of American Tel. and Tel., at whose annual meeting your columnist (representing two trust funds) voiced his opinion to that effect. A split is of benefit to the investor only if accompanied by an increased dividend; which is not at all feasible in the case of Telephone. The company already pays out an average of 75% of its income (vs. a 71% pay-out by other utilities). Hence, the dividend-hungry stockholders' pressure should be directed at the rate-making bodies for higher revenues; their remedy lying there and not in the splitting-up of stock certificate paper. Nor is the argument for splitting as a means of increasing the number of consumers via share-owning, applicable here—since the company constitutes a monopoly already having as its customers all those who have the means.

Again, a common reason, if not absolutely prerequisite, for stock-splitting, is the accompanying presence of growing earnings —again absent in the static Telephone company profit situation.

In conclusion, this writer is opposed to splits by companies which, like "Telephone," have broad social consciousness. Such directorates have a duty to abstain from furthering the inflationary stimulation to stock prices flowing from this craze of the current bull market.

And from a less lofty approach, the possibility of post-split practical disillusionment to the company's own shareholders should not be ignored.

OUR LATEST FLASH ON MARKET DIVERGENCE

The New York Stock Exchange reported today that during April, 1956, a total of 591 listed common stocks declined while 433 advanced. No change was recorded for 50 issues.

Changes of 10% or more were reported for 126 stocks—42 down and 84 up.

Changes of less than 2% were noted in 263 issues—160 down, 103 up.

230 stocks changed between 2% and 4%, 148 down and 82 up.

114 stocks lost between 4% and 6% while 68 gained that much.

Is There Anything Wrong With Dow-Jones Industrial Average?

By A. J. CORTESE*
Cortese, Kupsenel & Co., New York City
Members of the New York Stock Exchange

In recapitulating the Dow-Jones Industrial Average, Mr. Cortese defends the intent of the Average to represent major industrial segments of the "economy" and not the investment merit of a cross section of the stock market. Offers revision suggestions in the hope of effectuating a better constituted and computed Average, to wit: (1) daily publication of actual average price of the 30 stocks, instead of the present series which is not an average; (2) publication of a factor to convert current data for comparisons with the past series; and (3) revise composition of the components in the Average to allow up-to-date continuation of the representation of important industries

Of the criticism that has been directed against the Dow-Jones Industrial Average, as well as other averages, during the past year or two, some is legitimate, some illegitimate and some is even ridiculous. It has been called misleading, distorted and unrepresentative. But whether the Average misleads depends upon what you think it represents; and too many critics have failed to distinguish between what it is and what it is not, between what it represents and what it never was intended to represent. Nor have they realized that no average can represent over a long period of time what they think it should represent—the whole stock market.


A. J. Cortese

*Mr. Cortese is also a member of the faculty of Fordham University.

There have been complaints, for example, that the Industrial Average is not telling the truth, that its historic new highs conceal the fact that many stocks are declining or are much lower than they were several years ago. Therefore, say the critics, the public is being misled and the Average is not a true reflection of the stock market.

A simple consideration of the composition of the Average should show that it was never intended to describe the stock market in its entirety. It was intended to represent, rather, major industrial segments of the economy. If it had ever been meant to depict the stock market—the whole of it, that is, —it would have contained stocks of weak companies and strong ones; speculative and blue chip; recessive and growth; poorly managed and ably managed; stocks of young companies and those of old ones; stocks of small companies and those of large ones. To represent the whole of the stock market, any sampling would have to include all such categories. This the composers and revisers of the Dow-Jones Industrial Average never attempted to do.

If we consider the status of the companies at the time the stocks were selected, we must conclude that the Average was meant to be a cross section of the **economy**, a representation of the most important part of American business, not a cross section of the stock market. As such, and apart from revisions that may be necessary with the passage of time, the Dow-Jones Industrial Average is misrepresenting nothing and should deceive no one.

Index Components Based Upon Importance

It is illegitimate, therefore, to complain that the Average at new highs conceals the fact that the stock of an independent automobile manufacturer is declining. It was never intended to strike an average between the strong and the weak. Not only should this be obvious, but it should also be obvious that any attempt to do so with a choice of stocks that would endure over the years would be futile. For what composer of such an average would want to predict which companies will continue to be weak over the next five or 10 years? To select the dominant companies in the most important industries is a different matter and that is exactly what has been done. The point is that the basis for selection was **not quality**, but **importance** in the **most important** industries, **without regard to investment merit.** Until recently, for example, the steel industry never enjoyed investment status, yet steels were included because of the importance of the industry.

Nor is it sensible to say that the holder of F. W. Woolworth during the past few years is being hoaxed by the soaring average. The fact that Woolworth, one of the components of the Average, has not risen very much does not constitute a fault in the Average. It is neither a fault of construction, nor a fault of conception.

Curiously, there is another complaint, equally senseless, that is the opposite of the preceding criticism. Whereas the first quarrelled with the Average because its rises failed to reflect the declines or the stability of some stocks, the opposite finds fault because the Average still carries stocks that are not rising! The average is out of date, these critics say, and for those stocks in it that are standing still, they would substitute more dynamic stocks, stocks that are rising steadily and have brilliant growth ahead of them. It seems that if these two groups of critics got together, compared their wishes and complaints and examined the significance of the Average's composition, they would decide that the Average had better be left as it is.

To point out that not all stocks are rising with the Average is legitimate, but to denounce the Average for its failure to reflect that fact is ridiculous.

Divisor for Splits and Substitutions

There are, on the other hand, two legitimate criticisms of the Average as it is constituted and computed today. Reducing the divisor from the original figure of 30 (which gave a true average price for the 30 stocks) to the present figure of 4.79 (in order to give continuity after splits and substitutions) no longer gives a true average and furthermore, it exaggerates not only the price, but also the fluctuations. It may be hard for informed readers to believe, but it is true that many newcomers to the stock market get the impression from the Industrial Average that the average stock sells at 500. What is worse, when they read that the Average fell 5 points one day, they get the impression that the average stock fell 5 points. These are serious drawbacks, but the problems involved in maintaining a true average and continuity at the same time are many and those who tackle the problem find that the difficulties multiply with thought and with the exchange of thoughts. After a good deal of thought and discussion, it seems to me that the simplest and most practical solution would be to publish each day the **actual average price** of the 30 stocks, instead of the present series, which is miscalled an average. To all but students of the market, the actual current price and the actual fluctuations have more significance than those of a series computed to give continuity with the past. For students, there could be published also a factor which would convert the current figures for comparison with the past.

Basically, there are only two ways to adjust for a stock split or a substitution: by adding or subtracting a quantity to the new average or by multiplying (or dividing) either the price of the split (or new) stock (weighting) or the average itself. The most accurate way to reflect in the old series changes in the new average, for continuity, is to apply to the old series the same **percentage** changes that occur in the new series. This, in effect, is exactly what the Dow-Jones method of computation now does. By the change in the divisor, the old series fluctuates the same percentage amounts as does the new, **true average** price. Therefore, I suggest that in addition to the true current average, the publishers include also a multiplier, which would be the quotient of 30 divided by the current, adjusted divisor, for students who wish to maintain continuity of the series.

Revision of Composition of Index

The other change that seems desirable has to do with the present composition of the Average. Because of the passage of time, the present 30 stocks do not represent the most important industries so well as they did when they were selected many years ago. There are, for example, no companies engaged primarily in the electronics, aluminum, business machines, television and radio or paper industries. If we judge an industry's or a company's importance in the economy by the size of its sales, then companies in these five industries should be included and Radio Corp., for example, should surely replace Loew's.

Also it seems, industry representation is badly out of balance, because there are included too many issues in some industries. Two companies should be enough to represent any one industry. There are four chemicals, three steels and three oils, so that only three industries account for one-third of all the issues. Elimination of four excessive items in these groups would permit inclusion of representatives of the important aluminum, paper and business machines industries and perhaps a company in atomic energy. It may be premature, because as presently constituted the company is unseasoned, to include General Dynamics, but it appears at present that the company will probably be engaged in the widest application of atomic energy—on land, in the sea and in the air.

Anaconda or Kennecott seems to be a better representative of the copper industry than American Smelting & Refining. Swift or Armour, or National Dairy Products or Borden would be a better representative of the food industry than Corn Products Refining. Annual sales of the two meat companies are each larger than those of the largest chemical company and those of the two dairy products companies are larger, respectively, than those of the second and third largest chemical companies. In point of sales, Corn Products does not rank among the hundred largest corporations.

These revisions in the composition and computation of the Dow-Jones Industrial Average would greatly improve its usefulness to the public, would more faithfully represent the economy and would mean to the market student only the slight inconvenience of computing another set of figures, but he is already accustomed to dealing with a large body of figures every day.

Halsey, Stuart Elects E. Rockwell a V.-P.

E. Barron Rockwell has been elected a Vice-President of the investment banking firm of Halsey, Stuart & Co. Inc. He will be in charge of the municipal bond department of the New York office, 35 Wall Street. Mr. Rockwell has been associated with Halsey, Stuart & Co. Inc. for over 27 years.


E. Barron Rockwell

How Not to Lose Money In the Stock Market

Woman in small town in Utah gives J. F. Reilly & Co.'s Salt Lake City office Buying and Selling Instructions.

John F. Reilly of J. F. Reilly & Co., Inc., New York City, provided the "Chronicle" with the following letter received by the firm's Salt Lake City office with the thought that the contents will occasion a chuckle or two.—Ed.

"J. Riley
"Stocks and Bonds
"Salt Lake City, Utah
"Gentlemen:

"I notice that Studebaker-Packard stock fluctuates widely, affording a margin of profit within a short time.

"When it goes down to 7½ or 8 please purchase for me 100 shares, and then when it climbs to 9 or 9½ to 9¾ please sell the shares immediately. In any event try to realize 75c to $1 a share profit exclusive of brokers fees.

"I do not desire to hold any Studebaker-Packard stock because they do not pay any dividends. Thank you."

Very truly,
Name of Woman Addressor Withheld by Editor.

"P.S.—You may check my credit rating with Merrill Lynch, Pierce, Fenner & Beane."

E. & M. Klauber Formed

E. & M. Klauber has been formed with offices at 120 Broadway, New York City, to continue the investment business of Edward Klauber and Murray Klauber & Co. Partners are Edward Klauber and Murray Klauber, general partners, and Edith H. Klauber and Aimee Klauber, limited partners.

Achievement of Social Aims Without Credit Over-Expansion

By RAY D. MURPHY*

Chairman of the Board,

The Equitable Life Assurance Society of the United States

In emphasizing the responsibility of insurance men to oppose creeping price inflation, Equitable's Chairman proposes granting stand-by consumer and residential mortgage direct credit control to the Federal Reserve; decries growth dependent upon great expansion of credit rather than upon investment of savings; and praises Federal Reserve vigilance and courage. Mr. Murphy sees inflationary storm warnings in: mortgage-consumer debt; total spending exceeding new capital formation; possible capital goods boom, and price increases in 1956; and continued apparent ease in passing on wage increases in form of higher prices. Sees further Social Security liberalization as a possible economic danger, and warranting objective study.

We are all engaged in the administration of organizations created to establish and maintain a private means by which our citizens may share some of their more important risks in life.

R. D. Murphy

Insurance can ameliorate adverse consequences of risk to persons or to property. Insurance makes it practicable to start new business ventures in which hazards can be a more serious handicap than in many older businesses. It can also lay intelligent stress on minimizing of hazards and thus eliminate unnecessary risks. All these things we do in one way or another, with great public benefit.

There are two points about our insurance companies which seem to me to be of fundamental importance. Foremost, our companies are private in their organization and in their management. While they are supervised by public authority they are not part of government. That permits the kind of progress which is typical of private management. It also places on us a great personal and corporate responsibility to be sensitive to developing insurance needs among the people, and to see that risks which can be provided for through genuine insurance principles have our services available. Otherwise we invite the substitution of governmental for private operation in that field.

It seems hardly necessary to say that our privilege of private insurance management imposes on us also a special obligation in the realm of ethics. Insurance is a highly technical business, not too well understood by the public. Any impression—right or wrong—which the public gets that we are unfair or that we have taken advantage of them is a serious matter in our public relations. And since the public does not distinguish carefully between different insurance corporations, damage to one in this respect hurts us all. It is my sincere belief that the ethical character of insurance managements averages unusually high, but it may be well to remind ourselves from time to time that the interests of all insurance companies demand the preservation of these high standards.

The other fundamental point I should like to emphasize about private insurance operations is that, in contradistinction to some governmental schemes, they are based on the broad principles of individual equity. The premium for each risk is determined by the appraisal of the likelihood of the occurrence of claim. It is not the intention that one class of more hazardous risks be subsidized by a class of less hazardous risks. We may not always attain perfection in this regard but it must be our constant objective both in fairness to our policyholders and for our own preservation in a healthy financial condition. A group of experienced insurance people such as this audience needs no demonstration that peoples' self-interest is quick to detect what may be called insurance bargains.

The essence of what I have been saying is that private insurance is one of the finest illustrations of the acceptance of individual responsibility and is in harmony with those American principles which have made this country great. Some have said that insurance is one of the greatest bulwarks of our system of private enterprise. I believe that to be true.

Insurance Growth

As we gather together at this Chamber meeting, we have just concluded a year of great expansion in our insurance affairs during 1955, following a series of years of substantial growth. Perhaps we all tend to feel a bit complacent about our present situation and our prospects for the future. We can certainly be excused for having an optimistic outlook. But I think we must be conscious too of the fact that the effectiveness of our efforts in the future, as in the past, will be conditioned by the economic and social atmosphere in which we are permitted to work.

I occasionally remind myself that the history of life insurance does not show one unbroken line of progress. If, for example, we examine the amount of individual life insurance in force in United States companies, we find a high point was reached in 1931 followed by a dip which did not again reach the 1931 figure until 1940. The story of annual sales of new individual life insurance policies is even more dramatic. A high point was attained in the new sales of 1930, after which we experienced a severe drop in sales, and failed to recover the 1930 level until 1946.

It is therefore entirely in order that we in the insurance business take an active interest in the broad social and economic forces which are at work in our democracy. We have both a right and an obligation to urge upon the public and upon our political representatives the principles and actions which we believe will preserve a healthy economic and social order. In that spirit I wish to talk about two subjects which I believe may have an important bearing on the future of the country and hence upon our effectiveness as organizations.

Social Security Temptations

In 1935 when the first Social Security Act was passed its justification in many minds was as a provision for a subsistence income during old age for those who could not provide for themselves. It could be looked upon as a substitute, partial or total, for relief payments, but for all those included in the plan by definition no means test would be required in order to collect a benefit, and therefore the Act passed well beyond the scope of relief. In fact some in high authority compared it to the compulsory individual purchase through taxes of an annuity on each worker's life. Such a comparison was grossly inaccurate, for the plan violated many basic principles of individual annuities. Individual equity is disregarded and consequently there is involved in the plan a redistribution of wealth among the participants.

Let my general attitude not be misunderstood. I am not in favor of abolishing the Social Security Act. I do believe, however, that what changes are made in the Act will have much to do with the future economic condition of this country. The Act has been repeatedly amended to increase the benefits. It is a tempting political opportunity when election time approaches—and for an obvious reason. When benefits are liberalized, a large number of our older citizens get an immediate or nearly immediate increase in income. Naturally, they like it. That ultimately means, however, an increase in Social Security taxes upon active workers; but the full impact of these taxes is largely postponed. In fact, the future tax increase, even if it is to be substantial, probably escapes the attention of most people. They will become conscious of it only when the increased taxes are taken out of their pay envelopes. That illustrates the political attractiveness of recurring increases in benefits.

Meantime we know the country faces a marked increase over at least a long period in our aged population. A multitude of questions and uncertainties face us in trying to estimate the economic consequences of the Act as it stands, to say nothing of any future liberalizations. The effect of the large number of private pension plans must be considered too.

Can increases in national productivity provide adequate means to meet the increasing benefits which are already in sight to be paid to our non-productive population? Can enough of any such

Continued on page 10

*An address by Mr. Murphy before the Insurance Section at the 44th Annual Meeting of the U. S. Chamber of Commerce, Washington, D. C., May 2, 1956.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Commentary—Current status of atomic industry as of March 31, 1956 together with illustrated portfolio—Atomic Development Securities Co., 1033 Thirtieth Street, N. W., Washington 7, D. C.

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

Convertible Bonds and Preferred Stocks—Bulletin—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y.

Iron & Steel Industry—Comprehensive study of primary iron and steel industry in Canada with particular reference to **Algoma Steel Corporation, Dominion Foundries and Steel, Dominion Steel and Coal Corporation** and the **Steel Company of Canada**—Dominion Securities Corpn. Limited, 50 King Street, West, Toronto 1, Ont., Canada and 40 Exchange Place, New York 5, N. Y.

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

Life Insurance Stocks—20-year analysis—Ralph B. Leonard & Company, Inc., 25 Broad Street, New York 4, N. Y.

Monetary Policy and Its Effect Upon the Banking System, 1955-56 (Canada)—Study—E. M. Saunders Limited, Victory Building, Toronto 1, Ont., Canada.

Mutual Funds—What they are; how they operate and how to buy them—Booklet—Lee Higginson Corporation, 40 Wall Street, New York 5, N. Y.

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

Pacific Province—Discussion of economic situation in British Columbia with particular reference to **British Columbia Power Corp., Ltd., Consolidated Mining & Smelting Co., MacMillan & Bloedel Limited, Pacific Petroleums Ltd.** and **Powell River Company Ltd.**—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Philadelphia Bank Stocks—Quarterly comparison—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Public Utility Common Stocks—Comparative figures—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Shift of Institutional Buying—Discussion—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

* * *

American Enka Corporation—Data—Thomson & McKinnon, 11 Wall Street, New York 5 N. Y. Also in the same bulletin are data on **California Electric Power, Fairchild Engine & Airplane, General Fireproofing, National Distillers Products** and **Shamrock Oil & Gas Corporation.**

American Hospital Supply Corporation—Report—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available are analyses of **Northwest Engineering Company, James Manufacturing Co.** and **Ranco Incorporated.**

American Pipe & Construction Co.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Beneficial Standard Life Insurance Company—Analysis—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

Buckeye Steel Castings Co.—Analysis—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

Chesapeake & Ohio Railroad—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Panellit, Inc.**

Chicago, Milwaukee, St. Paul & Pacific—Analysis—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

Chicago Transit Authority—Report—John Nuveen & Co., 135 South La Salle Street, Chicago 3, Ill.

Craig Systems, Inc.—Resume—May & Gannon, Inc., 140 Federal Street, Boston 10, Mass.

Eastern Corporation—Bulletin—Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y.

El Paso Natural Gas Company—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Federal Oil Co.—Memorandum—S. D. Fuller & Co., 39 Broadway, New York 6, N. Y. Also available is a report on **Orradio Industries.**

Firth Carpet Co.—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also in the same bulletin is a brief report on **Dresser Industries.**

Fischer & Porter Company—Report—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Franklin National Bank of Franklin Square—Analysis—Blair & Co., Incorporated, 44 Wall Street, New York 5, N. Y.

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

General Motors vs. New York Central—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Granite City Steel Company—Analysis—Evans & Co. Incorporated, 300 Park Avenue, New York 17, N. Y.

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

Hycon Manufacturing Company—Analysis—Coburn & Middlebrook, Incorporated, 100 Trumbull Street, Hartford 1, Conn.

Imperial Oil Limited—Analysis—C. M. Oliver & Company Limited, 821 West Hastings Street, Vancouver 1, B. C., Canada. Also available is an analysis of **Trans Mountain Oil Pipe Line Company.**

Missouri Insurance Co.—Memorandum—R. S. Dickson & Co., Wilder Building, Charlotte 2, N. C.

Missouri Natural Gas Company—Analysis—Straus, Blosser & McDowell, 39 South La Salle Street, Chicago 3, Ill.

Missouri Pacific Railroad Company—Study and appraisal—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Mountain Fuel Supply Company—Analysis—Edward L. Burton & Company, 160 South Main Street, Salt Lake City 1, Utah. Also available is an analysis of **Equity Oil.**

Northeasten Turnpike—Progress report—De Leuw, Cather & Company, Farm Bureau Building, Oklahoma City 5, Okla.

Pacific Northwest Power—Report—Bozell & Jacobs, Inc., Smith Tower, Seattle 4, Wash.

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

Plomb Tool Company—Report—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **Arkansas-Missouri Power Co.**

Richfield Oil Corporation—Annual report—Secretary, Richfield Oil Corporation, 555 South Flower Street, Los Angeles 17, Calif.

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

Signode Steel Strapping Co.—Memorandum—McCormick & Co., 231 South La Salle Street, Chicago 4, Ill.

Sylvania Electric Products Inc.—Analysis in current issue of "Gleamings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue are a brief analysis of **United Gas Corp.** and a list of 40 interesting low priced stocks. Also available is a comprehensive tabulation of 40 Railroad Stocks.

H. I. Thompson Fiber Glass Co.—Analysis—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is an analysis of **Celotex Corporation.**

Trans Empire Oils Ltd.—Memorandum—Reich & Co., 39 Broadway, New York 5, N. Y.

Trico Products—Analysis—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y.

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

U. S. Thermo Control—Analysis—Unlisted Trading Department, Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

U. S. Tobacco Company—Analysis—Tobey & Kirk, 52 Wall Street, New York 5, N. Y.

Western Development Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Kearney & Trecker Corporation**, and a memorandum on **Ferro Corporation.**

Westinghouse Air Brake Co.—Memorandum—Walston & Co., 120 Broadway, New York 5, N. Y.

Edward R. O'Kane

Edward R. O'Kane, partner in John J. O'Kane, Jr. & Co., New York City, passed away suddenly in his office on April 30. Mr. O'Kane was 61 years of age. He had been associated with John J. O'Kane, Jr. & Co. for thirty years. He was a member of the National Security Traders Association, Security Traders Association of New York, and Wall Street Post No. 1217 of the American Legion.

Edw. R. O'Kane

He is survived by his wife Mildred, a daughter, Mrs. Joan Eurell, and two brothers, John J. O'Kane, Jr. and Thomas O'Kane.

McElnea Director

William H. McElnea, Jr., a partner of Van Alstyne, Noel & Co., investment bankers, has been elected to the Board of Directors of Montrose Chemical Company, Newark, N. J. Montrose is a diversified manufacturer of specialty organic chemicals, and through Montrose Chemical Corporation of California, jointly owned with Stauffer Chemical Company, is the world's largest producer of D.D.T. Van Alstyne, Noel & Co. were the bankers in the recent financing of this company.

W. H. McElnea, Jr.

R. F. Herdeg Joins Montgomery, Scott

The New York Stock Exchange firm of Montgomery, Scott & Co., 120 Broadway, New York City, has announced the association with the firm of Royal F. Herdeg.

Mr. Herdeg was for many years a partner of Neergaard, Miller & Co., New York investment firm.

Growing Emphasis Upon Research And Development Budgets

By WINTHROP H. SMITH*
Managing Partner, Merrill Lynch, Pierce, Fenner & Beane

Referring to a prediction that research expenditures can be expected to increase 50% by 1965, Mr. Smith reviews the growing role of research; the research done to aid the investor's evaluation of a corporation's research activities, and the survey results of 400 corporations in terms of the ratio of sales to private and government financed research. Recognizes our growing economy's need for more scientists and engineers than are forthcoming, and the necessity of allowing industry to set aside reserves for future research and development so that such activities can continue even during bad times.

There is no phase of daily life which has not felt the impact of science and technology. Steam engines, telephones, air conditioners, X-rays and wonder drugs are but a few results of scientific research. Science has provided countless modern necessities and conveniences; it has created new industries and millions of jobs; it has boosted the standard of living to new highs and brought huge dividends in human welfare; it is vital to national security.

Winthrop H. Smith

Biggest scientific strides have been made since World War II, which gave America nuclear fission, radar, proximity fuses and rockets. Since then scientific research has become big business. As a result the nation currently spends about $4 billion a year on research. A study by the United States Department of Labor shows that in January 1952 some two thousand corporations employed ninety-six thousand research engineers and scientists. Each two researchers were "supported" by three other technical workers. The combined total is unquestionably higher today since not all companies were included in the tabulation and about twenty-two thousand engineers are now graduated each year. Gradually, everybody — the government, private industry, consumers—and, of course, investors too—has come to recognize the importance of research.

In fact, industrial research is most important to the investor of today. He looks for it to develop new markets for old products, new products for old markets, improved products for all markets and better techniques to help reduce costs. If, 25 or 35 years ago, you had asked a broker to speak on the subject "the investor looks at research and development budgets," he would surely have been taken aback. In those days corporate spending for research was very modest. What is more, the annual reports of many companies provided only meager information. In many cases, even data on sales and pertinent elements of the income account were lacking, never mind research and development budgets. And even if such figures were published as frequently as they are today, more likely than not they would have been overlooked entirely.

Change in Investors

The typical investor of the twenties was apparently often willing to buy a symbol and a price on the ticker tape. In those days there were no capital gains taxes and other taxes were relatively insignificant. So the investor of yesteryear looked primarily for securities which would provide him with large profits over a relatively short space of time. This species — you would more aptly call him a speculator —is by no means extinct today. In fact he plays a vital and constructive role in our securities markets.

However, he is by far outnumbered by the investor (whether an individual or institution) who looks for growing earning power, higher dividends and moderate appreciation of his investment over a longer period of time. He is more likely to place value on the efforts companies make to perpetuate themselves and research they undertake to generate further growth.

Over the years, the security owner has come to recognize the immense contribution which research and product development can make to the well-being of a company and thus to the value of his investment. I refer to research, done by the government, university and foundations or industry, which has led to the many new and better products we enjoy today. While generally we tend to think of these creations in terms of their effect on our standard of living, the investor, fortunate enough to be an owner of corporations in the forefront of these development, appreciates their significance in a different way.

Concept of Growth Companies

For years outstanding opportunities for capital appreciation have developed among the dynamic research-minded companies, or so-called "growth companies." The term "growth company" is of comparatively recent origin. We never heard them described in those terms 30 years ago. The growth company existed but it was not recognized as such. Only in recent years have investors and trained analysts placed so much emphasis on such companies, which have demonstrated their ability to grow faster than the average.

Because of the tremendous investor interest in such firms, we recently published a booklet on 111 growth stocks. Circulation quickly passed the half-million mark. Of course, there are many different requirements for a "growth stock." However, an important one is active research.

To be specific, I should like to remind you of a few of the Horatio Alger stories of corporate history which have resulted from successful research programs. The Minnesota Mining and Manufacturing Company . . . is a superb example. Largely as the result of its emphasis on research, the 3-M company has in a very few years grown from the producer of a single item — sand paper — to a producer of more than 1,000 products.

Mr. Crawford H. Greenewalt, President of E. I. Du Pont, might have been speaking for the entire chemical industry when he said: "Our growth has been overwhelmingly the result of internal development through research." About 27% of 1955 sales of over $5 hundred million resulted from additions to the Du Pont product lines in the postwar period.

Even the development of a single product in the research laboratories can exert a profound effect upon a corporation. A spectacular example was demonstrated by the Schering Corporation last year. In February 1955, Schering introduced the anti-arthritic drug called Meticorten. Primarily because of the enthusiastic reception given Meticorten, Schering's sales more than doubled in 1955 and earnings increased five-fold. Its stock climbed from 22 to 58.

Similarly, in late 1948 Polariod Corporation introduced the first model of its Land Camera. The spectacular success of this instrument caused Polaroid's sales to increase more than 15 times and losses have been converted to profits. In this case, too, the stockholders have reaped substantial benefits.

To look at the other side of the coin for a moment, failure to conduct an adequate research program may have unfavorably effects. About a year ago, the President of one of America's leading chemical corporations acknowledged that his company had failed to grow as rapidly as many other well-known chemical producers during the thirties and early forties. To explain this situation in part, he pointed out the company had no research activities then. However, to the credit of his administration, the company has since sharply increased its research budgets. And to a certain extent, as a result of the development of new products in the laboratory, it has regained the pace of the growing chemical industry.

With these and innumerable other examples, the investor cannot help but appreciate the importance of research. At the same time the attitude of management toward research, as typified by the chemical company just mentioned, has also changed.

Research Expenditures

As you know, in the past 15 years corporate research budgets have increased sharply, both in absolute amount and as a per centage of Gross National Product. The latest survey of the National Science Foundation shows that industry's research and development expenditures totaled $3.7 billion in 1953, and represented two-thirds of the nation's total research costs in that year. This figure of $3.7 billion includes $1.2 billion in projects financed by the Federal Government. In the years just before World War II corporate research expenditures came to less than half a billion dollars.

Of course, much of the rise in research spending during the war years was necessitated by the demands of our fighting forces for improved weapons or encouraged by high corporate income taxes. However, since the end of the war and since the expiration of the excess profits tax, corporate research budgets have increased even more sharply. The trend is most encouraging and, I believe, it reflects more than anything else management's realization that intelligent and intensive research is an important factor which may distinguish a company from its competitors and enable it to do better than its industry.

Unfortunately, figures on corporate research spending for 1954 and 1955 as detailed as those provided by the National Science Foundation for 1953 are not as yet available. However, the men most familiar with the field estimate such expenditures in 1955 totaled at least $4 billion and probably a little more. This is equal to more than 1% of Gross National Product.

400 Corporations Surveyed

To cast some light on the current research activities of industry, we recently completed a survey of almost 400 corporations. Each was asked: (1) "In the 1955 fiscal year, how much did you spend for research and development excluding government-sponsored contracts and including government-sponsored contracts?" and (2) "What percentage of sales did each of these figures represent?" Unfortunately, because of long-standing policy, some corporations polled would not supply these figures even on a confidential basis. Others were unable to do so because of the classified nature of some of their government contracts. A few told us they had no idea what they spent on research. On the whole, however, the response was most gratifying and the results, I believe, very interesting. Obviously the question of semantics becomes involved in the compilation of results, since no two companies are likely to define research and development in the same terms or to report figures on the same basis. To compensate for these variations and to protect the identity of those corporations which provided data on a confidential basis, the results are presented by industry groups.

The figures in Table I are grouped in five columns. The first column to the far left indicates the number of companies in each industry which answered our survey. The second column from the left, showing the total sales of these firms, will give you some idea of the size of the corporations reporting. The column in the center lists the research and development expenditures of these corporations. The next column shows these expenditures expressed as a per cent of sales. And finally the column to the far right gives the percentage of research and development paid for by the government. This figure has been rounded to the nearest 5%.

A few comments on some of these figures are perhaps in order. As might be expected, the aircraft figures indicate the industry is a leader in research—both from the standpoint of total research expenditures and from the standpoint of reseach as a per cent of sales. All companies answering our survey held some government contracts and about 75% of the research done by these firms was financed by the government.

The figures for the chemical and drug industries also show heavy emphasis on research. Research and development expenditures as a per cent of sales did not vary greatly from company to company in either of these industries. However, two chemical companies, neither among the largest in the industry, reported research ex-

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*An address by Mr. Smith at the National Industrial Research Conference, Armour Research Foundation of Illinois Institute of Technology, April 19, 1956.

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Achievement of Social Aims Without Credit Over-Expansion

increased productivity be reserved for the aged and still satisfy the rewards expected or demanded by active workers? Since increases in national productivity are largely dependent on continuing investment in new plant and equipment, will incentives to save and provide such funds be adequate? And what level of benefits will be most helpful in our attempts to maintain stable prices? Would the giving of a disproportionate share of national production to social security beneficiaries lead to inflation?

These are a few of the many economic questions which face us, and are fundamental to the country's economic future. In an attempt to throw some objective light on this puzzling prospect, the National Bureau of Economic Research has been asked to do some exploratory work. I hope some valuable light may come from it. But in any event I would urge our Congress to attempt no further liberalization of benefits under the Act until we know far more than we do now about the long-range consequences for our economy.

I would emphatically urge this restraint at this time when in the Senate consideration is being given to the House bill reducing the age of retirement for women to 62 and introducing a benefit for total and permanent disability for those aged 50 or more. Both steps would be very unwise in my judgment. The objections to them have been presented to the Senate Finance Committee by a joint committee of the life insurance business. I will not go into detail on this occasion, especially as I wish to take time to call your attention to another fundamental question.

Consequences of Inflation

Whether or not the insurance business does an effective job in the future will be largely influenced, as I have said, by the economic atmosphere in which we are permitted to work. If given a reasonably stable price level we are prepared to render a most effective service to the American people. Conversely, if we have a rising price level with further erosion in the purchasing power of the dollar, then the protective services we have set out to render will be nullified in proportion to the rise in the price level.

Inflation is guilty of grave injustice to our people. It acts as a ruthless and discriminatory tax on all those with fixed incomes, and on fixed payments arising from pension plans, annuities and insurance policies. It robs the aged of part of the assistance which they have expected from their Social Security benefits. Any marked or long continued inflation causes people to lose confidence in their government and undermines economic and political institutions. It is therefore incumbent upon all of us, but particularly upon those who are entrusted with the savings of the people, to exert our influence toward a stable dollar.

There are some who have put forward the idea that a constantly rising price level is to be expected as a normal result of our economy. I cannot convince myself that such a creeping inflation is either inevitable or desirable. Economists can point out that some of the most prosperous periods of American history have coincided with stable or even declining prices. Furthermore, creeping inflation can hardly be held under control, for it tends to feed upon itself and eventually develop into galloping inflation.

I emphasize the responsibility of insurance men, particularly life insurance men, to urge the objective of a stable price level, because political pressures favoring inflation are strong. During the past year the pressures have been quite evident. Almost everyone I talk with is against inflation in principle but most people regard it as something to worry about in the future. Somehow they consider it the other man's responsibility in no way connected with what they are doing at the moment.

The year 1955 produced astounding results. Gross National Product reached a new high—up 7½%. Housing starts were at the annual rate of 1.3 million. More automobiles and trucks were produced than ever before. Corporate profits after taxes reached $22 billion. Our labor forces were fully employed. In fact it has been estimated that unfilled labor requisitions exceeded the number of unemployed; a condition characterized as "over-employment." Some materials were in short supply. All segments of the economy enjoyed prosperity with the exception of agriculture and a few closely related lines. Indices of the general price level showed relative stability, although declines in agricultural prices offset a rather yeasty situation in other parts of the economy.

Expansion Based Upon Credit, Not Savings

We are of course a rapidly growing country, but the performance in 1955 represented more than normal growth. It was achieved by going heavily into debt. Total mortgage debt increased from $113 to $130 billion, or 15%. $13 billion of this increase in mortgage debt was on non-farm dwellings. Consumer debt increased 20%, from $30 to $36 billion. Automobile paper accounted for $4 billion or two-thirds of the increase in consumer debt. Total spending exceeded new capital formation by nearly $3 billion.

Plans for 1956 indicate a capital goods boom with home construction still running at high levels. Indications have already been given of a sharp rise in steel prices in the near future. That will exert a powerful upward pressure on many prices. Some oil companies have announced that higher prices are necessary for refined oil products to cover their increasing cost structure including expansion of plants. Industrial management still seems to find it easy to pass on to consumers wage increases in the form of higher prices.

The fact is that this expansive development has depended on a great expansion of credit rather than upon the investment of savings. In so far as it has involved credit from the commercial banks, it has resulted in an increase in the money supply. Most of the commercial banks are now fully loaned up. For the past several months they have been borrowing heavily from the Federal Reserve as a means of keeping in loanable funds. Commercial banks now are trying to take care of only their regular customers and at higher interest rates. To gain cash, institutional lenders have been selling Federal bonds. Prices of such bonds have dropped in consequence to a point where capital losses tend to discourage further selling.

Many of the typical storm signals of inflation are flying and unless something can be done to arrest it we may well expect an upward thrust in the price level and further depreciation in the dollar. What can and should be done about it?

Arrest Dollar Depreciation

The only real bulwark against inflation is public officials of courage and competence, alive to the danger, and ready to take action. A heartening illustration has been the persistent efforts of the Treasury to reach a balanced budget even to the point of resisting popular but ill-timed demands for tax reduction. We also can feel much confidence in the Federal Reserve Board's vigilance and courage through watching the events of the past year. Five times they have raised the discount rate in an effort to discourage borrowing by the banks and to contain expansion based on inflationary bank credit. A further increase in bank credit now would mean the creation of additional new dollars which would compete with old dollars for a relatively fixed supply of goods and services. Our materials and labor supply are already stretched. Any further increase in demand could only stretch prices.

Our financial mechanism works in delicate balance. It is highly sensitive to changes in business sentiment. Too much pressure applied at any one time might start a serious decline in business activity just as too easy credit may beget inflation. We are dealing with questions of mass psychology as well as economics.

It is most appropriate that the Federal Reserve System should be the agency to possess and exercise powers of credit control. The Federal Reserve System is the one agency which must and should concern itself continuously with the purchasing power of the dollar.

Increase Scope of Federal Reserve Control

Yet last winter we witnessed the sad spectacle of the Federal Housing Administration reducing down-payments on houses to the vanishing point and extending the payment period to 30 years at the very time the Reserve Board was advocating restraint. How can it be claimed that there is adequate and consistent monetary control when the Federal Reserve System is hampered in this way? Why should not the Federal Reserve have stand-by power to control directly the terms of consumer and residential mortgage credit rather than having to rely on the indirect effect of general credit control with its tightening of all interest rates? If the Reserve System is granted such stand-by powers, to use as they deem necessary, they will be able to cope with any future serious expansion in credit.

In conclusion I should like to reiterate that our social aims can be achieved only within the framework of a stable dollar. We will succeed in stabilizing the dollar if we can prevent future over-expansion of credit. That is no easy problem as it involves fighting off many political pressures from those who believe that easier terms of credit and an abundance of credit will be of immediate advantage to them. Action will be swiftly taken if deflation should occur. We can be confident of that.

The only broad goal of economic policy adopted by the Congress is that contained in the Employment Act of 1946. You will recall that, with qualifications, the Congress declared it to be the continuing responsibility of the Federal Government to use all practicable means "to promote maximum employment, production and purchasing power." This could be interpreted in various ways, and at times one objective might be in opposition to another. It would certainly strengthen the hands of our monetary authorities in the struggle against inflation if this directive were amended to make it clearly explicit that the goal of maximum employment and production is to be achieved within the framework of a stable dollar. I recommend to the Congress consideration of such a clarifying and beneficial description of our national objectives.

Bache & Co. Admits Fairman & Harris

CHICAGO, Ill.—Admittance of Fred W. Fairman, Jr. and David J. Harris, of Fairman, Harris &

David J. Harris Fred W. Fairman, Jr.

Co., Inc., as partners of Bache & Co., in Chicago, and the acquisition of the offices of Fairman, Harris by Bache & Co. is announced today. Mr. Harris will succeed Myron F. Ratcliffe as partner-in-charge of Bache in Chicago, with headquarters at 135 South La Salle Street. Mr. Fairman will direct underwriting activities and new business developments as resident partner at 209 South La Salle Street, the former Fairman, Harris office. Mr. Ratcliffe is withdrawing from partnership in the Bache firm to succeed his late brother, John C. Ratcliffe, as President of the Miami Corporation, a private investment company. Robert L. Raclin will continue as partner-in-charge of the commodity activities of Bache's Chicago offices.

Bache & Co., members of the New York and Midwest Stock Exchanges and all leading securities and commodity exchanges, is one of the country's principal brokerage and investment firms and is one of the oldest companies on La Salle Street. Fairman, Harris & Co., Inc., has been primarily an underwriting and distributing organization, with offices in Emporia, Hutchinson, Garden City, Salina and Wichita, Kansas, in addition to Chicago. Thus, the acquisition of the Fairman, Harris offices will enable Bache & Co. to offer even wider investment facilities.

Mr. Fairman is a native of Chicago, and after graduation from Yale joined the firm founded by his father. From 1941 to 1943 he served with the War Production Board in Washington, and from 1943 to 1946 he was on active duty with the Atlantic Fleet. He is a director of Van Dorn Iron Works, Tekoil Corporation, Mount Vernon Corp. and Calvert Lithographing Company. He was Chairman of the Chicago Association of Stock Exchange Firms last year, and is a member of both the New York and Midwest Stock Exchanges.

Mr. Harris is also a native of Chicago and graduated in Business Administration at the University of Chicago. He began his La Salle Street career with Sills, Troxell & Minton, a predecessor firm of Fairman, Harris & Co. He is Chairman of the Central States Group of the Investment Bankers Association of America and a director of Liberty Loan Corporation, Colonial Acceptance Corporation and Jahn & Ollier Engraving Company.

Joins Hutton Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles R. Fleming is now with E. F. Hutton & Co., 623 South Spring Street.

With Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Byron A. Curl, Jr. has become affiliated with Marache, Dofflemyre & Co., 634 South Spring Street. He was formerly with J. Logan & Co.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William Beesley is now connected with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

F. I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Robert B. Elliott has been added to the staff of Francis I. du Pont & Co., 723 East Green Street. He was formerly with J. Logan & Co.

Monetary and Credit Policies Towards Strength and Weakness

By BERYL W. SPRINKEL*
Economist, Harris Trust and Savings Bank, Chicago

In assessing money quality and functions, Chicago bank economist declares credit system is currently strong, able to correct excesses without direct controls, but doubts extremely tight money is justified in the current economic climate. Dr. Sprinkel refers to past 4% necessary annual rate of money supply increase; notes the requirement of a leveling-out economy; finds that, through February, the past year's low money growth rate of 1% was as low as the money supply rise in the previous recession-depression periods since 1920, and believes continued low rate of monetary expansion for too many months could create credit conditions resulting in a weakening of the economy. Praises stabilizing influences now operating including the loosened link between gold and our monetary system but admits it leaves less protection against prolonged inflation.

I

Introduction

Before attempting to evaluate the potential strength or weakness of credit in our economy, it would appear desirable to consider briefly the **function of credit.** Some of us, under the Puritan philosophical tradition of encouraging thrift and abhorring and avoiding debt, sometimes feel grave reservations when we recognize that debt continues to expand in most sectors of the economy each year. There is, of course, no necessary inconsistency between the desire to **encourage savings** and at the same time **encourage new debt** creation. Saving, that is consuming less than current income, is essential if we are to accomplish economic growth without inflation through building our capital resources. Yet it does not follow that all savers are willing to accept the risks inherent in ownership or equity investment. Many savers prefer to place their excess funds in fixed value type investments. On the other hand, those consuming or spending in excess of income find it to their advantage, particularly under current tax laws, to rely to a considerable extent on debt flotation rather than sale of equity securities. Therefore, basically, debt creation is one of the institutional means developed for **transferring purchasing power** from savers to dissavers. In the current stage of development of our free enterprise system, it is absolutely critical that this transfer of purchasing power, and hence control over resources, be made through debt creation if we are to maintain sufficient total demand to keep our resources fully employed. Insufficient debt creation and investment to offset saving, can lead, as has been the case in the past, to depression. On the other hand, it is equally valid that creation of excessive purchasing power through too much debt expansion, particularly bank-held debt, can result in inflation and should be guarded against.

Dr. Beryl Sprinkel

It is well to recognize that not all types of debt have the same significance. In particular, changes in **bank-held debt** result in changes in deposits and hence in the **money supply.** The particular significance of the money supply (which consists largely of liabilities of banks) is derived from the close historical relation between its changes and changes in total economic activity. Many of us believe that this relation is a causal one and that serious depressions or inflations are impossible in the absence of sharp fluctuations in the money supply. It should not be surprising to find that changes in the money supply are closely related to changes in economic activity when we realize that today we have a "money economy" wherein most exchanges of goods and services are accomplished with the use of money. In general then, debt creation does have a crucial function to perform in our society, but there is nothing automatic in our system to assure that the ideal amount of debt creation, particularly bank-held debt, will be generated.

Against this background of the consideration of the function of credit and money in our economic system, I would like to consider two questions relevant to an evaluation of the potentiality of credit as a weak spot in our economy:

(1) Is our credit system currently generating the "proper" amount of money?

(2) What evidence do we have that the "quality" of credit is deteriorating through excessive expansion of particular types of credit?

*An address by Dr. Sprinkel before the University of Chicago Management Conference, Chicago, Ill., March 31, 1956.

II

The "Proper" Amount of Money

Not only is concern about the **amount of money** warranted because of its close relation to the development of depressions and inflations in the past, but it also has important implications for any evaluation of the **quality of credit.** Historically, the most important factor determining the ultimate quality of credit has been the trend in the business cycle. In years of high income and employment most credit was "good" and was paid off. On the other hand, in years of declining income and employment, more credit has turned out to be "bad" in the sense that it could not be repaid.

Past trends in productivity, population growth, and the velocity of spending indicate that throughout modern U. S. history an increase in the money supply of about **4% annually** would have been consistent with the maintenance of stable prices and full employment. The actual growth has varied considerably from this norm and has averaged near 6% since the latter part of the 19th century. In all extreme business contractions the money supply declined, and in all minor recessions the money supply grew less than the rate required to offset production improvements and velocity decreases. Turnover of money (velocity) tends to rise during periods of business recovery and declines during recessions or depressions. In addition, there has been a secular decline in the velocity of spending, but this has not been evident in the post World War II period. Since velocity is unstable and tends to be positively related with the trend in business activity, some argue that it would be desirable for changes in the money supply to be such as to offset cyclical and secular changes in velocity, and thereby attempt to maintain a more stable, although growing spending stream.

Since March of 1951, the date of the "accord" between the U. S. Treasury and the Federal Reserve System, the Federal Reserve has followed a policy designed to **contribute to business stability** and it has in the main succeeded in this objective. The Fed's strategy has been to encourage easy money during periods of business decline and thereby attempt to promote higher spending. This action had a direct effect on bank reserves and tended to encourage monetary expansion. Conversely, at times when the economy was at full employment and inflationary pressures were in evidence, the Federal Reserve has promoted tight money, in an attempt to discourage spending in excess of the capacity of our economy to produce goods and services at stable prices. Since 1951, the price level has been nearly perfectly stable and, with the exception of a few months in 1953 and 1954, the economy has been very near full employment. Easy money in the recession of 1953-1954 encouraged business expansion and was a significant factor limiting the decline in the economy.

Too Stringent Credit?

As the economy approached full employment in 1955, a tight monetary policy was adopted and has remained in effect up to the present time. This policy has had the effect of keeping considerable pressure on bank reserve positions, thereby encouraging banks to sell securities, primarily government bonds. This sale of securities has largely offset the expansionary effect of increased loans, and the money supply growth has been severely inhibited. Most of us would agree that this action was highly **desirable when spending was rising rapidly,** as a reduced money supply growth limited the inflationary pressures resulting from the increased velocity of spending.

However, in recent weeks there has been increased concern that this policy of promoting tight money may be somewhat **too stringent for current developments** in the economy. Through February, the money supply had increased only 1% in the preceding year. Although reduced money growth was desirable when the economy was rising rapidly as in 1955, it is less clear that it is equally desirable when the economy is leveling out, as appears to be the case at the present time. Although some net increase in spending probably occurred in the first quarter, it is significant that industrial production has remained roughly stable for six months and personal income has also shown little growth during this period. Furthermore, consumer prices are now nearly identical to the year-ago level and wholesale prices are up 1.7%. Despite widespread "talk" of inflation, **prices have not risen across the board.** Increases in some areas have been largely offset by declines in others. It is interesting and perhaps significant that the only period in our recent past when the money supply growth was as low as now was in 1920-21, 1925-27, 1928-29, 1929-33, 1937-38, the immediate postwar 1945-48 when special factors were operating, 1948-49, and during a portion of the recession 1953-54. Most of these years were either years of recession or depression.

I do not think that recent monetary developments warrant the cry of "gloom and doom." It is entirely possible, however, that extremely tight money is not justified in the current economic climate. It is merely my purpose to point out that **if the current low rate of monetary expansion is continued for too many months, credit conditions could result in a weakening of the economy.** As a matter of fact, many indicators of business are bullish at the present time, but, if the growth in the economy continues to slacken, it seems probable that the Federal Reserve should gradually shift towards neutral money thereby reducing pressure on bank reserves and allowing a somewhat larger monetary growth. Of course, a **switch to very easy money** would be **completely inappropriate** at the present time, as it would contribute to the inflationary danger. There is little or no indication that the Federal Reserve has moderated its policy in recent weeks. Apparently they still feel that inflation is the primary danger and that monetary growth should continue to be extremely low.

Stabilizing Influences

In addition to the improved operation of the Federal Reserve since 1951 in encouraging business stability with growth, there are other significant **institutional developments** in our credit and monetary mechanism that decrease the destabilzing influences of the credit sector of our economy. The establishment of the **Federal Deposit Insurance Corporation** in 1934 largely eliminated the danger of widespread bank failures resulting from large deposit withdrawals. In 1931 to 1933, depositors made large withdrawals from many private banks in an attempt to convert the liabilities of private banks (deposits) into currency — a liability of the Federal Government. Since the adoption of this law, there have been few bank failures and, hence, there has not been widespread liquidation in the money supply as had previously occurred.

Bank asset composition has changed for the better since the depression years. For example, in 1929 only about 10% of total loans and investments of all commercial banks consisted of Government securities. Today nearly 40% of bank assets are in this form. This means that in the event of a severe squeeze on banks, the assets of the banking system are much more liquid, thereby making it easier for banks to raise needed funds. Although this condition makes it easier for any one bank to raise funds in the event of a squeeze resulting from deposit withdrawals, it is nevertheless true that ultimate liquidity of the banking system must depend upon the readiness of the Federal Reserve to extend credit to the system as needed. The acquisition of reserves by any one bank

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Automation's Application to Rail Passenger and Freight Revenue

By THOMAS J. DEEGAN, JR.*
Vice-President — Staff, New York Central System

Believing the investing public correctly senses a new spirit of optimism, New York Central official expects the railroad industry to break through the new money cycle and successfully raise $20 billion to meet forthcoming automation and modernization expenditures for an industry that stands to benefit more than any other industry from automation. In explaining the reasons for this growth outlook, Mr. Deegan shows how the railroads have lagged technologically, personnel-wise and organization-wise, and views enthusiastically equipment design, and various passenger, freight and bookkeeping electronic developments. Expects impact to improve public relations and help offset stultifying governmental regulation and taxes.

The railroads, more than any other industry, stand to benefit by the advent of automation.

T. J. Deegan, Jr.

There are several reasons for this but the principal one is the simple fact that railroads have the greatest need. There is not another industry in this country where there are still so many things done exactly the same way today as they were done a half century ago. Second, the railroads may well be the only industry required by law to integrate their product as if they were a single entity, instead of 130 main arteries—the Class I railroads—plus a multitude of capillaries representing short feeder and terminal lines.

The third reason springs from the size and complexity of railroad operations.

Perhaps, in the interest of clarity, before we progress this theme, we should define the term "automation" as it is used in these remarks. I do not propose to use the term automation in any technical sense, but to consider automation the result of doing automatically what we used to do manually and mentally.

Lagged Technologically

As an industry, which is now almost 130 years old, the railroads have lagged technologically. This strikes home with me as I think back to my association with the airline industry a mere dozen years ago. The equipment and techniques used then are today regarded as archaic. And, of course, the ridiculous extreme, so evident around Michigan, is the museum piece identified as the automobile without air-conditioning!

Even though automation is not the fabulous second industrial revolution that science fiction writers like to make it out, but only an advanced stage in the continual mechanization of industry, it still offers us a chance to "catch up" in one gigantic stride.

The best example of such a situation that I know of occurred a few years ago within the railroad industry itself with the coming of the Diesel. Shortly before the Diesel locomotive made its appearance, the Eastern railroads went deeply into debt to install heavier rail and particularly to strengthen bridge structures to accommodate heavier steam power. At the time, this was a progressive, forward-looking step. But when the Diesel came along several years thereafter, by distributing locomotive weight more evenly over the rails, it sharply reduced the need for heavier rails and stronger structures. Therefore, those roads that had been getting by with an inadequate plant suddenly found themselves in clover. For suddenly their plant became adequate and they were not saddled with the vast debts so burdensome to Eastern roads.

Comes At the Right Moment

The opportunity for such a giant stride in the form of automation has come just in time. It could have been said until very recently that the survival of our industry over the previous quarter of a century was more in spite of than because of the way it was run. This is meant neither to be critical, nor presumptuous. In an analysis of that survival, one fact stands out: the amazing natural economy of the flanged wheel on the steel rail.

Psychologists tell us that a child's natural resiliency permits him to absorb tremendous abuse before serious mental disturbances set in. Similarly, the intrinsic economy of railroad operations provided the cushion to protect and sustain us during those desperately difficult years, a cushion that saved us even from our own shortcomings. What makes automation so timely is that the cushion now shows signs of wearing out.

It is common knowledge that for many years the railroads' investment in research was almost non-existent. It is still infinitesimal. Fortunately for the New York Central, its President, Al Perlman, is a longtime advocate of the application of modern research to a moss-backed business. In fact, the very first time I met Mr. Perlman was in his research laboratory in Denver in 1947—a research laboratory which was the first of its kind in the industry.

A high percentage of our equipment is obsolescent and only now is our equipment design beginning to catch up with the *first half* of the twentieth century. Even today America's freight cars average 19 years of age, and its expensive heavy-weight passenger cars average 28 years of age. And, almost half of that group is over 30 years of age. The year 1955 saw the railroad industry for the first time actually put into use modern, light-weight passenger trains such as General Motors' Aerotrain, the Talgo and the Xplorer—all substantially "Train X" concepts. This past year has also seen the first radically-new freight car design in several decades.

Gigantic Results

The tangible results of automation can be gigantic. For example, the new electronic freight yard that the New York Central now has under construction at Buffalo will save about 15 hours in the time a car requires to get into and out of that terminal. Indeed, it is in terminals than we can reap the very most from physical automation; it is there that our methods are the most antiquated; it is there that our costs are greatest — for Eastern railroads 60% of operating costs fall within terminals.

But it is not the tangible advances of automation that hold the greatest fascination for me; I think the indirect and intangible effects are even more absorbing.

Centronic

Consider, for example, the effect of Centronic on our passenger patrons. Centronic, you perhaps know, is the electronic reservation system that we are presently having installed. It is the most modern thing of its kind in the world. Blanketing most of our system, and tied it with certain other railroads, it will enable you to obtain a reservation in seconds or minutes, instead of hours or days.

Just the other day the "Wall Street Journal" carried a story on the annoyances of waiting lines, everywhere so commonplace today. Considerable emphasis was placed upon the delays that train and air passengers encounter. Undoubtedly, you all have had such experiences. So you know what an unmixed blessing it will be to cut those delays and we know how beneficial it will be to the passenger revenue account. Here, indeed, automation could produce both good public relations and a profit.

Or consider the effect of such things as electronic yards and CTC (Centralized Traffic Control) on our relations with our freight patrons. For one thing, as I have already suggested, our industry tends to be judged as a whole. You don't judge Fords by Plymouth's performance, but if you give the Central a car of freight for delivery at any point not on our line—obviously there are far more destinations off our line than on it—you tend to judge our performance by the over-all, through service. Even so, the effects of automation will be so striking that weak links in the chain will be forced to become strong links or retire from the fight.

Freight Location

A second facet of our legal obligation to interchange cars is that facts concerning them, particularly as to their whereabouts, are terribly hard to assemble and keep current. There are so many opportunities for human error. This handicaps us, not alone in tracing cars for our shippers, but, also in getting maximum use of our cars. The Central is just now completing a marvelous new card-to-tape system, built around computers fed by teletyped, punch card information. This will enable us to produce the facts on a given car in seconds. It will, moreover, enable us to handle the paper work detail on a train before it arrives in the yard, instead of afterwards; thereby we will speed up our yard operations.

Inter-Line Bookkeeping

We are going to have a giant IBM 705 digital computer at Buffalo to handle even more complex data such as the horrendous task of inter-line bookkeeping. Here the effect upon the public is doubtless not so great, but the improvement in the internal workings of our industry should be sizable.

Now as to our size and complexity: Railroads are the only land carriers of general freight whose operations are basically of a mass production character geared to assembly-line high volume. Indeed, the railroad train provides a classic example of the so-called "economy of scale." Although the literature of automation discloses some differences of opinion as to the possibilities which it holds for smaller companies, there seems to be little doubt that in general its benefits will accrue primarily to larger enterprises. Indeed, the role of digital computers might be described in terms of restoring to large companies an advantage that they lost when they outgrew smallness. The managers of small companies know what is going on in their businesses and they know it right away and are free to move quickly to meet the situation. Now, through automation, the managers of large companies may achieve equal footing.

Thus, it is not alone huge physical size, but also sheer complexity of managerial problems that makes automation so alluring to railroaders. Previously I stated that railroads have lagged technologically; they have lagged even more personnel-wise and organization-wise. It was not until very recently, for example, that the industry joined in the well established trend to decentralized authority, responsibility and accountability. So it is highly important that we maximize the contribution of such managerial manpower as we possess; automation in the form of digital computers constitutes a tremendous tool for this purpose.

Public Relations

But the impact of automation is by no means limited to our passenger and freight patrons. We look forward also to an almost immeasurable improvement in railroad public relations, our public acceptance. Of course, I realize that complete public acceptance will not come overnight. But the potential effects of our rejoining the ranks of "progressive industry" could be beyond description. There is no facet of our business that would remain untouched — notably the attitude of government toward us.

At present, the public looks upon us as a moribund, decadent industry, partly because government has done so much to make us so, and, in turn, legislators and regulators treat us as such because they believe public opinion supports them. The treatment flows from the regard and the regard from treatment.

It is because of the stifling effects of government treatment that fair-minded individuals should temper their criticisms of old-line rail managements with charity; but, at the same time, not fail to charge them with the lack of imagination and aggressiveness in meeting and correcting such a situation long since. Scarcely anyone outside our industry can fully realize the stultifying effects of being in a regulatory straight-jacket, nor the frustrations of being taxed to the hilt while competitors are being coddled by subsidies. Can anyone wonder that such external circumstances affected and infected the internal problems of the railroads?

When we contemplate the drastic improvements that a largely automated service will bring to the railroad's public acceptance, our enthusiasm grows stronger.

$20 Billion Question

Oddly enough, this enthusiasm is strongest just when logically it ought to be weakest — when we reflect on the $20 billion question.

*An address by Mr. Deegan, Jr. before the Second Michigan Railroad Management Seminar, University of Michigan, April 25, 1956.

Where are we going to get the $20 billion for automation and other modernization that informed observers generally agree is needed to do the industry job right?

Is this another vicious cycle with public confidence a condition precedent to new money and new money a condition precedent to public confidence? I think not. I believe the public, especially the investing public, already has begun to sense the new spirit in the railroad industry.

Two months ago Interstate Commerce Commissioner Clarke referred in a speech to what he called "the attitude of confidence so apparent in the railroad industry today." He went on to explain, "This great medium of transportation, at long last, is entering a new era. The defeatist complex under which it operated for so many years is rapidly vanishing. In its place we are finding a refreshing new attitude and spirit of optimism. Bold, aggressive management is adopting a positive approach to problems of the industry."

New Confidence

That new confidence, by the way, is in no small measure attributable to last year's Report of President Eisenhower's Cabinet Committee on Transportation. That Report urges a loosening of the regulatory bonds that now strangle competition among carriers. The railroads fervently agree that carriers should not be denied the right to compete for freight among themselves, nor should the public be denied the dynamic benefits of such competition. The Report inspires our confidence because, perfectly frankly, we believe that we can compete effectively and profitably.

So we believe that we are going to break through the new money cycle. Once having done so, our industry can achieve a wholly new tone—largely owing to automation. That new tone will, of course, affect not only our external human relations but also our internal, employee relations. We look forward with eagerness to the day when we can once again take pride in your respect, take pride in ourselves as railroaders.

Cashiers' Golf Tourney

The eighth annual Walter L. Wright Memorial Golf Tournament of the Cashiers' Division, Association of Stock Exchange Firms, will be held at the Leewood Golf Club, Crestwood, N. Y., on Tuesday, May 15, George J. Miller, of Hallgarten & Co., and President of the Cashiers' Division announced May 2. The trophy will be awarded to the member having the lowest gross score.

Carl L. Mochwart, Assistant Vice-President of Manufacturers Trust Company, is Chairman of the Division's Golf Committee.

Businessmen Must Make Themselves Better Understood

By M. J. RATHBONE*

President, Standard Oil Company (New Jersey)

Current proposals to hamper lawful business mergers; to establish cruel and unusual punishment upon company officials; and to use the taxing power to punish business growth, prompts N. J. Standard Oil President to urge businessmen to acquaint Congressional legislators with a real insight into the achievements of business so that there would be no question as to whether the interests of businessmen are in some ways incompatible with the general welfare of the United States. Points out that proposed accelerated, stepped-up corporate income taxes would shift smaller companies from being maintained and supported by big business to big government, and economy would suffer without large business institutions.

It's difficult to pick up a newspaper today without being struck by the prominent place of business and the businessman in our society. Headlines and news stories tell of the unparalleled level of economy, now approaching the $400 billion a year mark and largely sustained by expanding mining, manufacturing and other business enterprises, large and small. We read, too, of a record 63 million jobs offered by this economy, more than 90% of them in business and industry; and of larger amounts of money currently put by business into capital investments. There are reports of the highest rates of real income presently being paid to industrial workers; of new advances in technology and productivity which are resulting in better living standards for all those employed in or served by American business.

M. J. Rathbone

The same newspapers, sometimes in a more critical fashion, point to the increasing use of businessmen's talents to handle the complex affairs of our government. In many departments and places they are putting their experience to work in the interests of greater efficiency and economy — and with consequent savings for the taxpayer. In some quarters their work has even resulted in the label of the "Businessman's Administration" for the executive branch of our government. Beyond the area of our national economy and government, the businessman today is the subject of movies and popular novels. Although a few are unflattering, many of them are realistic and informative, some of them downright sympathetic. The businessman's efforts to give badly needed aid to educational institutions, to support many important cultural and scientific projects, to act overseas as an effective representative of our country's way of life are also recorded with appreciation.

All this attention is naturally gratifying to businessmen. It is pleasant to find credit given for the combination of faith, hard work and risk which is the daily schedule of every man who goes to business, no matter whether he owns a small town hardware store, sits on the board of a big corporation, works in a factory, at a desk, or sells in the field to help his family and his company along.

Considering all this current attention to their efforts, you would suppose businessmen ought to be happy. Looking more closely at the details of this recognition, however, discloses a condition which is not so reassuring. It is one which I think should cause all businessmen deep and thoughtful concern.

Mass of Misconception

Behind the surface recognition of business and its achievements, I believe there is still a mass of misconception about how business really operates, what the true motives of businessmen actually are, and a failure to grasp the essential relationship of business to the other parts of our society. This is an unfortunate situation. All parts of American life depend for their well being and growth upon a similar state of good health among the other parts. Yet the sort of misunderstanding now apparent where American business is concerned, presents a very real danger that business could well be so shackled that it no longer would be able to make an effective contribution to our national welfare.

These are strong words, but I mean them quite sincerely. Business, almost more than all other American institutions, must be understood to be effective. It directly depends upon the widest possible public support for its functioning and growth. Without understanding there cannot exist the kind of climate in which business thrives. The consequence could soon be a weakening of our economic system.

Examples of this lack of understanding are to be found in many areas. Some of them are, admittedly, less significant than others. But when they are discovered at the very heart of our democracy, in the United States Congress, then it is worth our while to sit up and pay them some heed.

Consider, for example, the potential effects upon business of a number of bills actually before the 84th Congress. Some of this pending legislation may be news to you, but it does exist and that fact alone should be enough to shock any businessman out of his complacency.

Pre-Merger Notification

H. R. 9424 was recently passed by the House. It is intended to aid the Federal Trade Commission and the Department of Justice in enforcing what is popularly known as the "Anti-Merger" law. This law, a section of the Clayton Antitrust Act, prohibits mergers of corporations when they might have an adverse effect on competition. The new bill passed by the House would require companies of a certain size to give two governmental agencies advance notice of any merger with, or the purchase of any stock or assets from, another company regardless of the effect of the deal on competition. Briefly, the bill:

(1) Requires all corporations planning mergers to give the Justice Department and the Federal Trade Commission 90 days advance notice in those cases where one company proposes to acquire the whole or any substantial part of the stock or assets of another company and where the combined capital, surplus, and undivided profits of the two companies exceed $10 million; and

(2) Halts all proposed mergers for the 90-day period, so that the Department of Justice and the Federal Trade Commission may investigatee the case; and

(3) Requires, under heavy penalty for default, the corporations involved to provide any information that the government agencies feel they may need.

The bill also provides that failure by the government to object to the deal within the 90-day period "shall not bar the institution

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*An address by Mr. Rathbone before the Newark Rotary Club, Newark, N. J., April 24, 1956.

Trust Business Importance In Commercial Banking

By C. A. SIENKIEWICZ*
President, Pennsylvania Bankers Association
President, Central-Penn National Bank of Philadelphia

Pennsylvania Bankers Association President compares commercial banks to modern department stores in their scope and variety of operations. Banks are no longer wholesale institutions dealing in big balances and self-liquidating loans alone, Mr. Sienkiewicz states in pointing out need for trust department to complement commercial services in offering a complete banking package to the customer. Urges education of middle class families concerning the services banks offer as fiduciaries which would help provide individual security, channel savings into the economy, facilitate economic growth and employment.

Trust business has now become an integral part of our deposit banking. With the permission granted national banks to establish trust departments at the end of the first World War, virtually all commercial banks may now qualify themselves to handle trust business, and a great majority of them have so qualified. This extension enlarges our opportunity and responsibility for broader services to bank customers and the public generally. It also calls for concerted action by all units of our banking organization.

C. A. Sienkiewicz

Tasks Differ But Goal Is Same

For a long time, as you know, there existed a wide gap of misunderstanding between commercial bank men and trust men. The commercial banker was prone to regard the trust department in his bank as a poor relation, operating mostly in the red and seldom contributing much to earnings or growth of the bank. Not only was this view displeasing to the man in the trust department, but it also apparently superinduced in him an inferiority complex. As a defense, trust men sometimes stressed the superior qualities needed by them because of their fiduciary relationship with the customer in contrast to those required of their commercial counterparts, who were dealing at arm's length in making and collecting loans. The commercial bank man resented this attitude and was loath to take interest in helping any efforts to develop trust business.

The obvious folly of these attitudes stemmed from the lack of understanding and appreciation, first, of the relationship between the functions of commercial and trust departments and, second, of the far-reaching changes that have been taking place in commercial banking.

A typical commercial banker of the older school dealt in credit-debt relationship. He knew that his bank was a debtor to its depositors and that it also was a creditor when the customer borrowed money from the bank. He ardently solicited deposit accounts and cautiously made loans which he expected to collect at maturity. Faith mingled with suspicion formed a basis for his credit judgment, and for his success or failure. A modern bank officer has added much more to these functions partly through new types of loans and partly through many services unknown to his older prototype.

The trust man, or the trust department of a bank, on the other hand, has performed a function of custodian and administrator of the property entrusted to him by another person under a will or deed of trust with the understanding that this property will be managed well and safely in behalf of the best interest of specified beneficiaries. His relationship with the customer usually is defined by law and the provisions of the instrument committing the property to his care and management. He acts in a fiduciary capacity for the benefit of his customer and not in the capacity of a wary lender dealing in promises to repay borrowed money in the future. This position of trusteeship is acquired principally because the owner of the property, or the trustor, believed that the bank can best protect his interest and carry out his wishes with respect to himself or his beneficiaries.

It is clear, therefore, that, while the functions of commercial and trust departments in a bank differ, their foundation is very much the same — faith, confidence, trust, mutuality of interest. Moreover, with the sweeping changes in banking over the past three decades, both functions complement each other in that they help to complete a package of services that a modern bank is expected to provide for its customers.

*An address by Mr. Sienkiewicz before the 29th Annual Trust Conference of PBA Trust Division, Harrisburg, Pa., April 6, 1956.

No longer is a bank today an exclusive wholesale institution dealing in big balances and self-liquidating loans alone. It is more like a department store in its scope and variety of operations. It, of course, handles big accounts but it also accepts small deposits, known as popular or special accounts, and sells check books to small customers, a practice wholly unknown to the past generations of commercial bankers.

New forms of credit have been developed to meet the needs of business and individuals, particularly since the depression of the 1930's. Term or installment loans to business firms in need of intermediate term credit—1 to 5 years or longer — for the purchase of machinery, equipment, and other fixed assets suggest one example of change. Credit for the purchase of automobiles and household appliances on installment basis is another new credit development. Long-term credit extending over 25 years or longer for the purchase of homes is still another illustration.

Bankers of the past frowned upon this type of lending. They considered it as unsound and unsuitable for commercial banking. Seasonal or self-liquidating loans were regarded as about the only proper credit to extend. Anything beyond that category had to be very special. Yet today we are making these new types of loans. We also are providing innumerable financial services and facilities, including fiduciary and agency services, to our customers. This is as it should be under changing conditions and needs of business and individuals. Banks must adapt their policies and practices to the changing credit needs of a dynamic economy, if they fail to meet sound and legitimate requirements, other institutions or agencies will be set up to do the job. Bankers of today are meeting the great challenge of our expanding economy and growing population.

Benefit of a Good Team

This brief background should dispel any misapprehension or unjustified feeling that may still exist between the people in commercial and trust departments of the bank. The nature and scope of banking today have become so complex and inclusive that it is necessary to have qualified people in all departments of a bank working together as a vigorous team. Good relations among the people in a bank mean good relations of the bank with its customers and the general public.

Commercial bank officers stand to gain many benefits from working closely with the people in their trust departments. They can establish stronger and more intimate ties with the customers during their lifetime. Upon the death of any customer, the bank is almost certain to retain his business. All of you know what happens when a customer carries his commercial business with one bank and entrusts his property under the will to another bank; upon his death the fiduciary bank invariably gets all his business.

Moreover, a commercial officer has an opportunity to offer his customers an additional service of unusual importance because a well-organized trust department will manage and conserve the customer's assets in the event of his death. This opportunity also includes a good chance to obtain valuable information on the amount and type of assets owned by individuals. The knowledge so gained should be helpful to both the bank and the customer because it is only with the frank exchange of information that the banker can be of real service to his client in solving perplexing problems.

What about the position of an officer in the trust department? His advantages of cooperating with commercial bank officers are equally positive and comprehensive. In the first place, commercial officers as a rule know their customers — their ages, their financial competence, their family status, their likes and dislikes. They can easily work with the trust officer in selecting prospects, and this obviously should mean increased business for the trust department. In the second place, by cementing good relations with the commercial department, a trust officer can enlarge his relationship with lawyers and accountants because of his greater ability to share business with them.

What about the customer himself—does he stand to gain much under such a cooperative approach to develop trust business in a bank?

Yes — without any hesitation. Probably his greatest problem today is to plan or arrange his estate in such a way as to achieve the best possible results for his family and other recipients of his bounty. This requires competent advice and guidance in drawing new wills or redrawing old wills which may have become archaic because of changing laws and taxes, or his family situation, size of his estate, and his wishes.

A well-trained estate planning officer, working with the customer's lawyer and life insurance underwriters, can give assurance of the most effective manner in which his estate can be protected and conserved. In the estate planning and after the man's death, the knowledge of commercial bank officers is available to counsel as to the retention or liquidation of his business. Certainly, by working together, the customer can derive enormous benefits from bank trust facilities.

It is, therefore, clear that the cooperative approach to the trust business is advantageous to all—commercial and trust departments and to bank customers. What is needed is mutual understanding and education as to what each department is and does, what its functions and methods of operations are, and how each can work on a spirited team to the advantage of the bank, the customer, cerned. Under such conditions, any possibility of conflicts and recriminations between the activities of the two departments will be minimized, if not entirely eliminated.

How to Cooperate

Assuming that commercial bank officers have been adequately primed and are receptive to suggestions, it is up to the trust officers to keep them ever conscious of the fact that there is an active trust department in their bank; that it is not a poor relation or a "step-child" but a thriving unit that is trying to develop and retain banking business of all types; that in doing so it is prepared to offer vital services to bank customers in conserving their estates; and that it is a live part of the team that is building the bank.

More specifically, trust officers are in position to have and share the latest information on tax and other legal developments, new ideas on estate planning, and methods to achieve the customer's desired estate plan with a minimum of tax or other expenses. Such information may be extremely valuable to commercial officers because the impact of taxes on the financial positions of borrowers may be decisive in the extension of credit. Discussions of current or new problems arising from trust operations also may be valuable to commercial officers, either in dealing with the same customers or in sensing new commercial prospects.

In enlisting the cooperation of bank personnel, the trust people should first sell the service and value of the trust department to all bank officers. Next, they should vigorously solicit bank directors because their active support by entrusting their own estates to you gives prestige and personal endorsement of the value and permanency of your departments. Among other selective sources of new business are bank stockholders, safe deposit box customers, and depositors. All bank officers can be helpful in this respect, if they know and are convinced of the validity of your efforts and of what you are trying to do to make the bank grow and prosper.

Fear of Boomerang

Some of you may think that my plea for cooperation among all departments and personnel of a bank in building trust business overlooks possible conflicts in banking. One such conflict may arise when a trustor is heavily indebted to the bank in connection with his current business operations. Another friction might develop where there is a fight for corporate control and you are solicited the vote of the stock held in the trust department, particularly if one of the parties at issue is your substantial depositor. Still another source of embarrassment may arise when the bank is requested for a loan upon the security of a remainder interest and such a loan is against the general policy of the bank.

You can think of other sources of potential difficulty, such as cases where the trust department is a fiduciary holding securities of a closely held corporation, or where the trust department is trustee of a mortgage or debenture bond issue and the bank is extending a line of commercial credit to the company. You can, as a matter of fact, produce a cross fire of questions which would drive you into complete inactivity or into a narrow technical isolation as the safest trust policy and procedure.

But that is not the bold, pioneering way to build the trust department. A timid, negative approach will never lift trust departments to prime positions to which they are entitled in our banks. A competent, well-established trust department should resolve conflicts in most cases, if trust officers are resourceful, determined and thoroughly frank with their customers.

I want to emphasize the value of being frank with our customers. Many times, in the face of fierce competition, we accept a piece of business at a loss, ostensibly because of certain collateral advantages, such as increased deposits. The difficulty with such an arrangement is that a deposit account may turn out to be a very fluid item, particularly with changes in management or in business conditions. To accept a losing item of business is to court failure at the outset. People generally are reasonable in meeting costs, if they understand them. It seems to me that the trust department should be a self-sustaining unit just like the other bank units. It should not be an "unwanted child" but a desirable productive branch of a progressive bank. It should and it can earn its own way.

Conclusion

I am convinced that, in building trust business, close cooperation between the trust department and other departments of a bank is essential. I am also convinced that a progressive bank of deposit today cannot offer a complete package of services to its customers without having a well-manned and qualified trust department. I also believe that, with prudent and courageous policy, a trust department can be made self-sustaining, probably not overnight but certainly in the long run.

Your job obviously is to keep on building trust business. The field is rich. Individual trusts may be of smaller sizes than in the past, but they will be more numerous. You have and will continue to find ways to handle increased volume on a more economical basis. The establishment of common trust funds is an example.

The rise of our wealthy middle class has been phenomenal under the impact of widespread income distribution. Your opportunity to educate this class as well as bank officers and yourselves in fiduciary mysteries is boundless. In meeting this task, you should find an invaluable assistance in attorneys and life insurance underwriters. It should be an exciting challenge to every trust man.

As custodians of accumulated savings, you are engaged in honorable business. You need not apologize for your profession. In your fiduciary capacity, you safeguard the security of many people; you direct the flow of savings into our expanding economy; and you facilitate its growth and help create job opportunities. The need for trust facilities is growing and you will meet the demand as you have done in the past.

Louis Stone Joins Hayden, Stone & Co.

Louis Stone has become associated with Hayden, Stone & Company, 25 Broad St., New York City, members of the New York Stock Exchange. Mr. Stone was formerly with J. R. Williston & Company and prior thereto was with Hornblower & Weeks. In the past he was President of Kugel, Stone & Co., Inc.

Louis Stone

Reginald Knapp With Ira Haupt & Co.

Reginald J. Knapp

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, have announced that Reginald J. Knapp is now associated with them in the unlisted trading department. Mr. Knapp was previously with Wertheim & Co.

Now With Hill Richards

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Bruce C. Dunn has become affiliated with Hill Richards & Co., 621 South Spring Street, members of the Los Angeles and San Francisco Stock Exchanges.

Chances of Convertibility And Long-Range Outlook

By GEORGE R. POTTER*

Administrator, Foreign Exchange
Radio Corporation of America, International Division

To recapture U. S. share of global trade, RCA foreign exchange specialist advises: (1) American bankers and business to pursue long-range overseas expansion policy including stepped-up demand for products by judicious advertising and direct investments abroad; (2) commerce liberalization to help make convertibility possible, and (3) until soft currency exchange earnings are stronger, extension of long-term U. S. supported credit, including political risks, and barter of some products. Stresses importance of Pound Sterling in world trade and achievement of real convertibility which is defined as converting "currency into any other currency or into gold, with no restrictions whatsoever."

Many times during the past years people engaged in foreign trade, and others, have asked what I thought of the chances of convertibility. Currency convertibility, at best, is a very large subject and there are many facets to this problem which must be considered.

Full Convertibility Defined

First, I would like to define for you the term, convertibility. I mean, the type of convertibility of most concern to U. S. international traders and to which this talk will be devoted. It is full convertibility, i.e., the ability of any individual or firm, resident or non-resident, within a country, to freely convert that country's currency into any other currency or into gold, with no restrictions whatsoever. It covers merchandise, capital and all other visible and invisible transactions. Admittedly, there is now so-called limited, i.e., partial or semi-official, convertibility in some areas, and progress has been made recently in this field by Germany, Britain, the Benelux and others, but as long as there is an exchange barrier between the dollar and these countries for transactions involving the sale of U. S. products, we cannot consider that true convertibility is at hand.

G. R. Potter

I suggest that it is necessary to look at some of the recent history of currencies, and at the economic facts as they present themselves today, in order to reach any conclusions and to predict trends with reasonable expectations that such forecasts might be more than sheer guesswork. Even then, after careful analysis, one can only hope that no major political or economic disturbances will occur to upset international financial predictions.

Recent Currency History

As a result of the Second World War, many countries were forced to impose monetary restrictions to preserve whatever was left of their gold and freely convertible foreign exchange reserves. These countries, representing the majority of the free world, became known as soft currency countries, due to their limited reserves and restrictive practices. This meant, and unfortunately still means today, that their currencies could not be freely converted into all others or into gold. To obtain needed raw materials and to satisfy at least some of the internal demand for equipment and consumer products, which had been built up during the war, soft currency countries used a large part of the reserves they still had, to purchase products from the undamaged portion of the world, i.e., the Americas. Since these convertible currency purchases necessarily had to be very limited, soft currency countries thereafter turned to others, in positions similar to their own, and arranged for bilateral trade and payments among themselves, hoping that their economies could so complement each other that, in the final analysis, purchases and sales would balance. To cover bilateral trade thus established, lists of specific products to be exchanged were drawn up and so-called clearing accounts, against which trade in and out was debited and credited, were set up by the contracting countries involved. It is interesting to note that in 1952, it was estimated by reliable sources, that there were approximately 2,700 such clearing accounts especially designed for bilateral trade in existence throughout the world.

It should be pointed out here that, despite the generally dismal financial situation depicted, there were some countries which, due to their Colonies or due to neutrality, had built up considerable gold and foreign exchange reserves during the war. Among these some of the South American countries, Belgium and Sweden, were the most outstanding. They started the immediate postwar period with fairly free economies and made large purchases in the U. S. Unfortunately, their earning power did not enable them to maintain the reserves referred to, once they started buying, and, therefore, even these countries had to impose restrictions after a while.

To sum up the general situation it can be said that the world export market is divided into two major groups of countries today. They are classified as follows:

(a) **Hard Currency Countries.** Those whose currencies are freely exchangeable against all others, e.g., The U. S., Canada, Mexico, Venezuela and some countries in Central America.

(b) **Soft Currency Countries.** Those whose currencies are regulated and can not be freely exchanged against others, e.g., France the Sterling area, Italy, Germany and many others.

To illustrate the importance of this division, free world exports in 1954 amounted to $75.1 billion, but of this total only $21.5 billion were against payments in hard currencies. Since the end of the war in Korea, the share in export markets of the hard currency countries has steadily declined, the chief reasons for this development being the gradual recovery of the soft currency countries, whose industrial potential had been damaged by war, and the need of these countries to export more, in order to raise their standard of living. Germany and Britain must export 25% of their total production to survive; Belgium and Norway 40%; the Netherlands 50% or more.

Soft Currency Containment

Although progress is being made among soft currency countries in eliminating certain import and exchange restrictions, these countries have found it more advantageous to trade among themselves and, therefore, mutual trade and payments agreements have continued and have been very active. The aim of all this activity among dollar-poor countries has been, and still is, the development of markets and sources of supply among themselves and outside the hard currency area. It is unlikely at present that this trend will be reversed at an early date, since markets so developed are being retained and expanded by all possible competitive means. The latter include long-term credits and capital investments, which frequently involve direct financial support by foreign governments.

The trend in world markets, just outlined, has, of course, many disadvantages for the American exporter since it does not give us much immediate hope for a better competitive position. However, from a free world point of view some satisfaction can be derived from the developments of the last years. When we talk about convertibility we normally think first of gold reserves and of the hard foreign exchange resources of a country, but please bear in mind that these are only results. The important factor, and the basis which enables a country to pay its way, is man-hour productivity, coupled with the ability to sell products at home and abroad. As supply comes nearer to meeting demand, and as the economic base in a country broadens, giving more of the people the products they want, and enabling these people to earn in productive endeavors the money they require to purchase these products, a country's economic health improves. This is nothing new, but is sometimes forgotten, although it is basic. As productivity and efficiency increase, and a country produces the goods for which its resources and talents are best suited, its capability of marketing goods abroad increases, and its potential of earning foreign exchange grows.

We must, therefore, conclude that increased economic activity, even among soft currency countries, is good, since eventually economic consolidation, with a resultant higher standard of living and healthy competition, will lead to a natural relaxation of controls. This will enable the soft currency countries to earn much-desired hard currencies by being able to do better in the highly competitive hard currency markets. At the same time, the opportunities of increased investments by hard currency capital in soft currency countries, will become more obvious to the private investor, since the returns on investments made in the soft currency area will be especially attractive. Thus, if there are no major political upheavals or economic disasters, one can reasonably expects hard currencies to become softer, i. e., more readily available to the soft currency countries, and one can also expect soft currencies to become harder, i.e., to be more readily convertible into dollars and gold.

This development has become a reality in Switzerland, a nation now trading as a hard currency country with the hard currency areas while maintaining trade relations based on bilateral and limited multilateral trade and payments agreements with the

Continued on page 33

*An address by Mr. Potter before the University of Illinois Institute on International Trade, Chicago, Ill., April 25, 1956.

THE MARKET... AND YOU

By WALLACE STREETE

Irregularity was again the dominant facet of the stock market this week after the list had mustered just enough strength to close a downside gap that had been opened in the industrial chart three weeks earlier when the list went into its consolidating phase. The market tradition is that such gaps are filled in sooner or later but the fact that the feat did little to spur any new surge toward the all-time peak left the market's future somewhat clouded.

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The rail average has been using the consolidation to good purpose, nudging along to successively higher peaks that are the best seen since 1929. But they were more tired than buoyant this week, and Santa Fe, for one, was given to some persistent sinking spells.

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The concensus of market opinion overall seems about evenly divided over whether new tests of the lows might be ahead before any serious thrust to new high levels.

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Auto production figures continue dour, at least when matched against comparable periods last year and the automotive shares reflected it marketwise with Chrysler a bit more prominent than the others because of its appearances on the lists of new lows. Nevertheless a bundle of nearly $56,000,000 of General Motors stock was marketed as a secondary in a matter of minutes. The 1,075,000 shares sold were for the account of the Sloan Foundation.

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Individual issues, however, were able to counter the trend without, apparently, being swayed by the general market movements to any important degree. The issues of the fallen blue chip, Bon Ami, had a whirl that finally was explained when it was announced that United Dye & Chemical had acquired a controlling interest for an undisclosed amount. The stocks of United Dye were also given a whirl on the news. Issues of both companies have been well deflated in recent years. The Bon Ami class B stock, which once sold for above $70 had been down around $6 rather repeatedly until last year when its low was $12. It perked up to a level better than half a dozen points above that figure. The class B stock, which has a dividend record of better than half a century, sold as low as $25 last year and was lifted more than half a dozen points from that figure. It once sold well above par.

Demand for the Oils

The major group where demand centered more often than not was the petroleum one, with the secondary issues taking turns with the blue chips in showing pinpoint investor interest. Unlike most other industries where a backward member or two marred the record, the oil reports were almost universally comforting. Standard Oil of California, which has reached the price range that automatically makes it a split candidate, was able to step out occasionally on a comfortable lift in earnings, despite a rather sizable $65 million boost in capital expenditures last year. The expenditure, however, enabled the company to boost reserves three times more than last year's production. An illustration of the far-flung activities of such "international" companies is the fact that it has exploration crews working in 41 countries in addition to the domestic activities.

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Socony Mobil Oil was also in favor occasionally, a bit of the impetus stemming from a forthcoming 25% stock dividend. Unlike Calso, Socony was able to trim capital expenditures last year by nearly $52 million and boost working capital correspondingly. That the bare figures aren't the only yardstick is the fact that gross was up 8%, but net was ahead by nearly 13% through increased dividends from foreign operations.

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Coppers were linked pretty closely with the fluctuations of the price of the metal in world markets, now well deflated from the recent peaks. Kennecott, in addition, had to contend with some chagrin when the annual meeting was told rather clearly that the officials of the company see little benefit either in a stock split or stock dividend. Since its price had long since made it a split candidate, it was handled a bit harshly marketwise on occasion.

Undervalued Coppers

The copper easiness turned the search for undervalued issues to those companies that stand to benefit from lower prices for the red metal, such as Mueller Brass which has had a pedestrian market life all year. In fact, the issue has yet to carve out a range of as much as half a dozen points. The company is the nation's leading producer of brass and aluminum forgings, and has been active in diversifying with the recent attention being directed mostly toward the aluminum end. It acquired Sheet Aluminum Corp. the year before and Vampco Aluminum Products last year. Some expansion programs are only beginning to pay off, but its work in the aluminum field hasn't inspired anything like the play that has been given lately to other aluminum outfits.

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Mueller's sales last year pushed to a record level of $67.7 million with the aluminum work contributing 13%. First Quarter results continued to show comfortable gains over the same period a year earlier, and the company estimated officially that the 30% improvement would be maintained for the first half. Projections put 1956 earnings in the area of $5 a share, with the stock selling at less than eight-times such earnings, and yielding better than 5%. The dividend was increased last year and again recently.

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The imminence of wage negotiations with the union made the steel stocks a bit nervous and chilled some of the enthusiasm for this section that, by and large, provides some of the better-than-average yields around. Armco Steel did little even in the face of record profit for the first quarter of the year. Similarly the boost in Bethlehem Steel's payment was given only temporary and mild market approval. Armco, incidentally, is about as immune to strikes as any of the major companies around. Some of its facilities aren't unionized and continue to operate even during industry-wide strikes, enabling the company to produce at roughly around half of capacity when others are shut down completely.

A Favored Rail

Among the rails, some investment sentiment favored Chicago Great Western for some solid reasons, not the least being the good upturn in income for March reflecting the freight increases that were permitted to cover wage increases prevailing earlier. Despite the lag, the road reported net income for the quarter that was comfortably ahead of that for the previous year. Moreover, unlike some of the results shown by other roads at the expense of the maintenance accounts, Chicago Great Western actually increased credits for such purposes.

[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.]

John M. Westcott With Greene & Ladd

The New York Stock Exchange firm of Greene & Ladd announces that John M. Westcott has joined the firm as manager of its research department.

Since 1942 Mr. Westcott has been associated with the U. S. Trust Company in its research department and as an account executive. Prior to that he was a partner in the NYSE firm of Carmichael & Carson. He is a member of the Wall Street Forum.

In his new capacity Mr. Westcott will divide his time between Greene & Ladd Ohio offices in Dayton, Middletown and Springfield and the New York office.

American Stock Exch. Motion Picture

The American Stock Exchange on May 8 will preview a special motion picture "Behind the Ticker Tape," giving the story of the Exchange.

Joins Logan Staff

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Kenneth H. Bays is now connected with J. Logan & Co., 721 East Union St.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — William Anson has become connected with Merrill Lynch, Pierce, Fenner & Beane, 575 East Greene Street.

British Technological Progress Opposed by Communist Unions

By PAUL EINZIG

Dr. Einzig compares the concealed sabotage intent of British Communist-controlled Trade Unions' resistance to automation with the rapid progress of Soviet automation. Notes the clever timing of this policy to force employers to retain redundant labor, and, thus, prevent British industry from matching competitive technological progress, occurred at the moment Soviet leaders were discussing their friendly and peaceful intentions towards Britain. Expresses alarm at the short-sightedness displayed towards automation by the unenlightened, self-interest policy of British Trade Unions.

LONDON, Eng. — Amidst a flood of woolly phrases about "the friendly and peaceful intentions of the Soviet Union towards Britain" that emerged from the ten day visit of Kruschev and Bulganin, the launching of a new Communist offensive in the cold war in the sphere of automation has passed almost unnoticed. In this new phase of the cold war, the Communists have come out openly with their plan to sabotage the efforts of British industry to keep up with the tide of technological progress. The announcement of the new policy assumed the form of a resolution passed by the Communist-controlled National Committee of the Amalgamated Engineering Union, according to which the Union declared itself firmly opposed to any dismissals through redundancy. Workers displaced because of automation are in future to be given full wages until other work is found for them in the same factory. The resolution also demands that no firm is to introduce automatic machinery without "consulting" the Union.

Dr. Paul Einzig

Lip-Service to Automation

British trade unions in general have been anything but favorable to automation. It is true, in the past many union leaders paid lip-service to the need for technological progress in the interest of raising the standard of living. They could hardly do less, since amidst over-full employment there is no possibility of increasing the output otherwise than by increasing productivity with the aid of improved technological equipment. And the real wages of the workers inevitably depend on the output. If the policies of the unions were dictated by enlightened self-interest they would do their utmost to encourage employers to proceed with automation at the utmost speed.

Unfortunately, the self-interest that dictates the policy of the British trade unions has been far from enlightened. Instead of aiming at raising the volume of output they aimed at raising money wages. To that end it is necessary to maintain the existing degree of scarcity of labor, so that the bargaining position of the unions should remain strong to enable them to enforce the wages demands that follow each other with increasing frequency. In the absence of a corresponding increase in the output the rise in money wages means of course a corresponding rise in prices and the cost of living to offset the difference between the rise in wages and the increase in the volume of goods and services. But the unions and their members are too intoxicated with their power to stop to think about the futility of their attitude.

Although they have been paying lip-service to the need for automation, most unions have in fact been doing their best to slow down its progress. Apart from frequent instances of insistence on automation being accompanied by "featherbedding," their excessive wage demands have gone a long way towards handicapping the progress of automation in Britain. On two occasions within the last four years—in 1952 and again in 1955-56—the inflationary conditions brought about by the wages spiral forced the British authorities to resort to credit restrictions. The direct and indirect effect of such restrictions was necessarily a setback in the progress of automation.

Higher Prices and Featherbedding

Hitherto most union leaders, while opposed to unhindered progress of automation, were at any rate anxious not to appear to be opposed to it. It was left to the Communist-controlled Amalgamated Engineering Union to discard this pretence and come out quite openly with a set of claims which, if accepted, are bound to slow down further automation in Britain.

It is true in some instances the introduction of automatic equipment increases productivity to such a degree that the employers can afford to keep the redundant workers at full pay in permanent idleness. Even so, the practice of featherbedding would be necessarily detrimental from the point of view of the reduction of prices that would enable consumers to benefit by automation. It would also prevent the reallocation of labor among other industries which are at present handicapped by shortage of manpower.

The Amalgamated Engineering Union overlooks that in a large number of instances the increase of productivity through automation is not sufficient to enable employers to retain a number of redundant workers in perpetuity. The installation of new automatic equipment with a high rate of obsolescence cannot be profitably undertaken unless the superfluous workers can be dismissed. While the employers may be able to afford to be generous to those workers who are thus dismissed through no fault of their own, in most instances any obligation imposed on them by the unions to retain the redundant workers would deprive them of the benefits derived from automation. Under such a rule in a great many instances it would not be worth their while to proceed with automation.

There is reason to fear that the workers will have to pay sooner or later a heavy price for their short-sightedness. In addition to preventing them from benefiting by a higher standard of living that could be achieved through automation, they are exposed to unemployment through the strengthening of the competitive power of other countries where industries are allowed to proceed with automation. Those industries will be able sooner or later to capture the markets of their British rivals, in which case there are bound to be large-scale dismissals.

Two-Fold Objective

Communist-controlled trade unions, in resisting automation in Great Britain, pursue a two-fold object. They take advantage of the inability of the rank and file of organized labor to see beyond their nose. The prevailing widespread fear of technological unemployment through automation secures for the Communists widespread support in the trade unions. Their present attitude is popular among the workers. Should employers refuse to comply with the newly formulated demands, there is a good chance for the Communist to stir up trouble.

The other aim followed in this phase of the cold war is to handicap the progress of automation in Britain, in order to secure a comparative advantage for the Soviet bloc in this sphere. Automation is making rapid progress in Soviet Russia and in the satellite countries. If its progress can be held up or slowed down in the democratic countries, this would secure immeasurable economic, political and military advantages to the Communist cause. The fact that this new offensive was launched out at the very moment when the Soviet leaders were engaged in discussing peaceful co-existence with the British Government recalls the experience of Pearl Harbor when Japan attacked in the middle of peace negotiations. The lessons of this modified repetition of history are all well worth retaining.

American Secs. Co. Adds

(Special to THE FINANCIAL CHRONICLE)

GREELEY, Colo. — Donald H. Lake has been added to the staff of American Securities Company.

Cole, Dewitz Partners In J. A. Hogle & Co.

SALT LAKE CITY, Utah—Announcement has been made by James E. Hogle, Managing Partner of J. A. Hogle & Co., members

Herbert Dewitz

Donald G. Cole

New York Stock Exchange, of admission to partnership of Donald G. Cole of San Diego and Herbert Dewitz of Salt Lake City.

Mr. Cole joined the Hogle firm in 1935 and has been associated with the firm ever since. Active in San Diego financial activities, Mr. Cole is manager of the San Diego Hogle office and is also a member of the Stock and Bond Club.

Mr. Dewitz joined the firm in 1929 and has served continuously since that time, with the exception of one year's leave of absence in 1941-42 when he served as Regional Director of the U. S. Treasury Victory Fund Committee.

For the past several years he has been Underwriting Manager for all Hogle offices and will continue in that capacity, along with manageship of the firm's security distribution.

T. H. Kenny Co. Opens

MINEOLA, N. Y.—T. H. Kenny & Co., Inc. has been formed with offices at 382 Jericho Turnpike to engage in a securities business. Officers are Thomas H. Kenny, Jr., President; Frank Weber, Vice-President, and Marjorie Serpico, Secretary and Treasurer.

Donald Campbell Adds

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo. — Michael F. Campbell is now associated with Donald M. Campbell Investment Company, Mountain Savings Building. He was formerly with Hamilton Management Corporation.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

At a regular meeting of the Board of Directors held on May 1 **The First National City Bank of New York** appointed Chester R. Leaber a Vice-President. Mr. Leaber has been with the bank since 1920 and has had extensive overseas experience. He has served in the bank's branches at Shanghai, Peiping, Rangoon, Tokyo, Calcutta, Bombay, Mexico City and Manila. Mr. Leaber is now associated with the Overseas Division at the bank's Head Office in New York.

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The First National City Bank of New York has appointed George B. Humphrey, Jr. and F. Thomas Ward, Jr. to the position of Assistant Cashier. Mr. Humphrey, who has been Manager of the 72nd Street Office of the bank, will be assigned to the 42nd Street Office. Mr. Ward, who has been an Official Assistant in the Domestic Division, will remain in that division.

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The appointment of William J. Anthony as an Assistant Secretary of **Manufacturers Trust Company of New York** was announced on April 30 by Horace C. Flanigan, President. Mr. Anthony joined Manufacturers Trust Company in June, 1942. He is assigned to the Latin American Division of the International Banking Department which comprises, in addition to Latin America, the European countries of Spain and Portugal.

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With the appointment of Mrs. Charlotte Rehg as an Assistant Secretary and of Mrs. Edith Westman as an Assistant Manager of **Manufacturers Trust Company of New York** as announced May 2 by Horace C. Flanigan, President, the number of women officers at the bank is now 24.

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The election of Anthony P. Savarese, Jr., as a director of the **Federation Bank and Trust Company of New York** was announced on April 30 by Thomas J. Shanahan, President. Mr. Savarese is a member of the law firm of Mumma, Crane, Costabell, Cloutman & Savarese, New York City, and is a member of the New York State Assembly, having held that post since 1948. During 1941 and 1942 Mr. Savarese served as assistant counsel for the New York State Joint Legislative Committee on Industrial Labor Conditions.

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Starting May 1, interest on savings accounts of the **Federation Bank and Trust Company of New York** will be compounded quarterly at the rate of 2½% per annum, President Thomas J. Shanahan, announced on April 25. The increased rate will apply to all accounts with balances of from $10 to $25,000. Deposits made up to the 10th of the month will figure in that month's interest. Federation Bank and Trust now has its main office in the New York Coliseum at 10 Columbus Circle. It maintains other offices at 34th Street and 8th Avenue, at 6 East 45th Street and at 41-84 Main Street in Flushing, Queens.

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The contract to build an uptown branch office and vault for the **Bankers Trust Company of New York**, at 415 Madison Avenue, on the northeast corner of 48th Street, has been awarded the William L. Crow Construction Company. The plans for the Bankers Trust call for a lower banking level and vault in the basement of the building, a main banking level on the ground floor with entrances from the building lobby, on the 48th Street side and at the corner, and space on the second floor of the building to be used as uptown executive offices. Basement and main floor will be connected by escalators. In the basement will be the vault and depositors facilities, a public banking area with a tellers counter, storage rooms, etc. On the street level will be the public banking area, tellers counters and banking operations area.

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Earl Harkness, President and Chief Executive Officer of **The Greenwich Savings Bank of New York**, has also been elected Chairman of the Board, it is announced. Clarence M. Fincke retired as Chairman of the Board, effective May 1. He became associated with The Greenwich Savings Bank in 1932 and was elected President and Trustee in 1935, which offices he held until 1943 when he became Chairman. Mr. Fincke is a Director of the Home Life Insurance Company, Seaboard Surety Company and Manhattan Life Insurance Company. Mr. Harkness was elected President and Chief Executive Officer and a Trustee of The Greenwich Savings Bank on Nov. 15, 1943. Since that time the rate of growth of the bank, the third oldest savings bank in New York City, has, it is indicated, been one of the greatest in the savings banks system with an increase in assets from about $186 million to over $500 million. Mr. Harkness is Chairman and a Trustee of Savings Bank Life Insurance Fund, and a Director of Savings Banks Trust Company.

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Colonial Trust Company of New York has moved its Midtown Office to more adequate quarters at 149 Madison Avenue, from 79 Madison Avenue, according to an announcement by Arthur S. Kleeman, President of the institution. Mr. Kleeman states that the new domestic and international banking rooms of Colonial are air conditioned, the safe deposit vaults are on the main banking floor, and a night depository facility has been provided.

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Sterling National Bank & Trust Co. of New York is increasing its interest rate to 2½% per annum on all savings accounts from $5 to $25,000, effective May 1, Joseph Pulvermacher, President, Announced on April 27.

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The 22nd annual dinner-dance of The Dime Club, composed of officers and employees of **The Dime Savings Bank of Brooklyn, N. Y.,** will be held Saturday evening, May 5, in the grand ballroom of the Sheraton-Astor Hotel, in New York. More than 500 members and guests are expected to attend, according to Francis J. Kenna, President of the organization. The Dime Club was formed in 1933 to further social relationships among members of the bank's personnel and to sponsor charitable activities. Other officers besides Mr. Kenna are: Hugh J. White, Vice-President; Miss Dolores A. Daken, Secretary; and Howard W. Pollock, Treasurer.

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Two men were inducted into **The Lincoln Savings Bank of Brooklyn, N. Y.** 25-Year Club, at a luncheon tendered to them at the bank. The new members, Fred Fertig and Arthur Saams, received inscribed watches from August H. Wenzel, Vice-President of the bank and President of the Club. Total membership in the group is now 63. Mr. Fertig, Auditor, is a member of the Savings Bank Auditors and Comptrollers Forum, presently serving on their Defalcations Committee. Mr. Saams is a member of the mortgage accounting department of the bank.

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The election of Lester R. Mahoney as a Trustee of **Flatbush Savings Bank, of Brooklyn, N. Y.,** is announced by John S. Roberts, President. Mr. Mahoney is a Vice-President of **The Chase Manhattan Bank, of New York** and since 1918 has been associated with organizations which are now merged under that name.

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Franklin National Bank, of Franklin Square, Long Island, N. Y., has announced approval of its application to establish another office at Roosevelt Field, according to Arthur T. Roth, President. This one will serve the special needs of the Roosevelt Field Shopping Center, scheduled to open in August of this year. Located just across from Macy's, it will be known as the Shopping Center Office, Roosevelt Field. Franklin National presently has a branch adjacent to Roosevelt Field in temporary quarters. A new modern office building will house the office in about a year and a half. A former airport, the Roosevelt Field area is in the process of development into an industrial community, an office building area, and the largest regional shopping center on Long Island.

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The **Franklin National Bank, Franklin Square, N. Y.,** has announced that beginning May 1, the payment of interest at the maximum legal rate which is 2½% per annum, compounded quarterly, will be extended to the full balances of individual savings accounts up to $25,000 and joint savings accounts up to $50,000. Interest on savings deposits in excess of these amounts will be paid at the rate of 2% per annum.

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Colonel Harry L. Horton, Vice-President of the **Long Island Trust Company, Garden City, L. I., N. Y.,** and former General Motors Executive, died on April 29 at his home in Garden City. His age was 69. Well known in financial and automotive circles, Colonel Horton joined the staff of the General Motors Corp. in 1915 as salesman for the old Chevrolet Retail Stores in Newark, N. J.; New Haven, Boston, Providence, and New York City. He became Assistant Manager and then Manager in Philadelphia of the Retail Division of Chevrolet and upon his transfer to New York City, Regional Manager. In 1939 he was named Dealer Relations Counsel on the Staff of the General Sales Manager of Chevrolet. He retired from the General Motors Corporation in 1940. Colonel Horton served in World War II as Lieut. Col. in the Motor Transport Division of the First Air Force, Hempstead, L. I. He joined the staff of the Long Island Trust Company, in 1944, and at the time of his death he was a Vice-President of the Long Island Trust Company engaged in public relations.

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The new Drive-in office of **National Bank of Westchester**, at 336 Central Avenue, **White Plains, N. Y.** will open on May 4 according to an announcement by Ralph T. Tyner, Jr., President. The bank, offering complete services, including checking and savings accounts, safe deposit boxes, personal and commercial loans, National Bank of Westchester's Line-o-Credit and drive-in service, as well as free parking for customers, will bring to 17 the number of offices of National Bank of Westchester. Roger G. Wentworth will be the Manager, assisted by Mrs. Jesslyn M. Quick and Arnold C. Jorgensen, Jr. Open house will be held on Friday, May 4, following a simple ceremony to inaugurate the start of business.

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As of April 16, the **First National Bank, of Richfield Springs, N. Y.,** increased its capital from $125,000 to $150,000 by a stock dividend of $25,000.

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The First National Bank of Wallingford, Conn. with common stock of $200,000, was placed in voluntary liquidation effective April 17 having been absorbed, it is learned from the weekly "Bulletin" of the Office of the Comptroller of the Currency, by the **Union & New Haven Trust Co. of New Haven, Conn.**

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The recently enlarged capital of $900,000 of the **First National Bank of Tom's River, N. J.,** increased from $870,000 by the sale of $30,000 of new stock, became effective on April 18. The issuance of 3,000 of additional shares of common capital stock of the bank was reported in our issue of April 19, page 1928.

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Shareholders of **The National State Bank of Newark, N. J.** and **The Irvington Trust Company of Irvington, N. J.,** in special meetings on May 1 ratified the proposal of National State to acquire through merger and an exchange of stock, the property and assets and to assume the deposit liabilities of the Trust Company. Shareholders of National State at the same meeting, voted approval of a two-for-one split of the bank's 180,000 outstanding shares of stock, and the issuance of 32,000 additional shares for use in the merger; also, for a change in the par value of the stock from $25 to $12.50 per share. Under the terms of the agreement, the 12,000 outstanding shares of Irvington Trust Company stock will be exchanged for 32,000 shares of the new $12.50 par value stock. It is the announced intention of the directors of National State to incorporate the 20-cent extra dividend voted last year into the regular dividend, thus placing the new stock on a 55-cent quarterly basis as against a comparable 50c quarterly last year. National State is now capitalized at $4,900,000 and has a surplus of $12,900,000. The number of shares outstanding are 392,000 resulting from the split and new stock issue. With assets of $242,256,593 at the end of March, National State, it is indicated, will acquire assets in excess of $15,000,000 as a result of the merger. The former and only office of The Irvington Trust Company at 732 Nye Avenue will be renamed the West Irvington Office of National State. All officers and employees will be retained, and an Advisory Board appointed including former Irvington Trust directors, combining with a similar Board presently serving the bank's other office in Irvington at 685 Chancellor Avenue. John R. Franke, former President of Irving Trust Company will be Chairman of the combined Board. National State now has 16 offices—13 in Newark, two in Irvington, and one in Orange. Details of the plans for the absorption of the Irvington Trust by the National State Bank of Newark appeared in our April 5 issue, page 1690.

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The death is announced of James W. Pittenger, retired Vice-President of the **National Newark & Essex Banking Co. of Newark, N. J.** Mr. Pittenger, whose death occurred on April 20 was 83 years of age. He served the bank for 43 years. According to the Newark "Evening News" he began his business career with the Manufacturers National Bank; later he became Manager of the Iron Bound Branch of the **National Newark Banking Co.** which later became the National Newark & Essex Banking Co. The "News" states that during World War I he was placed in charge of the bank's Liberty Loan program and other government wartime banking activities.

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The election is announced of Albert T. Mason as President of the **Liberty Real Estate Bank & Trust Co. of Philadelphia, Pa.,** succeeding Charles S. Krumrine, who according to the Philadelphia "Inquirer" of April 26 asked to be relieved of the office; in relinquishing the post he has been elected Chairman of the Executive Committee. Mr. Krumrine joined the bank in 1923 as Vice-President. The "Inquirer" reports that he is active in banking affairs and was recently elected Chairman of Group 1 of the Pennsylvania Bankers Association. Mr. Mason, the newly elected President of the Liberty Real Estate Bank & Trust entered the banking business in 1928 as a clerk with the **Wyoming Bank & Trust Co. of Philadelphia.** When he left to join Liberty in 1948, according to the "Inquirer" as a Vice-President, he was Vice-President, Treasurer and Secretary of Wyoming Bank. He was made Vice-President-Treasurer of Liberty in 1950 and Executive Vice-President in 1952.

When Mr. Krumrine joined the Liberty Real Estate Bank & Trust it is stated that its assets were $7,500,000. Under his leadership says the "Inquirer" they rose to more than $90,000,000 at the present time.

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A stock dividend of $15,150, effective April 16, has increased the capital of the **Peoples National Bank of Norristown, Pa.** from $757,675 to $772,825. Earlier this year, on March 6, the bank's capital was brought up to $757,675 from $541,200 by the sale of $216,475 of new stock, as noted in our March 29 issue, page 1552.

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The death occurred on April 22 of George H. Stewart, President of the **Valley National Bank of Chambersburg, Pa.** He was 68 years of age. His death, which was sudden, was attributed to a heart attack, it was stated in the Philadelphia "Inquirer." The latter states that Mr. Stewart was a member of the State House in 1921-22 and after the First World War was a member of the Battle Monument Commission.

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Wade E. Bennett

Wade E. Bennett, former President of **Hollywood State Bank, of Hollywood, Calif.** became Vice-President of the **California Bank of Los Angeles** following the merger on April 6 of the two banks. Mr. Bennett entered banking with the Hollywood State Bank in 1930 and became President in 1950. He is Vice-President of the American Bankers Association for the State of California and immediate past Chairman of Group 5, of the California Bankers Association. The merger of the Hollywood State Bank with the California Bank was referred to in our issues of April 5, page 1691 and April 12, page 1824.

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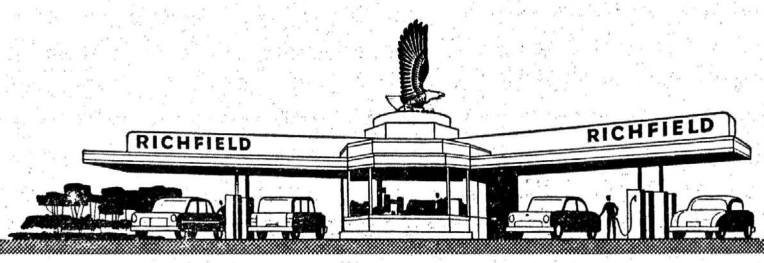

BALANCE SHEET AT DECEMBER 31, 1955 AND DECEMBER 31, 1954

Assets	1955	1954
CURRENT ASSETS:		
Cash	$ 13,755,825	$ 12,743,038
United States Government securities, at cost	13,900,000	23,294,171
Accounts receivable, less reserves	35,701,797	31,482,947
INVENTORIES:		
Crude oil and refined products, on basis of cost determined by the annual last in first out method and, in the aggregate, below market	29,549,873	27,461,171
Materials and supplies, at or below cost	7,148,438	6,435,002
	$100,055,933	$101,416,329
INVESTMENTS AND ADVANCES, at cost, less reserve	$ 7,017,494	$ 4,245,053
CAPITAL ASSETS – Oil and gas lands and leases, oil wells and equipment, refineries, marketing facilities, transportation equipment and facilities, terminals, office buildings, etc., at amounts established by the Board of Directors as at March 13, 1937, plus subsequent additions at cost, less retirements	$366,523,696	$333,177,661
Less – Reserves for depreciation and depletion	174,194,264	153,654,572
	$192,329,432	$179,523,089
DEFERRED CHARGES:		
Taxes, insurance and rents	$ 4,147,709	$ 4,215,328
Other	939,183	504,578
	$ 5,086,892	$ 4,719,906
	$304,489,751	$289,904,377

Liabilities and Capital	1955	1954
CURRENT LIABILITIES:		
Accounts payable	$ 11,877,068	$ 10,834,209
Federal taxes on income less United States Government securities of $16,100,000 in 1955 and $12,700,000 in 1954 held for payment thereof	49,810	24,071
Other taxes	8,176,437	7,797,015
Instalments dues within one year on long term debt	3,000,000	3,000,000
Other liabilities	3,777,024	3,249,118
	$ 26,880,339	$ 24,904,413
LONG TERM DEBT (due after one year):		
Notes payable to banks (3.25%), due in equal annual instalments to 1963	$ 17,500,000	$ 20,000,000
Twenty-five year 2.85% sinking fund debentures, due 1974	25,000,000	25,000,000
Thirty year 3.85% sinking fund debentures, due 1983	38,500,000	39,000,000
	$ 81,000,000	$ 84,000,000
RESERVE FOR CONTINGENCIES		$ 202,647
STOCKHOLDERS' EQUITY:		
Capital stock:		
Authorized – 7,500,000 shares without par value Outstanding – 4,000,000 shares	$ 74,699,277	$ 74,496,630
Earnings employed in the business	121,910,135	106,300,687
	$196,609,412	$180,797,317
	$304,489,751	$289,904,377

INCOME ACCOUNT FOR THE YEARS 1955 AND 1954

	1955	1954
Gross operating income	$245,295,088	$223,310,969
Cost of sales and services	$139,782,484	$130,205,210
Selling, general and administrative expense	26,336,783	25,772,250
Depreciation and depletion	22,493,965	20,633,985
Dry hole losses and abandonments	7,611,309	7,671,135
	$196,224,541	$184,282,580
	$ 49,070,547	$ 39,028,389
Nonoperating income	1,381,179	1,416,918
	$ 50,451,726	$ 40,445,307
Interest on bank loans and debentures	2,942,278	2,874,606
	$ 47,509,448	$ 37,570,701
Provision for Federal taxes on income	17,900,000	12,000,000
Net income	$ 29,609,448	$ 25,570,701
Net income per share	$7.40	$6.39

OPERATING STATISTICS – BARRELS	1955	1954
Production of crude oil – gross	26,723,000	26,746,000
Production of crude oil – net	20,729,000	20,809,000
Crude oil processed at refinery	44,508,000	41,137,000
Sales of refined products	50,876,000	40,122,000
EMPLOYEES AND PAYROLL		
Payroll and employee benefits	$33,939,000	$31,736,557
Number of employees at year end	5,666	5,520

WE WILL BE PLEASED TO SEND YOU A COPY
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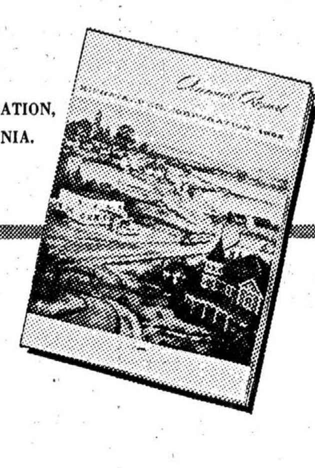

RICHFIELD OIL CORPORATION

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RICHFIELD

Savings and Loan Associations And Principles of Borrowing

By GEORGE A. MOONEY*
Superintendent of Banks, State of New York

Bank Superintendent urges N. Y. State-chartered Savings and Loan Associations to exercise borrowing restraint to help "stem the inflationary tide" and to respond, as have other financial institutions, to the call for monetary discipline. Compares commercial and savings banks' policy of borrowing only as a matter of last resort with savings and loan associations who make borrowing "a relatively commonplace event." Admits a new look and reappraisal on the subject of borrowing is needed in order to hammer out a sound, firm policy suitable for the changed conditions of modern times.

Scarcely a year has gone by within the past decade without the setting of a new record of one kind or another by savings and loan associations. Your growth and success tell an eloquent story. When I think that those of you chartered by New York State have now reached and passed the billion-dollar mark in total resources, I am forcefully reminded of your significant role in the national economy. Nor has this fact gone unnoticed by Governor Harriman, who, as you know, declared a special Savings and Loan Week in observance of the 125th anniversary of your industry.


George A. Mooney

What I like most about the way you have approached your function is that you have rolled up your sleeves in mobilizing savings for home building. And your customers are appreciative. They are spreading the word. Their "thank you" is the tremendous patronage which you enjoy.

The days when you felt overawed by other savings institutions of greater size must surely be passing into history. I say that, even though I realize that you, here in New York State, live in the shadow of financial giants, unlike associations in many other parts of the country.

Now that you, yourselves, are attaining such admirable size, and with it maturity, your industry has given evidence of changing and even discarding some of the ways and habits of yesterday. Many of you are beginning to realize that the paternalism so typically bestowed on an "infant industry" is no longer appropriate in your new status.

Transition Period

This, then, is a period of transition that finds you in search of new policies, the kind of policies that befit mature financial institutions. I am deeply interested in this search; I want to give you every help and encouragement at my disposal.

In a recent speech in Florida, I had occasion to comment on the efforts of your Federal Home Loan Bank Board more closely to approximate the function of a central or reserve institution. Specifically, the board apparently wants to pull away from being mainly a supplementary source of Government share capital, in and out of season, and regardless of monetary conditions in the country at large. This move towards financial responsibility during the present credit tightness is bringing applause, deserved applause, to your industry and to the board.

In my remarks today I should like to extend this line of thought and explore with you in greater detail the broad subject of borrowing. The Banking Department has long been concerned with borrowings by savings and loan associations. As you know, borrowing is more widespread in your industry than in commercial banks or in savings banks where it is a matter only of last resort. By contrast, borrowing by savings and loan associations from the Federal Home Loan Bank or the Savings and Loan Bank of the State of New York has been a relatively commonplace event.

The department's interest in borrowing in the past has stemmed from its concern over liquidity. "Borrowed liquidity," we believe, denotes a less self-reliant institution than one where liquidity is not offset by indebtedness.

Added to our traditional interest in borrowing is a natural concern today with inflation which so importantly affects the value of money, investment decisions by banking institutions and the savings habits of our citizens. To the extent that borrowing by associations may add fuel to inflation, we have, of course, a deep and legitimate concern.

Borrowing Policy Reappraisal

A general reappraisal of borrowing policy is definitely needed at this critical time. For the health of our economy, the less borrowing we do for the time being, the better off we all shall be. Because no matter from whom you borrow, the ultimate effect is pressure on the supply of money.

But before we go further, let me make one point clear, because I think it important that we avoid any possible misunderstanding later on: In what I have to say I am not attempting to lay down the law or commit the Banking Department to any future policy regarding borrowing. A firm position on this subject is still to be formulated. And, your associations, on both state and national levels, sitting down with your central banks, will all be participants in hammering out a sound policy.

In borrowing, many people believe, with Shakespeare: "Neither a borrower nor a lender be." To be frank, a certain bias among supervisory authorities against borrowing has to be admitted. That includes the Banking Department of the State of New York. But none of us is tied to old sayings, prejudice or even traditions for their own sake. What we want is principles. But where do you go to find them?

Let me say, right off, that if any magic guidebook to borrowing exists, I have not found it. More to the point, I have found that much of the philosophy and practice of borrowing is not immutable but changes with the times. This applies to savings and loan associations, as well as other banking institutions. For a start, let us look at various types of borrowing.

To take it from the top, there is, first, short-term borrowing. As our state-chartered savings and loan associations show, borrowing is, to some extent, seasonal. The monthly inflow of savings and the demand for mortgage money do not match for the greater part of the year. One big reason, as you know, is the peculiar bell-shaped curve of home building in much of the country: the usual rise in the spring, the peaks and high plateaus in the summer months, and the seasonal recession of housing starts in the fall.

In practice, it is hard to object seriously to borrowing that evens out these temporary discrepancies between the demand and supply for mortgage funds. Much the same pattern has long characterized farm lending by commercial banks, where seed loans are extended in the spring and repaid after the crops are harvested.

Types of Borrowing

Temporary borrowing, as you know, may arise to take care of possible withdrawals during dividend periods. In these days of rate-conscious competition for savings, people wait until dividends are declared before they withdraw or shift their funds. Such shifting may occur between different savings channels, such as savings accounts and the stock market, just as much as between institutions right across the street. Then also you have the "Christmas Club" outflows in November.

Next there is intermediate borrowing, which might be distinguished by actual periods running from one to five years, in part resulting from removals of nominally short-term advances.

This borrowing raises more serious questions among financial people, including supervisors. Quite often we are asked how appropriate such advances are for a savings institution as a regular practice. We are not talking now about panics or distress situations, as in the '30s. Then, many financial houses, including quite a few commercial banks, had to borrow either for liquidity or to make up an impairment of capital.

Where do we usually find intermediate-term borrowing? Well, let us take areas such as the many rapidly growing suburban locations. The lending capacity of many associations is probably not quite up to the demands of people who need homes. So this shortage of mortgage money has to be made up somehow. Sales of older mortgages in the secondary market, especially Government-insured and guaranteed loans, are one way of supplying funds. Other ways are purchases by the FNMA, mortgage warehousing in a broad sense, and even direct lending by the Veterans Administration. But, of course, you are mostly interested in the supply of mortgage funds through your central institutions.

What about repayments of intermediate advances? Maybe as long as five years will pass before such active local housing markets show signs of saturation. That makes it quite a long time before savings have a chance to catch up with mortgage demand, and only then can associations conveniently repay these advances.

The third type of borrowing that comes to mind is in a class by itself. Here maturities are really stretched out, technically up to 10 years and in actual practice, including roll-overs, even longer. Such advances fully deserve the term supplementary, permanent share capital.

Critics of this type of credit take the position that since commercial banks ordinarily do not borrow on long-term, neither should savings and loan associations.

What do proponents of long-term borrowing say? They will cite you both Federal statutes and the intent of Congress, as shown in the legislative history, to make their point that long-term capital advances to savings and loan associations are fully justified. And there the issue stands.

In long-term advances, however, everyone recognizes the exceptions that may have to be made for distress situations. If it takes a ten year loan to work out a mortgage portfolio that is in difficulties and put an institution back on its feet, who is to quarrel over fine points of theory?

So here we have a lot of different thoughts. Before we apply these to the operation of our associations in New York State, let us look at some history.

Historical View

The idea of a central reservoir of funds from which savings and loan associations might borrow goes back to 1915 here in the Empire State. In that year the Savings and Loan Bank of the State of New York was chartered and this served as a model for later Federal legislation.

The Federal Home Loan Bank System originated in 1932, at a time when mortgage money had virtually dried up. So to help in putting some life into home building, central reserve banks were created and given extensive resources and lending powers. Congress permitted the Federal Home Loan Banks, first, to go straight to the open market for funds and, more recently, to apply, if need be, directly to the Treasury for an amount up to $1 billion. All funds that could be raised were to be turned over to member institutions.

At the time the Home Loan Bank Act was put together, the country had been on the downgrade for three years. The job of recovery did not look easy. Nobody in his right mind was going to be unduly technical about maturities of advances. Everybody knew that it would take years for the economy to pull out of its doldrums.

But while the original need for long-term lending has mercifully passed, other possible uses of long-term credit for savings and loan associations have come into view. One of the facts of life in these United States is the long-standing savings deficit of many of the Southern and Western states. To finance their needed plant and equipment expenditures, local improvements and home construction funds have to be siphoned all the way from the East. Some people find it plausible, therefore to advance the theory that one of the functions of the Federal Home Loan Banks is to help make up this deficit.

To appraise these theories and put them in their proper setting, let us take a look at current practices. Who are the borrowers among savings and loan associations? How much and how often do they borrow?

One striking statistic is that nationwide total advances from the Federal Home Loan Banking System at the end of last year were running at less than 4% of total member resources.

For State-chartered institutions here in New York, borrowings from the Savings and Loan Bank and the Federal Home Loan Bank on the same date were as low as 1.9%.

Borrowing Record

But all interested parties know that it usually takes a lot of statistics to tell the entire story. As a second finding, note that borrowing is not at all universal. Among State-chartered associations in New York, only 79 out of 159, or roughly one-half, were borrowers at the end of 1955. And remember, these figures are conservative because the end of the year is the peak of the borrowing season. At any other time of the year we would probably find fewer associations and a smaller proportion of their resources involved in borrowing.

What is the range of borrowings of individual associations nationwide and what is its distribution? I am afraid we have no public statistics. In our State-chartered system, however, a further breakdown of borrowings from all sources as of year-end 1955 shows: 65 associations reported less than 6% of total resources accounted for by debt, 11 associations had between 6 and 10%, and two had between 10 and 15%, and only one association had a ratio greater than 15%.

You may be interested in the frequency with which associations are found in the borrowing column. For the last five years, 22 state associations reported some indebtedness at every year-end, while, by contrast, 30 associations consistently revealed a total absence of any borrowing. For the rest, they were rather evenly divided between one and four borrowings in this five-year period.

The Banking Department takes satisfaction in these figures, which show that our State-chartered institutions generally are keeping their borrowing within prudent limits. On the other hand, we cannot help but note that borrowing during 1955 doubled, rising from $11.7 million in 1954 to $23.4 million.

Some of you may say this $12 million increase is negligible. For my part, I certainly do not want to overemphasize its magnitude. For inflation is not to be overlooked: it is everybody's fight.

Future Borrowing

What about **future** borrowing policies of savings and loan associations and future lending policies by their reserve institutions, **after** the present inflationary upsurge has passed? To discuss these policies in any detail would lead me into neighboring jurisdictional territory which I hesitate to enter uninvited. Let me express my personal belief, however, that a new look and reappraisal of borrowing policies is needed to help us reorient our thinking about borrowing under the changed conditions of modern times. There are questions of maturities, of interest rates, of screening individual borrowers, of open market operations, and many other aspects of system activities that closely affect us here in New York State. I am sure that we would all benefit from a wider discussion of this whole subject by qualified students.

Conclusion

Now, in conclusion, I might observe that some newspapers may sum up my remarks this way: "Money urges savings and loan associations to hold borrowing to a minimum. Urges shortest maturities on advances to stem inflationary tide." But you, in the more unhurried atmosphere of this gathering, understand that I am equally interested in a reappraisal of borrowing philosophy in the savings and loan industry.

Let me conclude with a word to those of you who may feel most deeply about the recent tightening of your credit. Restrictions on borrowing were not imposed to hurt you or to stifle your progress. None of you want to go back 10, 20, or 30 years, when you were still small institutions, struggling against considerable odds. Then, the money managers could afford to leave you aside, because your operations were not significant enough to affect the national economy. But today it is different. With $38 billion of aggregate assets in the nation and $3 billion of assets here in New York State, what you do has an immediate impact on the money and capital market. That plainly is why you must respond, along with other financial institutions, to the call of monetary discipline.

This lesson which you must learn in your chosen profession is one that we have all had to learn long ago as individuals, and one

*An address by Mr. Mooney before the 1956 Management Conference, Savings Association League of New York State, New York City, April 24, 1956.

that every family man is trying to instill in his teenage youngsters: to be grown-up is not the end of the rainbow. There are responsibilities and even sacrifices ahead, together with the rewards. And the reward is great —a mature, responsible and even more prosperous savings and loan industry in the State of New York.

A Tribute to a Canary

By ALEXANDER WILSON

The bird's cage slipped out of the late Mrs. Wilson's grasp and tumbled down a flight of stairs.

The little fellow was terribly shaken in his busted cage, and all that day we didn't know whether he would live or not. We grown-ups are absolutely helpless in the presence of trouble, especially when it comes to giving first aid to the feathered family — the gentlest of living things.

Alexander Wilson

So tonight my household is sad, for be it said with solemnity, that the little fellow, whose spirit has departed for the heavenly choir invisible, was loved by everyone, who was fortunate enough to make his acquaintance.

I have never seen a bird with such a vibrant personality or one who could scatter so much music and sunshine in a man-made world, which is full of discords and exaggerations.

Dick his name was, and our beloved Dick was as winsome and handsome a bird as any canary this side of heaven.

Dick sang for the mere joy of living and was indeed the friendliest thing on two legs, animal or human in the wide universe.

Yes, Dick was no respecter of persons—the young and old, the rich and poor, the great and near great, were all the same to him— "He gave to them his kindliest and best."

Here then is an epitaph any man or woman might covet but not deserve, and now I want to reverently render homage to one of God's loveliest creatures, who was dumb and yet was not dumb, but at the sound of whose voice both the wise and unwise of this earth understood and applauded.

Mankind is often proud and conceited with fancied presumptions and pretentions, but our plumaged so'oist was sincere and humble, who sang his anthems for saint and sinner alike, just to brighten a distracted world. Let me and my house do honor to man's gentlest friend and playmate — the once humble, unaffected prima donna of my home.

Lion Opens Office

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—John L. Lion has opened offices at 3900 Ingraham Street to engage in a securities business.

B. S. Needle Opens

Bernard S. Needle is conducting a securities business from offices at 437 Fifth Avenue, New York City.

Form San Mateo Inv. Co.

(Special to The Financial Chronicle)

SAN MATEO, Cal.—San Mateo Investment Co. has been formed with offices at 2500 El Camino Real to engage in a securities business. Officers are Axel V. Johnson, President; Alf Carstens and Perry A. Bygdnes, Vice-Presidents; E. Ernest Gustafson, Secretary-Treasurer.

Stock Split-Ups and Government Bonds

By ROGER W. BABSON

Babson Park analyst sees no vital reason to cut Federal debt down, warns of the danger of inflation, compares government to business accounting, and discusses stock split-ups.

So much appears in the newspapers today about stock split-ups, I believe readers will be interested to know why they occur.

Most of the split-ups are due to the fact that some very large stockholder has died and his stock must be sold to help the executors pay the estate taxes, which may approximate 50%. As investors are much more willing to buy stocks at a low price, the brokers strongly advise split-ups in such cases to help the marketing of the stock. There is nothing unethical about this. No stockholder should basically be harmed or helped by such action. If it's a "two for one" split-up, and if you have 10 shares of stock, you are sent, **without cost**, 10 shares more. The capitalization is doubled, but the assets are the same. Hence, theoretically the value of your shares after the split-up should be only one-half what it was before.

Roger W. Babson

However, owing to the gullibility of investors and to their desire for low-priced stocks, the sum total of the "split-up" stock **for a while** is usually worth more than before there was any talk of a split. In addition, new investors in a split-up stock may be misled by the price of the shares. For instance, just before General Electric was split, it sold at about 125. It is now quoted at a price of around 60, which looks lower to most people. However, because the stock was split 3-for-1, this really represents a price of 180. The new lower price misleads investors who did not know of the split-up.

What Prominent Stocks Have Done Since 1929

Without taking any position as to whether you should now buy stocks,—or put your money into Government Bonds and await much lower stock prices,—I submit the following interesting table, using stocks which have not been split since 1929, so as not to mislead you.

Company	1929 High	1932 Low	Recent Price
American Radiator	55⅜	3⅛	22
Am. Sugar Refining	94¾	13	100
Anaconda	174⅞	3	76
Curtiss-Wright	30⅛	⅞	33
Electric Storage Battery	104½	12⅝	37
New York Central	256½	8¾	43
R. C. A.	114¾	2½	46
So. California Edison	93¼	15¾	49

Security for Government Bonds

Many prominent bankers and businessmen believe that the government debt should be cut down. They may be right; but I see no vital reason for this. The U. S. Government is a corporation with **definite** assets, including about **one-fourth** of all the real estate in the United States! I understand that an inventory of these Federal holdings can be secured from Senator Hayden of Arizona. This report shows that the government has over 400,000,000 acres of land, about 400,000 buildings which cost over $14,000,000,000; **very valuable** mineral rights, undeveloped water powers, and many other assets.

Furthermore, there are various ways of figuring the government debt. Also, in addition to its power to tax and the right to print money, which no other corporation has, the Federal Government keeps books in a very conservative manner. For instance, if a new Post Office is built in your community, it is not listed in the Capital Account, as every private corporation would do, but is charged to Operating Expenses.

"The Fly in the Ointment"

Although there is no lack of security for Government Bonds and no fear of present outstanding U. S. Government Bonds defaulting on their coupons, such bonds could suffer from inflation. I refer to the fact that the interest payment on Government Bonds is fixed. Hence, if the value of the dollar declines, the price of long-term Government Bonds might decline correspondingly. This danger can largely be offset, however, by buying short-term Government Bonds.

Inflation is a danger which all investors should carefully watch and fight. This is especially true in a democracy like ours, where Congressmen and Senators vote for inflationary measures just to get re-elected. Such politicians are selling our country "down the river," or as the bible says, "for a mess of pottage." I know nothing about the possibilities of World War III; but if it comes, I forecast that our dollar will go to 30 cents. In that case, most Government Bond holders, yes — investors, employers, wageworkers, and housewives, too—will suffer.

John M. Sheffey With Eaton & Howard, Inc.

BOSTON, Mass. — The appointment of John M. Sheffey as representative of Eaton & Howard, Inc., in the Middle Atlantic States, from New York and New Jersey to Virginia, has been announced by Charles F. Eaton, Jr., President and founder of that organization.

John M. Sheffey

Mr. Sheffey became secretary of the National Association of Investment Companies when it was organized in 1940 and has been Executive Secretary of the Association since 1945. His work in his new post will include special assignments in keeping with his broad background and experience.

He received his A. B. degree at Randolph-Macon College and the LL. B. degree from Harvard Law School. Admitted to the New York bar in 1929, he practiced law in the Wall Street area eight years before entering the investment company business in 1936, becoming Assistant Treasurer of several companies in the Tri-Continental group.

He collaborated in the five-year study of investment companies undertaken by the Securities and Exchange Commission (1936-40). He also participated in the negotiations with the SEC, and assisted at the hearings before the Senate Banking and Currency Committee, which led to enactment of the Investment Company Act of 1940, the basic statute regulating the management operations of investment companies.

Eaton & Howard, Inc., was founded in Boston in 1924 to serve institutional, fiduciary and individual clients as investment counsel, and is also manager and national distributor for Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund, both mutual funds (open-end investment companies) having combined net assets of $240,000,000.

Form Newspaper Secs.

ROCHESTER, N. Y. — Newspaper Securities Company is engaging in a securities business from offices in the Times Square Building.

F. L. Batten Opens

WASHINGTON, D. C.—Franklin L. Batten is conducting a securities business from offices at 3636 16th Street, Northwest, under the firm name of Mutual Funds of America. Mr. Batten was previously with Francis I. du Pont & Co. and Bache & Co.

Slade Joins Carroll

(Special to The Financial Chronicle)

DENVER, Colo.—Russell Slade has become associated with Carroll & Co., Denver Club Building. Mr. Slade has recently been active as an individual dealer; prior thereto he was a partner in Wiley W. White & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The pressure is still on the money markets, even though there appears to be a minor lessening of the gloom which has enveloped the Government market. It is reported that a modest amount of buying has appeared in selected issues of Treasury obligations, with the intermediate term issues getting a bit more of this attention than the longer term maturities. The somewhat improved tone which has been in evidence in the corporate and tax exempt market has evidently imparted a slightly better feeling towards the Treasury issues. Just the same, volume and activity is still very restricted as far as the Government obligations are concerned.

The short-term money available for investment in the most liquid Government issues is still very sizable in spite of the attraction which appears to be developing towards the tax exempt issues of short maturity. Caution, however, is still the watchword as far as the money markets go.

Non-Governments Feel Impact of Credit Policy

The effects of the tight money policy of the monetary authorities was felt recently in a somewhat more forcible manner in bond yields of others than those of the Treasuries. It is evident that the competition for the investment dollar is still very keen and as a result the rates for corporate and tax-free borrowing have shown fairly sharp increases, especially in the new offerings which have been coming into the market.

An example of the higher cost of borrowing was the recent offering of a AA rated public utility bond that went at an interest cost to the borrower of 3.815%. This is the highest rate paid on an issue of this type in nearly 30 years, aside from the brief period in 1953 when the money markets as a whole were badly disturbed. The bond market unsettlement in 1953 followed the offering by the Treasury of the "Humphrey" 3¼'s of June 15, 1978-83. [At this time there is no pressure on the money market from Treasury financing.]

Demand for Loans Unabated

Despite the uptrend in the cost of obtaining loanable funds, there does not appear to be any important signs yet of a let-up in this demand. It is also indicated that those that are interested in obtaining money for construction, improvements and other similar purpose, namely the large borrowers, are not having any difficulty either in getting the necessary funds. It is the contention of these borrowers that the rate which has to be paid for the money that is being borrowed is not too important to them in light of the prevailing high taxes and the predictions that they will be in the market for funds for many years to come. This will give them the opportunity of averaging the cost of borrowings over a period of time.

Crucial Period Ahead

It is the opinion of money market followers that between now and the middle of June will be the important period as far as the money markets are concerned. The trend of loans will have to be watched closely because the continued strong demand for credit in the next six or seven weeks could have an important effect upon what takes place as far as the Central Bank rate is concerned. The condition of the equity market will also have a direct influence upon what goes on in the money market, because a continued strong and booming common stock market will not take any of the pressure away from the Government market.

Money Withdrawn From Stock Market

Even though the common stock market continues to be a star performer in spite of some minor adjustments here and there, there are reports that rather substantial amounts of money have been taken out of it, with the proceeds being put to work in fixed income bearing issues, such as Governments, corporates and tax-free obligations, with the non-taxable bonds getting somewhat more attention than the others. The successful reception that has been given to some of the recent offering of corporates and tax-free obligations must mean that rates for these new issues have reached levels that are attractive to buyers of these securities.

Intermediate Governments Favored

There also appears to be a somewhat better interest developing for certain of the intermediate term Government issues, because the feeling is that these securities will be among the first to reflect any change in monetary policy. If there should be a decline from here on, it should not be very important because of the proximity of the maturity date.

The more distant Treasury bonds have been showing signs of working out a trading area on light volume. Institutional investors have appeared in the market at intervals, and this has been mainly responsible for the slightly better tone, which has been witnessed in these issues.

Today's Stock Exchange For a People's Capitalism

By G. KEITH FUNSTON*
President, New York Stock Exchange

Stock Exchange President believes $60 billion in new equity capital will be required by 1965; corporations should be encouraged to finance future expansion through common stock issues; share ownership should be broadened and that the middle and upper income ranges can furnish the bulk of creative capital; NYSE should not only provide a market place but also keep it healthily orderly and liquid, broad, and encouraging to industrial growth; the Exchange's successful education program is helping to create a "People's Capitalism"; and that a rise in shareholders from present 7½ to 12½ million by 1965 should provide the answer to "gloomy Red predictions about the future of capitalism." Mr. Funston recommends improving investment climate by capital gains and double dividend tax revision or removal.

In a pleasant Connecticut city, about 100 miles north of New York, there is a college with a lovely campus. I mention this incidental bit of geography because for several very happy years that campus was my home. I was able to work closely there with a fine group of young men who were taking a searching look at themselves, and the world we live in. Then, almost five years ago, I exchanged the spires of that campus—and the presidency of Trinity College—for the towers of Wall Street.


G. Keith Funston

A sharp transition like that, if you will forgive a few personal observations, is many things to many people. It was an exciting challenge to me, and a cause of some concern to my family and friends. To others, it was a source of wonder that anyone would exchange the supposed calm of campus life for the frantic, competitive world of business.

Today, in retrospect, two things stand out. The first is that no job is without its problems. We merely exchange one set of difficulties for another. The acid test, I think, is how much we enjoy our new challenges. The second point I would mention is this: the arena I entered — the world of business — underlies completely our national well-being — a well-being is by no means assured for us. These facts are understood, of course, but perhaps not well enough, on our college campuses and elsewhere in America. Our business system —which includes almost everyone in America—is the spring of individual incentive. It encourages people to strive for success, and it is the only device we have discovered for holding and enjoying the fruits of that success.

NYSE's Traditional Concept

And is it worth noting, as Clarence Randall did recently, that our free enterprise system did not come from God. "It is a gift of society," he said. "It is bestowed as a privilege upon man by a free society; and what society gives, society can take away."

We as a people are a people given to easy phrases, but I know of no better way to define the "heart" of our economic system than by pointing to the New York Stock Exchange. It is because of the free investment market of which the Exchange is the center, that America's industries can find the funds with which to finance future growth. The nation's continental boundaries embrace some three million square miles. But because of the Stock Exchange trading floor—an area slightly smaller than a football field—millions of people are able to express their investment needs freely and instantly; industry is able to raise each year new billions of growth money. In the complicated workings of our economy, the Exchange is thus continuously helping to pump new blood into our economic lifelines.

*An address by Mr. Funston before the New York State Chamber of Commerce, New York City, April 5, 1956.

It is the Exchange's specific and subtly-changing role in our economy—what we have done in the recent past, and what we hope to do in the future—that I should like to discuss with you.

Historically, a single concept has guided the Exchange's affairs: It is that the public must be provided with a fair and open market place where securities can be bought and sold quickly and easily. None of these securities are owned or dealt in by the Exchange itself. This concept is the pillar on which all Exchange activities have been built. It poses a never-ending challenge.

It has seen us move, as the U. S. grew, from a buttonwood tree, to a coffee house, to a modern plant that is one of the mechanical marvels of our time. The years have seen us replace a primitive method of stock transactions with a broad and sometimes bewildering system that spans an entire continent. Some measure of the Exchange's achievement in this regard can be seen in the fact that through our facilities last year some $33 billion worth of stocks changed hands. Our members thereby transacted a dollar volume of business greater than the corporate sales of every American industry with the exception of food processors, and wholesale and retail trade.

Like every other major enterprise, our recent achievements grew out of seizing the opportunity to make Exchange services and facilities more responsive to more people. The old days—the days of satisfying the needs of comparatively few investors — have vanished. Today's Stock Exchange must be geared to handling—at extremely low cost and with great efficiency — the transactions of millions of investors. In an economic society that has flourished because it has developed methods of mass production and mass distribution, the Exchange has added a third "M" —mass investment. Today's stock market is a mass market. It will become even more so in the years ahead. Increasingly it must be able to serve customers in super-market quantities, while providing them with an ample supply of high grade securities—whether they be of a speculative or conservative nature.

To meet these challenges, our Member Firms all across the country have opened new offices and recruited new people. In New York State, for example, while population outside New York City rose about 20% in the last five years, our Members increased their offices by 31%. You can now find 593 Member Firm offices in New York City alone, and another 102 offices in 42 communities throughout the state.

In addition, at the Exchange itself, our future physical needs have been provided for in the form of a new skyscraper rising adjacent to our present quarters. The last few years have seen revised trading hours established and permissive incorporation of members instituted. Equipment has been modernized — automatic tape announcers, for example, have been installed — services have been streamlined and rules and procedures revised. Only recently, we embarked on a mammoth two-year study — the most extensive ever undertaken — to determine what additional steps must be planned to provide for the public's future needs.

The numbers of shares listed on the Exchange, and thus more readily available to satisfy investment needs — has increased by almost 100% since January, 1950. Shares listed passed the four billion mark several weeks ago. I think you will be interested that it took the Exchange 138 years — from 1792 to 1930 — to list its first billion shares, and only two years 1954-1956 to list the latest billion!

Accompanying this growth, our high standards for listed companies have been strengthened even further to make it easier for investors to receive the full detailed information necessary to sound investment decisions. For example, all common stocks listed in the Exchange carry the right to vote. Some 97% of our listed companies provide their owners with interim financial reports. Finally, with the rise of great financial institutions such as pension funds, investment trusts, and insurance companies as important market factors, special new trading techniques have been developed to meet institutional needs.

Break From the Past

But more important than these very positive steps, there has emerged in the last few years a new and deeper concept of the Exchange's role and its responsibilities. What John Donne wrote about no man being an island is equally true of institutions. To remain vigorous and responsive, an institution cannot exist in a vacuum, indifferent to the changes around it. Just as modern America has grown extraordinarily complex, so has the modern Stock Exchange. The pressure of events — the interplay of forces that once seemed remote, but that now exert a tremendous influence on our market place — has caused us to break quietly but significantly with the past.

Basically, it is no longer sufficient for us to provide just a market place or a custodial service. To confine ourselves to such a restricted role would be to blind ourselves to the investment needs of the public, to the equity needs of industry, and to the nation's need for a people willing to venture. Therefore, to the traditional idea that we must provide a market place, the Exchange has added a second concept: We must help maintain a healthy market as well. That means a market that is orderly and liquid; that is broad enough to meet the demands of millions of people, not just thousands; that is sound enough to encourage an annual industrial growth measured in billions of dollars, not just in millions. Without this concept to guide us, the Exchange, for all its marvelous physical equipment, would in my opinion be hopelessly unable to deal with the demands of the future.

Well, a healthy market — the kind I believe we have today — simply doesn't spring up full grown. Rather, it is the product of a determined effort to accept responsibilities that extend beyond our trading floor. While we have never lost sight of the fact that our primary duty is to provide a market place, our broader view of the Exchange's role has led us down several significant paths in recent years. Let me explore some of them with you. And let me add that our course has been guided by the most painstaking and productive research into the public's attitudes, and by the most searching and critical self-analysis into our own operations and problems.

I doubt that five years ago any other major industry knew so little about its customers, or where they lived, or what motivated their purchases, as did the securities industry. But through a broad and continuing research program we have now learned many of the answers. And in the process we discovered how tremendous the potential investment market is. We found that four out of five business and professional men with earnings of over $7,500 a year are not shareowners. We learned what the great mass of Americans, shareowners and potential shareowners alike, don't know about the investment process, and about our market place. It was this documented research that has given direction to much of our educational effort.

Moreover, by drawing on the experience and judgment of far-sighted and progressive members of the Exchange Community, we were able to study and revise our internal procedures as well. At least half-a-dozen committees of outstanding men have worked tirelessly to help the Exchange plan to meet its new responsibilities.

Cornerstones of Modern Exchange Program

With this background, what are some of the steps we have taken? The Exchange's continued efforts in the tax field should be mentioned first. Here, in a sense, was an early forerunner of our drive to maintain a healthy market. It is unarguable that there is a continuing need for new investment money. Yet, this country has a unique predisposition for urging people to invest on the one hand, and then on the other —through ill-advised and restrictive taxes—for discouraging their investments. A whopping penalty for successful investing is levied through the capital gains tax. And the unsuccessful investor? We are not too solicitous of him either. For he is afforded inadequate tax consideration.

Quite apart from capital gains, people are urged to build sound investment programs that stress the benefits of dividend income. But the investor finds that after corporate profits are taxed at the source, his share of the profits—his dividends— are taxed a second time as part of his income.

It is not too surprising that out of this paradoxical and unfair tax structure we find a confused and often reluctant body of investors; a perceptibly low percentage of savings dollars going into stock ownership; a reluctance on the part of corporations to raise money through new issues of common stock; and an investment climate sufficiently chilly to discourage many investors altogether.

This kind of a climate, of course, has a definite bearing on the Exchange's ability to maintain a broad, healthy market. It explains our considerable effort to make the tax burden more equitable and productive. And it underscores our belief that the partial relief from the double tax on dividends, granted by Congress in 1954, is only the first of several necessary steps that must be taken in the tax field. With all its vigor the Exchange will continue to press for an easing of the capital gains tax, and for further dividend tax relief.

Beyond our immediate market place a second problem has occupied much of our attention. Corporate growth has been unparalleled. But it has been achieved by paying too little attention to common stock financing, and by piling up debt to what could become unhealthy levels. Looking back on a prosperous decade we find that corporations actually *borrowed* $3 for every $1 raised through new stock issues.

The Exchange's concern with the past is not academic. Granted that what's done is done, we are convinced that new growth must be financed soundly and through broad public participation. We are, after all, a venturesome nation. Our people have the right to share directly in an economic future that, despite its probable ups and downs, is likely to continue upward. And they ought to be encouraged to do so. Our research indicates a simply incredible amount of capital needed to meet 1965 goals. At least $60 billion will be required in new equity money, or triple the sum raised in the last 10 years. The available evidence indicates the nation has the *capacity* to raise the money. But the figures tell us nothing about the *will* to raise it. This resolve must be created —first, by persuading millions of prosperous non-shareowners that the future is bright, and that sound stock ownership is a way of sharing in it; and second, by persuading management that in view of the vast stockholder potential a corporation's best interests can be served by traveling the equity road.

The Exchange is undertaking both of these educational jobs. We have tried to dramatize this effort by adopting as a public relations and advertising theme, the phrase "Own Your Share of American Business."

Behind this theme is the fact that a quiet economic revolution is taking place in the United States. Today, the job of capital creation is pinned squarely to the middle and upper income men and women. They are the only group capable of furnishing the bulk of the tremendous amounts of creative capital needed. They also have the most to gain by doing so.

Who are these people? They are families with insurance protection, government bonds, steady jobs and incomes upwards of $5,000 a year.

How numerous are they? By early 1955 they numbered about 20 million families — a jump of 130% over the last 15 years, even after adjusting for higher prices and higher taxes.

If these people are alerted and willing to seize their investment opportunities we are likely to see a startling change in the country's economic face. The new America will offer not only a steadily higher standard of living, but additional millions will actually own the tools and facilities that make that living standard possible. In the truest sense, we shall have created a "People's Capitalism."

The Exchange, of course, is not merely an interested bystander in this development. Our self-interest lies in being of service to all of the American people. Unless we are of such service there is not much of a long range future for our institution — or for the economy as we know it.

Our course of action has been a positive program of public education that is as specific and meaningful as we can make it. In retrospect, this has been a monumental job, made more difficult by a relatively small budget. But we recognize that when research points out that three out of four adults are unable to define a common stock, it is obviously necessary to tell the shareownership story in its most elementary form.

Through our own advertising and the efforts of our Member Firms, we set out to describe the investment process in a way that is both personal and dramatic. Merchandising assistance has been provided our Member Firms. In some 40 cities across the country a local Investor's Information Program and speaker's bureau—spearheaded by Member Firm officials and registered representatives — is at work with Chambers of Commerce, civic groups and educational organizations. Over the years, we expect to develop similar programs in about 200 communities. In addition, the flow of educational material prepared for newspapers, magazines, television and radio stations has been expanded greatly. Our own monthly magazine, "The Exchange"—one of the most widely-quoted publications in America — has been redesigned and now boasts a paid circulation of over 100,000. New films are telling the investment story persuasively and entertainingly.

In all this effort, it should be perfectly clear that the Exchange's job is not to try to sell securities. We do not pass on the merits of any individual stock, and we don't know—or try to determine—whether stock prices will move up or down. These are factors that must be weighed by the individual investor, and by our Member Firms.

To leave no doubt about the Exchange's specific role we have developed sound guideposts for the investing public. These yardsticks have become our credo. The investor is always urged to get the facts, seek advice, deal with a reputable broker, and keep a cash reserve handy for the unpredictable emergency. He is warned at every turn that risks as well as rewards are inherent in stock ownership. We have been entirely clear about this: Investment *is* an act of risk-taking. No one should be fool enough to think he can predict the future with absolute certainty.

In addition, we have kept up a running fire against the sharp promoters who prey on the gullible. Millions of people have been alerted to the dangers of get-rich-quick schemes. It has become second nature for us to warn the would-be investor that he can be protected against many things, but not against his own hasty or ill-advised actions.

Finally, we have developed new techniques for bringing shareownership within the practical reach of more people. Through the Monthly Investment Plan, for example, thousands of small investors have made their first stock purchases—many of them for as little as $40 a month, or a quarter. And in 11 states across the country, including New York, there is a new and welcome law on the statute books. It was designed by the Stock Exchange to permit stock gifts to children without the frustrating and expensive red tape frequently encountered. We're hopeful that similar legislation will be passed in half-a-dozen other states before the year is out.

The net aim of our broad effort is thus to create an understanding of the market, and an awareness of investment risks and opportunities. We think that out of this knowledge a prosperous people will show a perfectly healthy desire to risk some of their money on the prospect of the future growth of their country.

The Outlook for the Future

It is unrealistic, I know, to try to measure accurately the success of an educational program. Nevertheless, there is abundant evidence that substantial gains have been made in the last few years. There is certainly a broader public understanding of the Exchange's function and a wider appreciation of its role. And there are several other signposts of progress.

Our periodic stock market "portraits" show the public generally is approaching sensibly the serious business of investing in stocks listed on the Exchange. We are experiencing a predominantly investment market in which people are buying for the long-term, paying cash for their securities and using credit sparingly. Our experience with the Monthly Investment Plan further indicates that people generally are buying the right stocks for the right reasons. We have, of course, no way of predicting the market's future course. This will be determined by the individual judgments of millions of investors. As of the present, it appears that such judgments are being made calmly, and in full view of the facts.

Another measure of progress is that the volume of business on the Exchange has approached the three million share a day mark. This level is necessary to maintain minimum liquidity. Indeed, unless transactions approximate three million shares daily, we will not even be keeping pace with the turnover ratio of the last two decades. During that period, transactions represented about 20% of the total number of listed shares each year. The list has grown to such an extent that a continuation of a 20% turnover ratio calls for a volume of three million shares a day.

Most significant aspect of our progress, perhaps, is the fact that the number of shareowners is moving up appreciably. We discovered, in 1952, that public businesses were owned by only 6½ million people. Three years later this number had grown by an estimated one million, and this spring a new census of shareowners will provide still newer figures.

Looking ahead to 1965, we can reasonably and realistically aim at a shareownership goal some 65% greater than at present—12½ million people who constitute the voting owners of our public businesses! It is a modest enough target and I'm quite prepared to admit it may be revised upward. But whether the goal is conservative or not, in our growing shareownership family we shall find the answer to our equity capital needs, and to the gloomy Red predictions about the future of capitalism.

Our problems here in the nation's market place, however, are by no means solved because the future is bright. We still face the job of attracting more qualified Member Firms; of encouraging more companies to list their shares and finance their growth through stock issues; of obtaining tax relief that will bring out more venture capital; of finding new ways to handle the complex needs of institutional investors; of determining how, with our low commission schedules, we can provide our registered representatives with proper incentives; and finally, of pushing ahead with a public educational job that has just begun.

We obviously do not have all the answers to the problems we face. But we have a goal and we have a program. The goal is to provide millions of Americans with an investment market place, and to maintain that market in good health, thereby assisting industry to obtain the growth money needed for the future. Out of these twin obligations comes our program designed to broaden the nation's base of shareownership.

We are convinced that if we follow the path we are pursuing, the securities industry will be doing its share to deserve the privilege of that man-made gift —free enterprise.

Kahn, Taylor, Directors

Gilbert W. Kahn, partner in Kuhn, Loeb and Company, New York, and Eaton Taylor, partner in Dean Witter and Company, San

Gilbert W. Kahn

Eaton Taylor

Francisco, have been elected directors of Hycon Mfg. Company, Pasadena, Calif.

Trevor Gardner, recently elected board chairman said the additions to the board are important steps in the company's growth program.

Mr. Kahn has been with the banking firm since 1927, and a partner since 1931. Previously, he was with Equitable Trust Company. He attended Princeton and studied banking in several European countries.

Mr. Taylor has been with the security firm since 1936, and a partner since 1940. He was previously with American Trust Company.

Phila. Secs. to Hear

PHILADELPHIA, Pa.—Officials of Gustin-Bacon Manufacturing Co., a leading manufacturer of glass fiber products, will address a luncheon meeting of the Philadelphia Securities Association on Wednesday, May 9 at the Racquet Club. A. L. Gustin, Jr., President, L. M. Kelly, Secretary and Treasurer and J. F. Stephens, Vice-President-research will discuss the company's current operations and its future outlook.

Problem of Wage Expansion And Declining Take Home Pay

By GEORGE C. ASTARITA
Boettcher and Company, Colorado Springs, Colorado

Mr. Astarita poses a paradox involving continued increasing wages, proportionately smaller income after taxes, higher production costs and prices, and declining consumer spending. Does not believe government spending to take up the gap will avert a standard of living decline.

There exists, what appears to me, a fly in the ointment of inflation. Large and ever increasing wages during recent years have served, in large part, to create a dynamic economy and for the past few years a record and efficient production has permitted a stabilized living cost, despite an upward pressure on prices. Now we are witnessing the unleasing of inflationary powers and shortly still higher wages will add fuel to the flames already roaring as the result of an economy operating virtually at capacity.

George C. Astarita

The rise in wages until now has meant almost a proportionate increase in "take home" pay or net benefit for family units. As the result of progressive taxation, however, each wage increase from now on will mean a proportionately smaller net increase in purchasing power for those gainfully employed without any decrease in the over-all impact on industry costs. To use the argument of *reductio ad absurdum*, if all workers were to receive a minimum annual wage of $100,000 would not progressive taxation cause a severe reduction in real wages and, therefore, the standard of living for the nation? The static income group in the meanwhile will continue to exert a progressively debilitating effect upon the economy as the price rise gathers momentum.

Should taxation be reduced political expediency will dictate larger cuts in lower rather than higher brackets and, therefore, the problem of progressive taxation will still be with us. Should taxes not be reduced and should the government collect and spend a still greater amount, such spending, while taking up the slack of consumer spending, would exercise an irregular effect upon industry and would not prevent a reduction in the standard of living of the American people.

In any event, it would seem that industry will be called upon to operate under ever mounting costs as the result of a wage expansion which greatly exceeds the increase in productivity, despite huge expenditures for capital improvements. Only sharply higher volume in recent years has served to maintain over-all profits in the face of declining profit margins. If the expansion in volume tapers off as the result of progressive taxation or a deceleration of debt expansion, or both, industry will be in for trouble.

N Y Special Libraries Chapter Elects

The New York Chapter of the Special Libraries Association held a luncheon meeting on Saturday, April 28, at 12:30 p.m. at the Beekman Tower Hotel. Election of officers brought into office the following slate:

President: Gerritt E. Fielstra, Reference Assistant, New York Public Library, Information Desk.

First Vice-President: Mrs. Elizabeth Reuter Usher, Acting Librarian, Metropolitan Museum of Art.

Second Vice-President: Eleanor M. Aliesky, Research Librarian, Ogilvy Benson & Mather Inc.

Secretary: Pauline Vaillancourt, Librarian, Mary Immaculate Hospital School of Nursing.

Assistant Secretary: Lenora Cheever Tully, Librarian in Charge of Morgue and Indexing Department, Fairchild Publications.

Treasurer: Donald O. Hotaling Chief Librarian, Newsweek.

Director: Gertrude L. Low, Librarian, John Price Jones Company, Inc.

Small Nuclear Power Units And Areas of Application

By REAR ADMIRAL W. D. LEGGETT, JR. (Ret.)*
Vice-President of Engineering, ALCO Products, Inc.

ALCO Engineering Vice-President endorses small reactor construction program to determine more quickly which type of reactor is better. Besides military and electric power generation, Admiral Leggett notes demand arising from possibilities: (1) in the far North where heat and power demands are quite high, fuel unavailable and practical study can be made more safely; (2) of small municipal utilities being able to compete with encroaching big utilities; (3) in furnishing heating loads in local industrial plants; and (4) colleges and universities. Discusses need to explore governmental assumption of insurance above a certain limit, and the prospect of lowering power generation costs.

When I started preparing for this talk I thought how fortunate I was to have the subject of "Small Nuclear Power Units" because this was the only kind I had had any personal dealings with. First I thought this was because of my naval background. Then I realized that small nuclear reactors are really the only kind any of us have had any experience with today and insofar as actual operating is concerned, that has been precious little.

W. D. Leggett, Jr.

But what we have seen in these small reactors has been convincing to the point of influencing hundreds of millions of investment dollars. The NAUTILUS is completely indifferent as to whether she is surfaced or submerged. The ease with which she goes from one medium to another is hardly believable to an old submariner. These add up to a new concept of submarine warfare from small reactors—sufficient to influence our thinking and action on national security.

This meeting with a title of "Prospect for Atomic Energy in New York State" is obviously directed very much more at the commercial or applications aspects of nuclear reactors than at their technical make-up. However, since I am talking primarily from a background of the Army Package Power Reactor which Alco is building I believe that a quick go over of the technical features of this reactor is warranted as a sort of introduction to a discussion of the use of such power plants.

Technical Features

We call our job a package power reactor. This terminology itself warrants some elaboration. When you look at the model of the power plant we are building in Ft. Belvoir for the Army, you certainly would not get a first impression of it as either packaged power or as air transportable. However it is designed so that it can be broken up into units which fit easily in today's transport aircraft. Naturally on its new station it would not look like the unit in Ft. Belvoir which is to be a school and perhaps something of a show piece. The important fact is that units of this design could easily be transported to an isolated station and that the total weight hauled would be quite comparable to the weight of fuel required for a year's operation of a conventional power plant.

Technically, the APPR belongs to the family of pressurized water reactors. It differs from any so far constructed, however, in that the fissionable material is contained in stainless steel plates rather than in other materials or other forms previously used in other reactors. A number of these plates, each about 22 inches long, are brazed in subassemblies and these subassemblies, when installed, make up the reactor core. Water under 1,200 lbs. pressure is circulated through this core at a rate of 4,000 gallons per minute. During its passage through the core the temperature is raised from 431° to 450° F at which temperature it flows to the steam generator. Here it gives up its heat to form steam in the secondary loop of the plant. This steam at 200 lbs. pressure and 407° temperature then goes to a conventional generator set where it is sufficient to generate 2,100 kilowatts of electricity.

Shielding of the reactor vessel is primarily by cylinders of iron in a tank of water surrounding the pressure vessel. This water, the level of which may be raised above the top of the reactor, provides shielding for personnel when they are engaged in replacing fuel elements.

Both the reactor pressure vessel and the steam generator are installed in a vapor container 64 feet high and 36 feet in diameter. This container is a combination steel plate and concrete structure capable of withstanding 75 lbs per square inch internal pressure. Its purpose is to prevent any radioactive vapors or liquids which might be released in the event of a casualty to either the primary or secondary loops from spreading over the countryside. Advantage is, of course, taken of its bulk for additional shielding.

The vapor container is essential for a nuclear power plant in a populated area. It is a very expensive additional item which must be provided at the present time for nuclear power plants and serves to further unbalance the cost differential between nuclear and chemical plants. Don't get the idea that I am advocating doing away with the vapor container. I just hope we can do better with it than we are doing today. It is becoming something of a symbol of the nuclear plant—and, I think, not a good one. Our particular container has been over designed to afford ample protection to our law makers and other government officials in Washington.

Primary Interest

Although the military, aided by generous appropriations from Congress, have spearheaded the development of nuclear power plants as they have many other technical advances in the past, I believe that our primary interest here today is in the production of power for the civilian economy. Our job at Alco today is the construction of the small nuclear power plant for the Army, but we are coming to the point of our next step very soon. Alco's primary interest is not as many people seem to suspect a nuclear powered locomotive. We are keeping our eye on the nuclear locomotive. I expect that someday we will build one. For the immediate future, however, it appears that we are in the nuclear power business as a diversification from, rather than an extension of our locomotive building.

I judge that the people of the State of New York are more interested in the manufacture of nuclear power plants today by New York industry than they are in the generation of electric power by such units. We are building power plants — mostly military — today and it will be some time before the generation of nuclear power is of any consequence in the economy of the State.

Military Power Plants

Military power plants are important because they are decidedly further along than any other nuclear power applications today. There is a reason for this of course. The submarine application was so obviously warranted years ago that the navy was able to get appropriations which enabled it to pioneer the development of nuclear power. The next best justification I believe is in the remote areas of the far North where heat and power demands are quite high and where fuel is simply not available. Here also communities are small and the small nuclear power plant has a justification today.

Far North

There has, of course, been a great deal in print recently about our operations in both the Arctic and Antarctic. One of those I found very interesting was an article in the April, 1955, National Geographic Magazine entitled "Weather from the White North" which gives a vivid description of the kind of isolated stations now operating around the "top of the world." Obviously human life and operations in such an area depend on a reliable source of electric power and heat. For those bases which can be reached by ships, supply is seasonable; limited to short periods when the icebreakers can batter their way through. Unfavorable weather may throw the re-supply schedule off completely for any one year and transporting fuel by air is really an expensive business.

I tried to find out just what kind of a reasonable price we might set on fuel delivered to these bases. Unfortunately, military accounting is not designed to show up such a specific charge for each individual base. We do know, however, that the cost is generally five times and maybe as much as 10 times as great in these bases as it would be in a United States location. Even this multiplier, I do not believe, takes into consideration such factors as one recently voiced to me by a grateful friend in the ship repair business. The Arctic supply expedition was returning to the states and there were many ice damaged ships in the task group! This is good for the ship repair business which heaven knows needs some help. It is also a good argument for the nuclear power plant in the Arctic.

There are other reasons, of course, which make small nuclear power plants very desirable. I will just enumerate a few of these that are quite obvious if you think about them.

First let us assume that in nuclear power plants, as in every other development attempted, we may sooner or later run into trouble. This is often the way we find out what our practical boundaries are. Naturally the more small power plants we have on isolated stations the better our chances are of minimizing damage, and learning these lessons where they will be least expensive should an incident occur.

Best Type of Reactor

We know that the cost of nuclear power plants will come down as we get more experience in building them. While it is true that the larger plants are more efficient, consequently less expensive per kilowatt-hour generated than the small plants, the smaller plants can be built more quickly and consequently go through a development cycle or a so-called "generation" more rapidly.

As an example of what I mean, I noticed an editorial in the New York "Times" for March 24 entitled "The Lag in Atomic Power." This editorial pointed to the fact that England and Russia particularly had cogent reasons for pushing ahead with the development of the large power plant at the present time. This gave the impression that we in the United States were letting other nations get ahead of us. The "Times" very pertinently pointed out that "we have abundant fuel resources. It would be senseless to underrate these in an effort to develop atomic power, which costs far more than power produced with the aid of coal and oil. . . . At the Geneva atoms-for-peace conference of last August we showed plans for a half dozen reactors of different types. All of these were far ahead of what the British and Russians disclosed. Which of these is the best? We need the Atomic Energy Commission's Power Demonstration Reactor Program to answer."

And we can get this kind of answer quicker and cheaper through the construction of small reactors on a shorter time table.

Small Municipalities

On the civilian side in today's economy in these United States small power plants still exist in the utility operations in small municipalities, but they have been having a hard time making a go of it. Big utilities have moved in, transmission lines are an established fact and the possibility of reversing the trend is not one which any small reactor enthusiast would tackle with relish today. But there will be some small municipalities which want to hang on to the generation of their own power. Who knows but what some day small nuclear plants may even prove competitive with the big companies with their transmission expense. The thinking today is greatly influenced by the high pressure, high temperature, very efficient central stations. The best nuclear plant won't compare. We need new thinking and new facts. The AEC recognizes this and, as usual, is pursuing a course which will stimulate both industry and local government activities to get together and carry on. A tremendous amount of interest is generating in this field and in the horsepower range from 10,000 KW down. We could see some radical changes. Thinking in terms of chemical fuel plants could be dangerous.

There is another area in our economy where a great many small power plants are operating. I am talking about local plants in industrial establishments which, including the heating load, I think could be satisfied with a reactor capable of forming steam for 10,000 KW. This area is pretty bare for the moment simply because there is no possible way to obtain government assistance for the erection of such a plant. The investment would be sizable even for a large company. But the nuclear plant shows up much better in this area because pressures, temperatures and efficiencies are generally low.

Government Insurance

Small nuclear reactors have the same problems as big ones. This is also true in the realm of such items as insurance. Of course nobody knows exactly what the insurance situation is going to shape up to be. Damage from a small nuclear casualty could be quite serious. I am personally relieved to see the trend toward the government assuming responsibility for insurance above a certain limit. I hope that this limit will be based on the size or value of the reactor rather than on the amount of insurance commercial companies will write. Any other course would tend to penalize the small reactor unduly and this in turn, as I have tried to emphasize, would penalize the country in slowing down development.

Costs Per Kilowatt

We have made some calculations as to what we could do on the cost of power generation in a 10,000 KW unit taking advantage of all the possible savings we now know. We have come up with a number of 18 mils per kilowatt which is quite high by comparison with chemical plants, but pretty good in the nuclear power generation field. It marks, or it will when we realize it, a considerable step down the path toward more economic nuclear power. In two or three more turns around the circle perhaps we will have something really competitive to offer.

Since writing this I have seen a GE press release estimating between 15 and 20 mils per kilowatt for a 10,000 KW plant.

I should like to say just a word now about the potential use of the small nuclear power reactor as a tool for instruction in our colleges and universities. The college type research reactor generally does not pretend to generate power. We made a study of the possibility of providing a small power generation reactor for the University of Florida and became quite enthusiastic over this unit as a tool for instruction as did the University. It will, if adopted, provide an actual power plant for instruction as well as making available the other nuclear facilities. We believe it will promote understanding and stimulate interest among a very important segment of our population—the people who are going to operate the plants we are building and carry on the future developments in nuclear power. The interest of these youngsters in college and in fact all the peoples of the world in nuclear power stems from a recognition of the basic importance of this new factor in our lives on the future of mankind.

Alco is proud to be one of the companies actively working on nuclear power. We are particularly proud to have designs finalized, hardware in the shops and construction at the site pretty well along. We feel that we are fortunate to be in the package power or small power plant end of the business. We are proud to have been the first company with a fixed-price contract for a nuclear power plant which gives us a double incentive to produce this power economically, and of course we are happy to be associated with the other industries of the great State of New York in this endeavor.

We are grateful to our government and our Armed Forces for what they have done toward initiating this development and carrying it to the point of demonstrated feasibility. We applaud the wisdom of that government in disseminating information to industry as rapidly as possible because we believe that with the great amount of talent now brought to bear on this problem, progress will be much more rapid and that consequently those of us assembled here today will live to

*An address by Admiral Leggett given at the Atomic Energy Conference, Rensselaer Polytechnic Institute, Troy, N. Y., April 4, 1956.

derive more benefits for ourselves, our loved ones and the peace of the world than could otherwise be the case.

Morgan Stanley Group Sells General Motors Corp. Common Stock

A nationwide underwriting group headed by Morgan Stanley & Co. and numbering 259 investment firms on May 1 offered for public sale 1,278,833 shares of General Motors Corp. common stock priced at $43¾ per share. This offering was oversubscribed and the books closed. The shares were sold for the account of the Alfred P. Sloan Foundation, Inc., which will receive all of the net proceeds of the sale. The offering, with a dollar value of approximately $55,949,000 represents one of the largest secondary distributions of equity securities in history.

The shares were received by the Foundation from the estate and trusts of Mrs. Alfred P. Sloan, Jr. They are being sold pursuant to a decision of the board of trustees of the Foundation to diversify its investments. The foundation does not have any present intention of selling the 949,937 shares of General Motors common stock previously held by it. These latter shares were acquired for the most part by gift from Mr. and Mrs. Sloan.

The corporation's factory sales of motor vehicles in the United States have exceeded those of any other manufacturer in each year commencing with 1931, and in 1955 amounted to about 49% of total U. S. car and truck factory sales. The corporation also produces automobile parts and accessories, household appliances, Diesel engines and locomotives, aircraft engines and earthmoving equipment. The corporation and its subsidiaries have 123 plants in the United States, six in Canada and 28 in other countries.

For the calendar year 1956 planned capital expenditures by General Motors amount to approximately $1,000,000,000, an amount exceeding, by 65%, the total expended in 1955 and representing the largest total capital expenditure ever scheduled by the corporation in any one year.

In the five-year period 1951-1955 the corporation's consolidated net sales increased from $7,465,555,000 to $12,443,277,000 and net income rose from $506,199,000 to $1,189,477,000. Earnings per share of common stock in 1955 were equal to $4.30 after preferred dividends and adjustment for the stock split in September. For the first three months of this year net sales were $3,064,583,000 and net income $282,593,000, equal after preferred dividends to $1.01 per share on the common stock compared with $3,100,739,000 and $309,407,000 or $1.14 per share respectively for the first quarter of 1955. A quarterly dividend of 50 cents per share was paid on March 10, 1956. In 1955 the corporation paid dividends of $2.17 per share on the common stock, adjusted for the stock split in September.

General Motors has 279,078,858 issued shares of common stock.

The stock was split two-for-one in October, 1950 and three-for-one in September, 1955.

With John J. O'Brien

CHICAGO, Ill.—John J. O'Brien & Co., members of the New York and Midwest Stock Exchanges, 231 South La Salle Street, has announced the appointment of Lee Roy Miller as a registered representative. Mr. Miller was formerly a pilot in the U. S. Navy Air Corp.

With Keim & Co.

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo. — Edgar O. Schoembs is now with Keim & Co.

Marks Forty Years' Service With Brown Brothers Harriman

Forty years of New York and international banking and investment history have been made since Miss Gertrude A. Murphy first went to work in the New York office of Brown Brothers Harriman & Co., at 59 Wall Street, on April 19, 1916, as a stenographer. Miss Murphy is not only the oldest woman employee in point of service, but the only woman in the history of the bank to have served that long.

Today, marking her fortieth anniversary with the 138-year-old banking firm, Miss Murphy received a defense bond from E. Roland Harriman, partner of the bank and Chairman of the Union Pacific Railroad. She was guest of honor at a gathering of associates at Massoletti's Restaurant in the financial district, given by the partners.

A native of New York City, Miss Murphy lives in Manhattan. Now in the Foreign investment department, she has served as secretary to several prominent former partners of the firm, which marked its 100th anniversary two years after she was hired, among them the late James Brown senior partner; the late Ellery James and the late Moreau Delano.

First Boston Group Offers Duke Power Bds.

A group headed by The First Boston Corporation yesterday (May 2) offered publicly $30,000,000 Duke Power Co. first and refunding mortgage bonds, 3⅝% series, due 1986.

The bonds were awarded to the group on May 1 at competitive sale on its bid of 101.529 for the indicated coupon and are being reoffered at 102.31% and accrued interest to yield 3.50%.

Proceeds from the sale of the bonds, along with an estimated $9,149,950 derived from the sale of 367,478 shares of common stock to its stockholders at $25 per share in a transaction which was not underwritten, will be used in part to finance the firm's continuing construction program, in part to repay the treasury for construction expenditures incurred subsequent to Nov. 30, 1955, and in part to pay short-term loans. The construction program will total an estimated $99,000,000 for 1956-1957.

The bonds will be redeemable, in whole or in part, at general redemption prices, ranging from 105.31% if redeemed prior to May 1, 1957, to 100% if redeemed after April 30, 1985, and at special redemption prices ranging from 102.31% to 100%.

Duke Power sells electricity in 50 counties in North and South Carolina, covering 214 cities, towns and unincorporated communities. Among the cities served are: Charlotte, Winston-Salem, Durham, Greensboro, Burlington, and Salisbury, North Carolina; and Greenville, Spartanburg and Anderson in South Carolina.

Total operating revenue in 1955 for Duke Power totaled $119,911,494, contrasted with $112,650,879 in 1954. Net income for 1955 was $16,511,983; in 1954 it was $14,587,058.

Model Director

Leo Model, senior partner of the New York and London Investment banking firm of Model, Roland & Stone has been elected a Director of Amsterdam Overseas Corporation, international commercial financing and investment firm, it was announced by Camille Gutt, Chairman of the Board, and G. Peter Fleck, President of the corporation. Mr. Model joins on the Board, among others, Baron Alain de Rothschild of the French Banking House of Rothschild and Jonkheer, J. A. G. Sandberg of the Dutch banking firms of Pierson & Co., and Heldring & Pierson.

Mr. Fleck is also President of Five Arrows Securities Co., Ltd., Toronto, recently organized $8,000,000 venture capital company.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Insurance Stocks

Hartford Fire Insurance Company began business in 1810, giving the company the distinction of being the oldest fire underwriter in Connecticut. Capital at the time of organization was $150,000, and through stock dividends and rights the capital has grown to the present $25,000,000, with surplus at $190,138,000, and a voluntary reserve of $85,000,000, bringing policyholders' surplus (otherwise designated book value) to just over $300,000,000, as of Dec. 31, 1955. There is also a stockholders' equity in the company's unearned premium reserve at the same date, the equity amounting to approximately $54,000,000.

A serious loss early in this century was that caused by the San Francisco conflagration following the 1906 earthquake. This net loss of some $6¼ millions was partly made up at that time by the issuance of new stock which increased capital to $2,000,000 from $1,250,000, and added $3,000,000 to surplus.

Hartford Fire heads a fleet of companies: Hartford Accident & Indemnity Co., Hartford Live Stock Insurance Co., New York Underwriters Insurance Co., Citizens Insurance Co. of New Jersey, Twin City Fire Insurance Co. of Minnesota, and London, Canada, Insurance Co. A broad list of lines of insurance is written by the fleet; and the risks are considered to be of excellent quality. The company ranks exceptionally high in the industry, and has a better-than-average record of profitable operations. Its risks are well diversified both geographically and as to lines of coverage. Hartford Accident is a very important adjunct as its volume of writings exceeds that of the parent company ($185 million versus $148 million).

Hartford's investment policy is conservative. At the end of 1955 admitted assets broke down into the following percentages:

Cash	3.4%
Real Estate and Mortgages	1.2
United States Government Obligations	19.2
Foreign, State and Municipal Bonds	12.8
Industrial, Rail and Public Utility Bonds	0.2
Preferred Stocks	8.9
Common Stocks	13.6
Bank Stocks	4.4
Insurance Stocks	31.9
Miscellaneous Admitted Assets	4.4

The cost of these assets was $312,453,000; the market value at the end of 1955, $478,208,000.

On a consolidated basis, in 1955 Hartford showed a favorable underwriting profit margin, approximately 9.5%. As the corresponding ratio for the parent company was 6.2%, it is apparent that the principal casualty unit considerably bolstered the fleet's underwriting profit margin figure. Consolidated investment income, before taxes, was $17,714,000 in 1955 versus $16,459,000 in 1954. Realized and unrealized gain in investment portfolio valuation in 1955 was $23,936,000.

Ten-Year Statistical Record—Per Share*

	Liquid Value	Adj. Und. Profit	Invest. Income	Federal Taxes	Net Earns.	Div.	Price Range High	Price Range Low
1946	$66.44	—$0.28	$2.32	$0.09a	$2.13	$1.20	61½	43¾
1947	66.19	3.43	2.59	0.32	5.70	1.20	53	45⅜
1948	75.15	10.03	2.92	2.69	10.26	1.20	58¾	48⅛
1949	88.42	12.48	3.36	4.70	11.14	1.60	75¾	56⅝
1950	96.78	6.39	3.98	2.69	7.68	1.92	92¾	67¼
1951	102.56	4.49	4.42	1.13	7.78	1.92	92¼	78⅛
1952	112.37	5.16	5.00	2.86	7.30	1.92	108¾	84¼
1953	119.92	8.72	5.81	5.28	9.25	1.92	111⅜	94¾
1954	115.26	7.94	6.57	5.70	8.81	2.16	157¼	95¾
1955	155.22	8.70	7.07	6.18	9.59	2.16	187	142

*Adjusted for stock dividends in the period: 1949, 33⅓%; 1954, 25%; 1955, 25%. a Credit.

In the above ten-year span liquidating value increased 130%; adjusted underwriting gain 320%; investment income 214%; net earnings after taxes 167%; dividend, 80%. All data is on a consolidated basis. The gain to the shareholder in the period was $104.90, or at an annual rate of $10.49. This $104.90 gain was 155% of consolidated liquidating value at the start of the decade; and it was about 200% of the 1946 price range mean.

Hartford Fire is at present on a $3 annual dividend basis, payable quarterly. The company's unbroken record of payments goes back to 1873, some 84 years. The incidence of the great Chicago conflagration in 1871 and that in Boston in 1872 was so costly that many dividend records were interrupted at about that time. Since organization, cash disbursements of Hartford Fire have totaled $128,280,000.

As the stock of this company lends itself to growth requirements of many institutional investors, it is found in many portfolios of colleges, endowment funds, foundations, life insurance companies and trusts. It is bought by many accounts for this purpose rather than for the 1.87% return available at the present price of around 160.

Securities Salesman's Corner

By JOHN DUTTON

Don't Take It Easy!

In these days when the volume of securities business is at a high level and the public are interested in investments, there is a natural tendency for a securities salesman to disregard the cultivation of new accounts. Rising markets present the opportunity for "trade outs" and "switches." Some stocks become overpriced and overvalued and other issues can legitimately be offered in their place. The customer feels good when he takes a profit and is willing to try again in a new investment. The salesman makes another commission and he also finds that he is pretty busy servicing his regular clientele. It's a nice way to make a living—while it lasts!

The goal of every security salesman should be that his customers have such implicit confidence in him that he does most of his business over the telephone or in conference with his regular accounts. The strenuous effort that is necessary in building a clientele pays off if you take care of your customers. This is as it should be.

But You Can't Rest on Past Performance

The reason a salesman can pick up the telephone and talk to several hundred clients and, without a long discussion, can conclude a substantial volume of business is just why he should force himself to seek out new accounts. Sometimes a salesman will concentrate on a few larger accounts and neglect his other customers. Others become both physically and mentally lazy. Instead of enjoying a constant increase in their business they settle back and enjoy themselves. While the party lasts they have a good time. But if the day comes when they have to go out and sell again they are rusty. Not only will they find that they have lost some good contacts (through neglect) but also the habit of doing a full day's work.

Work Is a Habit

You must keep your mental processes sharpened up by using them in order to obtain the best results from your efforts. If you are used to putting forth a good day's work—planning, writing letters, telephoning, interviewing, creating trades, and talking with both old and new customers—you are going to keep in shape mentally. But if you take it easy, coast along, hit the high spots and try and take the short cuts to larger commission earnings it will eventually become more difficult to work creatively and you will find your sales ability and your creativeness has become dull and ineffective.

New Customers Now

There is a better opportunity to obtain larger and more satisfactory clients when your customers are happy with their investments. They will help you to get new customers in good times. . . .

Just as a suggestion—there must be many executives of business firms in your community who would welcome a call today from some reputable securities man who would suggest a plan that would help them to find a way out of their high income tax dilemma. Growth stocks, a monthly income plan, will appeal to these men who are plagued with high income taxes and wish to invest in something that can give them an opportunity to build capital.

Prospecting for new customers is not difficult today. The tempo of the times is favorable. Keep your selling edge sharp and build new contacts now. Selling is a pleasure if you can help other people to build up their assets, obtain more income, or do something better than they have ever done it before.

* * *

The other day I attended the opening of a new bank and I was met at the door by a client of mine. He had a flower in his lapel and he was smiling broadly. I happen to have known his earlier start in life and his struggles and I said, "Harry, I guess it feels pretty good to be a big shot director in a bank considering that you once carried beer cases around on your back 25 years ago." He replied, "Yes it feels good, but it's not where you start, or where you are at the half mile post, BUT WHERE YOU END UP THAT COUNTS."

First Boston-Dean Witter Group Offers Kaiser Pref. Shares

An underwriting group headed jointly by The First Boston Corp. and Dean Witter & Co. yesterday (May 2) offered publicly 300,000 shares of Kaiser Aluminum & Chemical Corp. 4⅛% cumulative convertible preference stock at par ($100 per share).

The shares are convertible into common stock at $56 per share through May 1, 1966, and $64 per share thereafter.

Proceeds from the sale, together with proceeds from the placement of $120,000,000 first mortgage 25-year 4¼% bonds with institutional investors, will be used toward the company's current expansion program. Estimated new construction will total $178,000,000, and will be completed by early 1958. A major portion of the program includes the building of a reduction plant with an annual rated capacity of 125,000 tons of primary aluminum on a site adjacent to the corporation's sheet and foil mill under construction at Ravenswood, W. Va. The Ravenswood reduction plant has been designed so that it can be expanded to an annual capacity of 220,000 tons.

The new stock will be redeemable, in whole or in part, at redemption prices, together with accrued dividends, ranging from 104% if redeemed prior to May 1, 1961 to 100% if redeemed after May 1, 1976.

Kaiser Aluminum & Chemical Corp. is a major producer of primary aluminum and fabricated aluminum products. Its aluminum operations include the mining and processing of bauxite in Jamaica; the production of alumina from bauxite in Louisiana; the reduction of alumina to aluminum in Washington and Louisiana; and the fabrication of aluminum and aluminum alloys into a variety of products in Washington, California, Ohio, Pennsylvania and Maryland. It also produces basic refractory materials, dolomite and magnesia.

Consolidated net sales for the nine months ended February 29, 1956, totaled $235,546,000; for the nine months ended Feb. 28, 1955, net sales were $194,276,000.

Kaiser Aluminum's net income for the nine months ended Feb. 29, 1956, was $28,143,000; for the nine months ended Feb. 28, 1955, it was $19,119,000.

Institute of Investment Banking Classes

Sponsored jointly by Education Committee of the Investment Bankers Association of America and the Wharton School of Finance and Commerce.

FIRST YEAR CLASS

FROM LEFT TO RIGHT

FIRST ROW:

FREDERICK B. RUDOLPH
Kay, Richards & Co., Pittsburgh

HARRY B. TURNER
Shearson, Hammill & Co., Santa Barbara

RAYMOND M. PENDLETON
A. E. Ames & Co. Limited, Montreal

H. TED BIRR, III
First California Company, San Francisco

JOHN E. FRIDAY, Jr.
Morgan Stanley & Co., New York

FARWELL D. SMITH
White, Weld & Co., Chicago

BENJAMIN A. EATON
Dean Witter & Co., Chicago

CHARLES E. CRARY
E. F. Hutton & Company, Tucson

ARTHUR S. ZANKEL
Hallgarten & Co., New York

REESE E. HOWARD
Wertheim & Co., New York

THOMAS R. McCONCHIE
Peoples National Bank, Charlottesville

H. THOMAS MARTIN
Mason-Hagan, Inc., Roanoke

DUER McLANAHAN, Jr.
Glore, Forgan & Co., New York

GEORGE DE BENNEVILLE BELL
Drexel & Co., Philadelphia

ROBERT H. SMITH
Laurence M. Marks & Co., New York

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Baker, Watts & Co., Baltimore

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Shearson, Hammill & Co., New York

RUSSELL G. WARDLEY
Fulton, Reid & Co., Cleveland

OWEN J. TOLAND, Jr.
Drexel & Co., Philadelphia

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The Robinson-Humphrey Co., Inc., Atlanta

JOHN B. LEONARD
Vance, Sanders & Company, Chicago

JOHN B. ROLL, Jr.
Clark, Dodge & Co., New York

FRANK R. SAUL
The First National City Bank of New York, New York

W. STURGIS CORBETT
W. E. Hutton & Co., New York

PETER DeWITT
W. E. Hutton & Co., New York

JAMES F. KERESEY
Baker, Weeks & Co., New York

G. HAVEN ABBETT
W. E. Hutton & Co., New York

ROBERT F. KANE
Butcher & Sherrerd, Philadelphia

JOHN B. RICHTER
Butcher & Sherrerd, Philadelphia

LINDSAY BRADFORD, Jr.
Clark, Dodge & Co., New York

HARRY B. CABOT
White, Weld & Co., New York

FRED T. RAHN
The Illinois Company, Inc., Chicago

THIRD ROW:

JACK H. SAUNDERS
Varnedoe, Chisholm & Co., Inc., Savannah

ROBERT W. DEVINE, Jr.
Wertheim & Co., New York

DONALD H. SANDERS
Edwin C. Sanders & Co., St. Louis

ROBERT B. RIVEL
Chase Manhattan Bank, New York

WILLIAM B. CRANE
Thornton, Mohr & Farish, Mobile

HOWARD R. SIMPSON
E. R. Jones & Co., Baltimore

WELDON F. CARTER
First of Texas Corporation, San Antonio

EDWIN J. PEARSON
Smith, Barney & Co., Philadelphia

JOSEPH A. WALKER
ESTABROOK & Co., New York

CHARLES J. EALRY
Chas. W. Scranton & Co., Bridgeport

STEDMAN BUTTRICK, Jr.
Estabrook & Co., Boston

ROLLA J. GITTINS
Dempsey-Tegeler & Company, St. Louis

RICHARD A. JAMISON
Mead, Miller & Co., Baltimore

FOURTH ROW:

EDWARD W. LIPHARDT
The Milwaukee Company, Chicago

ROBERT M. EVANS
First California Company, San Marino

NEWBOLD STRONG
DeHaven & Townsend, Crouter & Bodine, Philadelphia

WILLIAM S. SHUTTLEWORTH
Stroud & Company, Inc., Pittsburgh

GEORGE S. HUNDT
Stroud & Company, Inc., Philadelphia

GEORGE A. BUFFUM
DeHaven & Townsend, Crouter & Bodine, Philadelphia

WILLIAM B. ALLEN
Solomon Bros. & Hutzler, New York

ROBERT E. RUSE
Singer, Deane & Scribner, Pittsburgh

ROBERT E. SMITH
Distributors Group, Inc., Cleveland

JOHN S. JOCKUSCH
Dittmar & Company, San Antonio

HERBERT LAUNER
Bache & Co., New York

FRANK L. KEY
Edward D. Jones & Co., St. Louis

FIFTH ROW:

PETER B. STACHELBERG
Hallgarten & Co., New York

STACEY R. HENDERSON
T. C. Henderson & Co., Inc., Des Moines

JAMES K. HICKOK
Drexel & Co., New York

R. ELLIS GODSHALL
Clement A. Evans & Company, Inc., Atlanta

BILL T. WALL
Lucas, Eisen & Waeckerle, Inc., Kansas City

RANDOLPH E. SORANSON
Merrill Lynch, Pierce, Fenner & Beane, Phoenix

CHARLES E. MUHPPRY
Solomon Bros. & Hutzler, New York

JOHN L. LAWVER
A. C. Allyn and Company, Inc., Chicago

ROBERT L. DuGENE
Paine, Webber, Jackson & Curtis, Chicago

THOMAS S. DIGNAN
Union Securities Corporation, New York

HARRY B. JOHNSON
Harold E. Wood and Company, St. Paul

SIXTH ROW:

WILLIAM M. SAWYER
Paine, Webber, Jackson & Curtis, Milwaukee

ROBERT C. SHULL
Saunders, Stiver & Co., Cleveland

BRUCE B. RANNEY
Ball, Burge & Kraus, Canton

JERRY B. VADEN
Carolina Securities Corporation, Raleigh

VINCENT SMITH
G. H. Walker & Co., New York

GEORGE F. SUTHERLAND
Cruttenden & Co., Chicago

ROBERT S. MARCH
Schmidt, Poole, Roberts & Parke, Philadelphia

HAROLD D. BARNARD
Dean Witter & Co., San Jose

LORREL L. LEDFORD
Lucas, Eisen & Waeckerle, Inc., Kansas City

BERTRAM WEAL, JR.
L. F. Rothschild & Co., New York

JOHN S. MURDOCK
(Guest)

LAURENCE BRUNSWICK, JR.
Newburgher & Co., Philadelphia

LEON S. HERBERT, JR.
Hayden, Stone & Co., New York

SEVENTH ROW:

JOHN S. CURTIN
Kalman & Company, Minneapolis

ROBERT J. CHITTICK
DeHaven & Townsend, Crouter & Bodine, New York

RICHARD E. BOESEL, JR.
Kuhn, Loeb & Co., New York

WILLIAM T. BACON, JR.
Bacon, Whipple & Co., Chicago

PHILIP T. WITHERS, JR.
R. S. Dickson & Company, Charlotte

DONALD E. FURBER
Eaton & Howard, Incorporated, Boston

JOSEPH E. EATON
Eaton & Howard, Incorporated, Boston

FRANK D. TREBELL
Greenshields, & Co., Inc., Toronto

JOHN O. KROEZE
Kroeze, McLarty & Co., Jackson

Those attending the Institute but not appearing in this class picture were:

RICHARD E. BARNETT
Union Securities Corporation, New York

ROBERT BENNETT, JR.
Wertheim & Co., New York

ALBERT J. BERKOW
Newburger & Co., Philadelphia

CHARLES CONNOLLY
Salomon Bros. & Hutzler, New York

JOHN J. CRONIN, JR.
Shearson, Hammill & Co., New York

WILLIAM R. DAVIS
Scott & Stringfellow, Richmond

JOSEPH D. DURY, JR.
Fidelity Trust Company, Pittsburgh

JOHN E. FARLEY
Wm. C. Roney & Co., Detroit

DAKIN B. FERRIS
Merrill Lynch, Pierce, Fenner & Beane, Orlando

J. C. FUNSTON
Johnson, Lane, Space & Co., Inc., Atlanta

ARTURO H. GALLARDO
Government Development Bank for Puerto Rico, San Juan

SLOAN GRISWOLD
Robert Garrett & Sons, Baltimore

MARK W. HARRIMAN
W. E. Hutton & Co., Baltimore

JACK D. HOWE
F. W. Craigie & Company, Richmond

JAMES D. HOLMES,
Reynolds & Co., New York

MAITLAND T. IJAMS
The First Boston Corporation, New York

DANIEL D. JACKSON III
Lee Higginson Corp., New York

JOHN L. KELSEY
Union Securities Corp., New York

GEORGE S. KEMP, JR.
Abbott, Proctor & Paine, Richmond

JAMES H. KNOWLES
Ross, Knowles & Co., Ltd., Toronto

CHARLES LEE
White, Weld & Co., Chicago

WILLIAM T. McINTIRE
Dominick & Dominick, New York

CLIFFORD P. McKINNEY, JR.
G. H. Walker & Co., St. Louis

RICHARD A. MILLER
Revel Miller & Co., Los Angeles

JOHN ORB
Merrill Lynch, Pierce, Fenner & Beane, Chicago

JOHN HIGGINS REMER
Drexel & Co., Philadelphia

GEORGE G. SCULLY
The Ohio Company, Columbus

ROBERT F. SEEBECK
Smith Barney & Co., New York

HENRY J. SHIRLEY, JR.
Boettcher and Co., Denver

RICHARD A. TADDONIO
Salomon Bros. & Hutzler, New York

GORDON L. TEACH
A. C. Allyn and Company, Inc., Chicago

T. BROOK TOWNSEND 3rd
Wagenseller & Durst, Inc., Los Angeles

NORMAN B. WARD, JR.
Norman Ward & Co., Pittsburgh

W. GARDINER YOUNG
Stetson Securities Corporation, New York

SECOND YEAR CLASS

FROM LEFT TO RIGHT

FIRST ROW:

HUDSON D. BOYD
Johnson, Lane, Space & Co., Inc., Augusta

GEORGE C. KNELLER
Johnson, Lane, Space & Co., Inc., Savannah

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Fidelity Trust Company, Pittsburgh

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THADDEUS W. SWANK
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Smith, Barney & Co., Chicago

Sutro Bros. & Co. to Open Uptown Branch

Sutro Bros. & Co., members New York Stock Exchange, announce that Milton J. Beere has become associated with them and will be Manager of their new branch office to be opened on or about July 1 in the new Standard Brands Building at 625 Madison Avenue, New York City.

Webb Wilson V.-P. of Union Securities Corp.

Webb Wilson, corporate and investment banking executive for many years, has been elected a Vice-President of Union Securities Corporation, 65 Broadway, New York City, it was announced by Francis F. Randolph, Chairman of the Board. Mr. Wilson will be concerned primarily with new business activities of the investment banking firm, which is the wholly-owned securities underwriting subsidiary of Tri-Continental Corporation, the nation's largest diversified closed-end investment company.

Webb Wilson

Vice-President and Assistant Treasurer of Willys Motors, Inc., since May, 1953, Mr. Wilson also served as Vice-President and Treasurer of Kaiser Motors Corporation from November, 1949, until last January. He was a director of the latter company from May, 1950, to February, 1954, and of the former from May, 1953, to February, 1954, and participated in over-all direction of the affairs of both corporations.

Previously, Mr. Wilson was a director of Fairchild Engine and Airplane Corporation between 1939 and 1949, served as a member of the executive committee from 1939 to 1942, and as Treasurer of the company from 1942 to 1949.

After graduation from Harvard Graduate School of Business Administration in 1922, Mr. Wilson began his banking career in the buying organization of the Guaranty Company of New York, subsidiary of Guaranty Trust Company. He became manager for Japan in 1927, and a year later, served as chief Guaranty representative in the Orient during negotiations for a $122,000,000 Tokyo Electric Light Co. bond issue marketed simultaneously in New York, London and Tokyo. The $70,000,000 American portion was the largest foreign corporate issue offered in the New York market up to that time.

Mr. Wilson continued with Guaranty Company as Second Vice-President until 1934 when the company began dissolution to comply with the Banking Act of 1933 prohibiting Federal Reserve System members from maintaining securities affiliates.

Between 1934 and 1942, Mr. Wilson headed the corporate buying departments of Edward B. Smith & Co. and its successor, Smith, Barney & Co., and while with the latter, handled the 1939 public financing of Fairchild Engine and Airplane Corporation. As a Fairchild director and Treasurer, he negotiated the company's second successful public financing in 1945.

Aspden, Robinson Partner

PHILADELPHIA, Pa.—Aspden, Robinson & Co., members of the Philadelphia Baltimore Stock Exchange, announces the admission of Frederick W. Phipps as a general partner and the opening of a new branch office at Sinking Spring, Pa., under his direction.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Douglas E. De Tata is now with Walston & Co., Inc., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Continued from first page

What Makes Stock Prices?

Market in Perspective." In this paper, the author[1] says:

"The most important determinants of stock prices are:

"(1) The profit and dividend outlook.

"(2) The size of the residual income of the public after necessary and customary expenses have been met.

"(3) The state of confidence.

"(4) Money market conditions, particularly as they influence the availability of funds.

"(5) The flow of savings into the stock market.

"(6) The tax outlook for both individuals and corporations."

But the statistical verification of hypotheses is confined to simple linear correlations between (1) Standard & Poor's Industrial Stock Price Index and Gross National Product, (2) Corporate Profits before Taxes and National Income, and (3) Total Corporate Profits before Taxes and Gross National Product. None of these correlations are convincing to one trained in the analysis of economic data and furthermore the practical results leave much to be desired. For example, the average deviation is greater than 20%; stock prices in 1929 were about twice the correlation values; stock prices in 1942 were about half the correlation value, and the correlation levels have changed significantly at least three times.

Shortly before this article appeared in the "Harvard Business Review," I had completed a new study in which I provided statistical measures of the factors listed in the above quotation and certain others and tested their statistical significance. This study is a continuation of earlier work which I presented to this Society[2] on June 2, 1950, and in two papers to the Cowles Commission for Research in Economics,[3] June 29 and July 1, 1937.

First Study in 1937

In my first 1937 paper I reported that "stock prices are only in a rough way determined by earnings and dividends. Highest correlation is obtained by comparing earnings for the period for which prices are averaged and dividends for the next period ahead. For a quarterly reporting company, prices for the nth quarter correlate best with earnings for the nth quarter and dividends for the (n + 1)th quarter. Nevertheless, prices during each period — a quarter, six months, a year, or two or more years, depending upon the company and the industry—fluctuate widely about the regression lines; and the average of the maximum quarterly deviations for 100 stocks is about 20% of the regression value of the stock.

"Effects of monetary changes and other political developments depend upon the position of stock prices in their characteristic ranges about the earnings-dividends regression values. Stocks in high parts of the ranges drop quickly when deflationary developments are on the horizon, whereas those prices that happen to be in the bottom of their characteristic ranges are little affected. Similarly, mildly inflationary situations will, in general, start upward prices of stocks in the bottom of their characteristic ranges and only slightly, if at all, affect prices which are at the tops.

"Earnings as reported by companies can not always be used to obtain regression prices of stocks; corrections which make the accounting practices of the company correspond with accepted practices often must be made. In some instances, such corrections transform what appear to be random scatter diagrams of price and earnings—no dividends paid—into well-defined correlation scatters with accurately defined variation ranges. Where the earnings are zero or negative, prices of the stock fluctuate characteristically around a value determined by the working capital of the company. When earnings appear, working capital seems to be relatively unimportant."

In the second paper at the Cowles Conference I set up a system of integral-differential equations which conformed to the above findings and showed that typically these equations had quasi-cyclical solutions for stock prices. I showed that "whether a single- or multiple-period solution or combination with exponentials (growth) is obtained, depends upon the interest rate. New inventories, redistributions of income, wage changes, and a variety of other impacts will be sufficient to change the character of the solutions."

Results of 1950 Study

In my 1950 study I reexamined my previous studies in the light of over 50 additional quarterly observations. In this study, I indicated that the best correlation of stock prices with earnings, dividends and interest rates was obtained by a simple regression of stock prices with an average of current earnings and dividends divided by current yields of Aaa corporate bonds. I concluded that on the basis of this correlation the Standard and Poor Index of Industrial Stock Prices was worth more than twice its level at the time and said: "In short, there is no way to explain current low market levels on the basis of past relation of earnings, dividends and interest rates. At such a point one can always introduce subjective factors as (a) lack of confidence in the permanence of earnings; (b) the growing importance of savings in forms not suitable for stock market participation, and (c) the trend toward socialism." In 1950 I briefly discussed each point, forecast at least three years of rising earnings, indicated that legislatures were beginning to rewrite the trust laws so that investments could be made in common stocks, and ventured the opinion that the world had been moving away from socialism for at least a year.

To the mathematical statistician systematic residuals in a correlation imply additional casual factors. Examination of the residuals of the 1950 study indicated that the wide differences in prices of stocks and levels indicated by earnings, dividends, and interest rates occurred during the war and at other times when there were significant changes in personal taxes and in periods of rapid credit changes. This observation led me to the obvious after-the-fact conclusion that investors' purchasing power might well be the principal missing variable. The main difficulty then was to define investors' purchasing power.

Investors' Purchasing Power

Investors' purchasing power clearly consists of the following: (1) the bank deposits and other money owned by investors; (2) the disposable income of investors, and (3) changes in loans made by investors. But obviously data exist on only the third factor and for the other two suitable proxy variables have to be developed.

The bank deposits and other money owned by investors consists at least of deposits and other money owned by individuals, investment trusts, pension funds, charitable and educational organizations, casualty and fire insurance companies, personal holding companies, and certain other corporations. Of this group only the bank deposits of individuals are definitely known. Prior to 1951 these deposits probably represented by far the greatest portion of deposit money of investors. Then, in 1951 about 42.6% of common stocks were bought by institutions and 53.0% by individuals. By 1954 institutions were buying 76.6% and individuals only 18.0 and it is quite likely that the percentage of institutional buying has increased further. In view of this situation, it may be presumed in advance of statistical study that bank deposits of individuals will underestimate total investors' deposits after 1950.

The disposable income of investors is even more difficult of definition. Weston in his point (2) has indicated that a proper series is one similar to the supernumerary income series which our institute developed in 1938 in connection with a study of the demand for automobiles.[4] I believe, however, that this series has included too much lower-middle-class income; and this income does not find its way into security markets. I believe that the disposable income of the upper 2 to 3% of the population would be a better measure of the individual investors' disposable income. This income was probably a good proxy measure of total investors' income prior to some time in the late 1940s. But in recent years, institutional investors' stock funds have become much more important and I believe that they are apt to have increasing influence on stock prices. However, there are large statistical gaps and today one can only make informed guesses as to the size of institutional stock funds and their present effect on stock prices.

For lack of a better proxy variable to measure investors' income I decided to use the change in the disposable income of the top 1% of the non-farm population, a new index developed by Simon Kuznets.[5] This series has been carefully computed from federal income tax data and is available for the period 1920 to 1947. The Econometric Institute has made careful studies of personal income distribution in relation to dividends, officers' salaries, entrepreneurial income, and other elements. By means of these studies Kuznets' series can be estimated quarter by quarter, so that a current series is available.

Factors Influencing Stock Prices

To sum up, the variables which might determine common stock prices are listed below.

(1) Corporate earnings per share of the companies included in the stock price index. These earnings as used in our study are adjusted for both inventory gains and inventory losses. Theoretically, these

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1 V. Fred Weston, "The Stock Market in Perspective," *Harvard Business Review*, Vol. 34, No. 2, March-April 1956, pp. 71-80. The quotation is from p. 72.

2 Charles F. Roos, "Business Indexes and Stock Prices," *Commercial and Financial Chronicle*, June 22, 1950.

3 Charles F. Roos, "The Relation of Stock Prices to Earnings and Other Factors," and "The Dynamics of the Security Market," *Report of Third Annual Conference on Economics and Statistics*, June 28 to July 23, 1937, Cowles Commission for Research in Economics.

4 C. F. Roos and Associates, *Dynamics of Automobile Demand*, New York 1939, published by the General Motors Corp.

5 Simon Kuznets, *Shares of Upper Income Groups in Income and Savings*, 1953, National Bureau of Economic Research.

TABLE I

Estimated Holdings of Common and Preferred Stocks, At Market Values, December 31, 1954

(Billions of Dollars)

	Stockholdings		
Class of Holder—	Common	Preferred	Total
Life Insurance Companies	1.1	1.9	3.0
Property & Liability Insurance Companies	5.2	0.9	6.1
Savings Banks and Commercial Banks	0.8	--	0.8
Open-End Investment Companies	5.2	0.3	5.5
Closed-End Investment Companies	3.5	0.1	3.6
Self-Insured Pension Funds and Trusts	3.0	0.5	3.5
Religious, Educational & Charitable Funds	6.3	0.7	7.0
Personal Trusts, Bank Administered	32.7	4.3	37.0
Total Institutional Holdings	57.8	8.7	66.5
Foreign Holders of United States Securities	4.7	0.4	5.1
Individual Investors	189.5	6.9	196.4
Total Potential Market Supply	252.0	16.0	268.0

SOURCE: Estimates compiled by the Division of Trading and Exchanges, Securities and Exchange Commission.

TABLE II

Industrial Stock Prices and Factors Affecting Them

			Net Change in		
	Standard and Poor's 50 Ind. Stocks Price Index 1926 = 100	Capitalized Earnings & Dividends (*) $ Per Share	Personal Holdings of Currency & Deposits (†) $ Billions	Income Distrib. of Top 1% of Non-Farm Population (‡) Percent	Net Customers' Debit Balances of Member Firms-NYSE (§) $ Billions
1920	61.3	2.76	---	—1.25	0.540
1921	49.7	1.69	---	—1.07	0.430
1922	60.1	2.87	---	—1.22	0.540
1923	63.9	3.39	---	—0.80	0.630
1924	70.5	3.21	---	—0.93	0.640
1925	89.8	3.89	---	—0.98	0.900
1926	100.0	4.27	---	—0.92	1.082
1927	124.9	4.72	---	—1.04	1.389
1928	168.5	5.37	---	—1.43	2.423
1929	212.6	6.00	---	—1.20	3.958
1930	163.6	5.43	---	—0.61	1.512
1931	104.7	3.64	---	—0.37	0.348
1932	53.5	1.48	---	—0.58	0.907
1933	75.8	1.18	---	—0.73	1.126
1934	89.7	2.40	—1.28	—0.90	1.301
1935	100.9	3.74	1.80	—1.07	1.103
1936	146.3	5.80	2.46	—1.72	1.312
1937	149.2	7.73	3.63	—1.46	1.371
1938	113.4	5.46	0.43	—1.06	0.866
1939	117.2	5.60	0.41	—1.14	0.882
1940	106.5	7.31	3.00	—1.64	0.736
1941	96.8	8.34	2.68	—2.56	0.626
1942	87.5	7.13	4.70	—3.15	0.515
1943	114.5	7.99	11.25	—4.16	0.717
1944	122.9	7.97	16.08	—2.99	0.884
1945	146.7	7.89	17.45	—3.24	1.101
1946	164.2	6.98	18.85	—3.11	0.792
1947	148.0	10.90	10.37	—2.77	0.565
1948	154.8	14.01	2.10	—2.85	0.574
1949	149.4	17.18	—2.04	—2.84	0.681
1950	182.7	19.63	—1.37	—2.94	1.181
1951	226.0	19.28	3.22	—2.56	1.301
1952	246.9	17.86	5.85	—2.45	1.325
1953	247.4	16.75	6.84	—2.76	1.593
1954	301.3	19.61	4.70	—2.10	1.950
1955	422.4	23.28	6.54	—1.00	2.745

* Earnings + 2 Dividends — Bond Yields. † Data from the Securities Exchange Commission. ‡ 1920-1947 Simon Kuznets, "Shares of Upper Income Groups in Income and Savings"; 1948-1955 Econometric Institute, Inc. § 1920-1931 Brokers Loans for Accounts of Others—Economic Institute, Inc.; 1932-1955 Federal Reserve Board.

TABLE III

Contributions of Principal Factors Affecting Industrial Stock Prices

	Capitalized			Net Change in		
Year—	Dividends (*)	Earnings (†)	Net Customer Debit. Bals. of Member Firms-NYSE (‡)	Inc. Distrib. of Top 1% of Non-Farm Population (§)	Personal Holdings of Currency & Deposits (¶)	Total Calculated Price (**)
1920	13.3	20.3	22.2	63.6	---	62.3
1921	11.6	9.1	17.7	66.7	---	48.0
1922	15.2	19.7	22.2	64.1	---	64.1
1923	16.2	25.0	25.9	71.3	---	81.3
1924	17.8	21.3	26.3	69.1	---	77.4
1925	21.0	26.2	37.0	68.2	---	95.3
1926	24.7	27.0	44.5	69.2	---	108.3
1927	32.3	24.9	57.1	67.2	---	124.4
1928	36.2	28.7	99.7	60.6	---	168.1
1929	38.4	34.1	162.8	64.5	---	242.7
1930	38.6	27.0	62.2	74.5	---	145.2
1931	31.8	12.4	14.3	78.6	---	80.0
1932	16.3	1.9	37.3	75.0	---	73.4
1933	14.6	-0-	46.3	72.5	---	76.3
1934	21.9	7.3	53.5	69.6	---	95.2
1935	25.3	20.1	45.4	66.7	---	100.4
1936	40.4	29.7	54.0	55.7	---	122.7
1937	53.0	40.2	56.4	60.1	---	152.6
1938	46.9	19.1	35.6	66.9	---	111.4
1939	40.2	27.5	36.3	65.5	---	112.4
1940	52.1	36.1	30.3	57.0	25.2	101.4
1941	56.8	43.7	25.8	41.4	23.6	92.0
1942	51.8	34.2	21.2	31.4	33.7	73.0
1943	49.4	46.9	29.5	14.3	66.5	107.3
1944	52.3	43.8	36.4	34.1	90.6	157.9
1945	55.8	39.4	45.3	29.9	97.5	168.6
1946	60.5	23.8	32.6	32.1	104.5	154.2
1947	71.2	60.1	23.2	37.8	62.1	155.1
1948	71.9	96.6	23.6	36.5	20.7	150.0
1949	92.9	113.8	28.0	36.7	-0-	172.1
1950	120.5	115.7	48.6	35.0	3.4	223.9
1951	130.9	100.9	53.5	41.4	26.3	253.7
1952	118.0	96.9	54.5	43.3	39.5	252.9
1953	108.1	93.4	65.5	38.0	44.4	250.1
1954	123.5	112.3	80.2	49.2	33.7	299.6
1955	133.3	147.7	112.9	67.9	42.9	405.4

* 12 x Capitalized Dividends. † 12 x (Capitalized Earnings + .04). ‡ 4.114 x Net Customer Debit Balances of Member Firms NYSE. § 16.97 x (Net Change in Income Distribution of Top 1% of Population + 5.00). ¶ 5 x (Personal Holding of Currency and Deposits + 2.04). ** 1920-1939 = Sum of Columns 1 to 4 — 57.1; 1940-1955 = Sum of Columns 1 to 5 — 99.3.

earnings should also be adjusted for other non-recurring elements and for unusual bookkeeping practices. In particular, they should be adjusted for accelerated depreciation when it is not a proper charge against earnings.

(2) Corporate dividends per share of the corporation included in the stock price index.

(3) The long-term interest rate as measured by Moody's index of yields of Aaa long-term corporate bonds.

(4) Individual savings in the form of demand and time deposits of all banks. This is a proxy variable for investors' bank funds. Therefore, changes in the proportion of securities bought by institutional investors from the historical average or trend line will likely lead to divergences between stock prices and prices calculated from a formula based in part on this proxy variable. There is also some question as to whether other liquid assets such as the short-term bills and notes held by individuals and institutional investors should be added to our bank fund series. Unquestionably, short-term securities have frequently been used by the bears as temporary havens. But these short-term securities have so many other uses as temporary investments for earmarked funds that in this study we have chosen to omit them.

(5) Per cent changes in the disposable personal income of the top 1% of the non-farm population. This is a proxy variable for the disposable income of all common stock investors. However, individuals do own most of the common stocks as is shown by Table I. But with pension and welfare funds growing rapidly, a better variable might be obtained by combining the ratio of these funds to total disposable personal income with the per cent change in the personal income of the top 1% of the non-farm population.

(6) The series, net customer debit balances of member firms of the New York Stock Exchange, is a proxy variable for the credit used to purchase common stocks. In the late 1920's and early 1930's brokers loans for the account of others represented another important source of stock market credit. Today various large holding or quasi-holding corporations appear to be able to arrange with non-bank sources for large loans to purchase common stocks. Some loans of this kind are arranged abroad. However, most of these activities are probably correlated with our debit balance series and it serves as a proxy variable for them.

The mere listing of these six variables does not yield the weights which they should have in influencing the prices of common stocks. Nor can they be used in a multiple correlation with stock prices; for several of the variables are highly correlated with each other.[6] In particular, we have already called attention to the close correlation between dividends and the earnings of the previous quarter. Loans on securities are also correlated with previous earnings, although the correlation over the period 1920-1950 is not high enough to forbid the use of this series. Where there is high inter-correlation of "independent" variables, one has the choice of dropping all but one, or combining the correlated variable with a single variable. In general, the second technique is by far the safer one, particularly in cases where the inter-correlations ultimately break down.

6 Mathematical statisticians have long known that non-sense results are apt to be obtained if two or more highly correlated variables are used in a multiple correlation. See, for example, Ragnar Frisch, *Statistical Confluence Analysis by Means of Complete Regression Systems,* Oslo 1934, or C. F. Roos, "Annual Survey of Statistical Techniques," *Econometrica,* Vol. 4, 1936, 368-381.

Earnings — Dividends — Bond Yields Combined Into One Factor

I have chosen to combine the three variables' earnings, dividends, and bond yields into a single variable. Extensive personal observation has led me to believe that the average investor gives about equal weight to dividends and earnings. For the period of the study, 1920-1955, dividends have amounted to about half the earnings. Hence, to give equal weight to the two series I have multiplied dividends by two and added the product to earnings. This represents a departure from the 1950 study in which I simply added earnings and dividends. Both theoretical considerations[7] and my own personal observations of investor behavior have led me to believe that long-term interest rates should have the same weight as earnings and dividends. To achieve this end I divided the index of earnings and dividends by the yield of Moody's long-term Aaa corporate bonds. This led to a single variable, (corporate earnings +2 Dividends) ÷ (Bond Yields), which is not significantly correlated with security loans or the other independent variables.

From this point one could use multiple correlation analysis involving four independent variables, e.g. the ratio above, and (4), (5) and (6) above. However, it is much simpler to use graphical correlation analyses; the results are equally good[8]; and, moreover, the graphical method shows up any leads[9] that the independent variables have over the dependent factor. In the case of stock prices leads can be quite valuable.

Narrow Multiple Correlation Range

Table III shows actual stock prices compared with prices calculated from the multiple correlation portrayed in Table II. Table III also shows the contribution of each of the four independent variables to the calculated stock prices for the years 1940-1955. For the years 1920 to 1939 the net change in personal holdings of currency and deposits have been omitted from the calculated price. I do not believe the inclusion of this factor would significantly improve the calculation. For instance, during the year 1933-1939 the net changes were within the narrow range of —$1.3 billion to +$3.6 billion.

Notice, in particular, that the residuals (differences between actual and calculated prices) are small, usually less than 10%.

The principal residuals are in 1950, 1944, 1943, 1932, and 1929 and in each year there were special additional factors that are readily identifiable.

In 1950, for example, the first half of the year was characterized by slow and somewhat uncertain recovery from the 1949 recession. Then, in June when business was already heading upward, the Korean War suddenly developed and speculative excesses developed throughout the economy. These increased earnings but investors regarded the increase as temporary and refused to capitalize them.

Stock prices were also considerably below the calculated level in 1944. This negative residual or under-valuation may well have been due to the preponderance of bearish forecasts of the postwar levels of production and corporate earnings. In that year we witnessed a succession of supposedly competent government forecasts and the most optimistic called for about 10 million unemployed. Such thinking may well have influenced market values. In any event our calculated level shows that the market was a bargain.

7 Charles F. Roos, "The Dynamics of the Security Market," loc. cit., and C. F. Roos, *Investment Management in an Unstable Economy,* New York, 1939.

8 C. F. Roos, "A General Invariant Criterion of Fit for Lines and Planes when All Variables Are Subject to Error," *Metron,* 1937, Vol. XIII, pp. 3-20.

9 Herbert E. Jones, "Some Geometric Considerations in the General Theory of Fitting Lines and Planes," *Metron,* Vol. XIII, 1937, pp. 21-30; Herbert E. Jones, "The Nature of Regression Functions in the Correlation Analysis of Time Series," *Econometrica,* 1937, Vol. 5, pp. 305-325; and H. T. Davis, *The Analysis of Economic Time Series,* Bloomington, 1941.

In general, the calculated stock price index has led actual prices when annual data are used. The lead characteristics are brought out more clearly if one substitutes quarterly data for the annual series on earnings, dividends, interest rates, and security market credit and interpolates the other series on a quarterly basis. But even this calculation can be improved.

Since 1938 the Econometric Institute has published a monthly criterion of industrial earnings calculated from production and shipments, prices of finished goods, prices of raw materials and wage costs. This criterion, or current index of earnings, has been at various times geared to different earnings indexes. It has recently been geared to the Standard and Poor's earnings index. Also from this index and the ratio of dividends to earnings one can construct a current monthly index of dividends. Interest rates and security market credit are both available monthly. Hence, one can construct a monthly criterion. Such an index is published regularly by the Econometric Institute with the warning that clients using it do so at their own risk.

Affect of Unpredictable Events

No study of what makes stock prices can be complete without consideration of the effects of unpredictable events such as the President's illness, Supreme Court decisions, wars and peace, and other government actions.

Clearly when unpredictable events operate merely to reinforce fundamental factors, no problem arises. The result is merely that the existing movement is accentuated. An important problem arises only when the unpredictable acts against the trend already in progress. Of these cases it can be said that:

(1) The power of government action to override fundamental forces has usually been grossly exaggerated. Only unusual government action or an accumulation of many lesser actions, the weight of which act in the same direction, can reverse economic trends. Either of these situations can be detected by several of the econometric indicators. Thus, a series of confidence-destroying events are detected by a drying up of orders for consumers' and durable goods and this precedes production, earnings, and dividends and important trends in stock prices; an important monetary change is reflected in the indexes of money supply and bond yields. Lesser government action merely causes minor moves in the market.

(2) Unusually powerful government action happens rarely, and as often as not works with the already operating economic forces.

(3) Significant changes in corporate or personal income tax rates affect either earnings after taxes and dividends or the per cent of income of the upper 1% of the population.

The October, 1955, stock market break has popularly been traced to the news of the President's illness. However, the facts are: (1) a sharp decline in new orders for capital goods occurred in August and September, 1955; (2) the Federal Reserve Board had been tightening the money supply and expectations of higher yields of Aaa bonds were spreading; and (3) individuals' bank deposits had been somewhat reduced as a result of the large number of new issues floated during the year.

A brief description of a few other historical developments will reinforce the thesis that unexpected events have little significance.

The end of the War with Japan in July was followed by only a very short-lived decline in stock prices. The reason is that investors expected quick repeal of the excess profits tax to offset an expected decline in gross earnings and Federal Reserve policy was directed toward lower interest rates.

In September, 1939, the outbreak of the second World War was followed by an immediate rapid rise in stock prices. This event merely accelerated an economic recovery already underway and clearly portrayed by rising levels of new orders.

On April 2, 1937 President Roosevelt in a press conference said that certain prices were too high. A decline in commodity prices was already indicated by excessive and wavering new order levels. The President's message merely accentuated the then current economic tendencies. This particular incident is instructive in that it illustrates how unpredictable government action is often taken in response to past situations. It is an example of the tendency of government to be very late in its actions.

Many other examples can be cited to show that random news items, unless they refer to developments which will cause uncompensated changes in the seven basic factors used in this study, have little influence on stock prices.

Stock Market Technician

But how does the chartist and stock market technician fit into the picture. The answer seems to be that he does have short-term influences.[10] However, he has no significant influence in causing deviations from the basic trend as determined by our seven variables.

Finally, we want to observe that the study completely upsets the theories of those economists who believe that the stock market is either a discounter of the future trend of business or purely a game of chance. While many traders undoubtedly buy and sell on hunches, no information, or misinformation, their actions tend to cancel out and leave the trend to be determined by the few who do know what is happening to earnings, dividends, interest rates, bank deposits of individuals, disposable income of investors, and security market credit.

10 See, Herbert E. Jones, "The Theory of Runs as Applied to Time Series," *Report of Third Annual Research Conference on Economics and Statistics,* Cowles Commission for Research in Economics, 1937; Alfred Cowles 3rd and Herbert E. Jones, "Some A Posteriori Probalities in Stock Market Action," *Econometrica,* 1937, pp. 280-300; and H. T. Davis, *The Analysis of Economic Time Series,* Bloomington, 1941, pp. 164-174.

Now Morgan & Co., Inc.

SALT LAKE CITY, Utah—Effective May 1, 1956, the name of Morgan & Co., First Security Building, has been changed to Morgan & Co., Inc. The firm will continue to specialize in mining and oil and gas stocks, mutual funds, banks and insurance stocks.

New officers of the corporation are John H. Morgan, Jr., President, Robert Dyer, Vice-President and Kathryn C. Bradford, Secretary-Treasurer.

A branch of Morgan & Co., Inc. is maintained at 2536 Washington Blvd., Ogden, Utah. The branch Manager is Walter Jones.

Raoul Romanaux Opens

Raoul Romanaux is engaging in a securities business from offices at 2 Fifth Avenue, New York City.

Philadelphia Municipal Club Elects Officers

PHILADELPHIA, Pa. — The Municipal Bond Club of Philadelphia has elected J. Brooks Diver, Mackey, Dunn & Co., President, succeeding Leighton H. McIlvaine, Goldman, Sachs & Co.

J. Brooks Diver

Other officers elected are: Vice-President, Russell W. Schaffer, of Schaffer, Necker & Co.; Secretary, Lawrence B. Illoway, of Aspden, Robinson & Co.; Treasurer, John P. Dempsey, of Kidder, Peabody & Co.

Past President McIlvaine was placed on the Board of Governors for a one-year term, while Eugene T. Arnold, of Harriman, Ripley & Co., and Willard S. Boothby, Eastman, Dillon & Co. were elected to serve two-year terms.

Golkin Underwrites Stubnitz Greene Offer

Stubnitz Greene Corp. is offering to holders of its common stock of record March 26, 1956, rights to subscribe in units for $1,000,000 of 5½% sinking fund subordinated debentures due May 1, 1966 and 100,000 shares of 60-cent cumulative preferred stock (par $5). Under the terms of the offering each holder of 100 shares of common stock will be entitled to subscribe to one unit consisting of $250 principal amount of debentures and 25 shares of cumulative preferred stock, at a price of $418.75 per unit. Subscription rights will expire on May 9, 1956.

Attached to the debentures are 5-year common stock purchase warrants entitling the holder to purchase 15 shares of common stock at $8 per share. The offering is being underwritten by Golkin & Co., of New York City.

The debentures are redeemable through the sinking fund, on at least 30 days' notice, at the par value thereof, together with accrued interest to the date fixed for redemption. The debentures are also subject to redemption at the option of the corporation in whole or in part (but not any part of any particular debenture), at any time, on at least 30 days' notice, at the par value thereof, together with accrued interest to the date fixed for redemption.

Of the net proceeds of approximately $1,580,000 to be received by Stubnitz Greene Corp. from the sale of the securities, $316,666 will be applied to the payment due on the purchase price of the assets acquired from Reynolds Spring Co.; approximately $70,000 will be used for the erection of expanded warehouse facilities to be built on property owned by the corporation in Adrian, Mich.; approximately $100,000 will be used for machinery and equipment in the corporation's new plant being constructed in Vincennes, Ind.; and the balance will be added to the general funds of the corporation to provide additional working capital.

Stubnitz Greene Corp. is a leading independent producer of heavy duty seat and back spring assemblies for commercial vehicles and is one of the largest independently-owned producers of seat and back spring assemblies for pleasure cars. The company also manufactures mechanical springs, vinyl plastisols for coating of metals, glass, fabrics and paper for diversified markets and electronic products.

Continued from first page

As We See It

money and spend it—it appeared to matter little how it was spent—was the hero of the piece.

Temporary War Changes

Some modification of this preferred pattern of behavior for the ordinary man had to be made when all-out war came, but such changes were labeled temporary and special, and as soon as the war was over there was a general return to the common New Deal concept of how the consumer ought to act and to the same old type of policy designed in part at least to persuade him to behave as desired. The fact is that much of this type of thinking is to be observed even unto this day. Statistics have long included elaborate measures of the spending of this, that and the other factor in the economy, and when the indications make it appear that such spending is to be large, the outlook is *ipso facto* regarded as good. "Saving" as employed in current statistics often is a rather artificially defined term, but in any event most commentators appear interested in it only either as an indication that spending may or may not be as great as desired in the early future or else as a promise of greater or lesser spending at some future time.

Now thoughtful students have all along fully realized that any effort on the part of the population as a whole to spend more than is earned would be a futile process which could not fail, if persisted in, to give rise to higher, or inflationary, prices. Such an effort is, of course, stimulated by a rapid rise in bank loans, particularly when made without much regard for the purposes the borrowed funds are to serve. Ideas of this sort, however, seem rarely to give the politician much concern, and when a boom gains sufficient headway, few others take such a danger too much to heart. But left to run its own course a process of this sort tends to create a situation which is likely to bring its own end rather promptly unless prolonged by undue expansion of bank credit. It so happens that at this particular time our hoard of gold is so enormous—thanks to foolish policies of the New Deal—that if used in accordance with the rules of the pseudo-gold standard under which we live at present could form the basis for an enormous further expansion of credit which might well keep interest rates abnormally low and spark a further spurt in the effort on the part of all to spend more than they earn.

But it so happens that for one reason or another the Federal Reserve authorities have not of late been willing to feed a further boom in spending. They certainly have not been particularly restrictive—with the discount rate 3% or under and no great outpouring of their holdings of governments—but neither have they hesitated to "sit tight," as it were. The net result, or one of them, as everyone knows, is a firming up of interest rates quite generally and the creation of a situation in which some borrowers at least are something less than sure that they can get all the funds they would like to have from the banks. Institutions have begun to compete rather actively for the savings of the rank and file. Whether such policies as these will of themselves encourage saving by the rank and file —saving, that is, in cash form and placed at the disposal of others for spending—remains to be seen, but this concern for the saving of the public is wholesome.

Not Really Tight Yet

This process of "tightening up" has not gone far as yet, as students of financial history are well aware. To the younger generation whose experience in the financial or business world is largely or mainly confined to the New Deal, Fair Deal and the current Neo-Fair Deal, it may appear otherwise, but a glance at the facts of history soon reveals that a 3% discount rate, or any of the other money market rates, can not be regarded as high except by New Deal and post-New Deal standards. When one remembers the high income tax rates of this day and time and recalls that interest paid is tax deductible, one finds it difficult to believe that such interest rates as those now charged can be any very serious deterrent to any legitimate business. Any effect produced will be, we feel certain, a result of uncertainty about getting the money needed when needed, or of the so-called "warning" that recent Federal Reserve policy is widely believed to carry.

Of course, there is a certain "risk" in such policies as that of the Reserve authorities in recent months. There need be no doubt that if there is a downturn in business, with a rise in unemployment, the Federal Reserve system will be viewed by a good many managed money devotees as responsible in large part. It was true in 1953, and it has been true upon various other occasions. The real question is whether once a situation has been built up to a high pitch upon the basis of loose credit policies, it is possible to hold it within bounds by any means at our disposal without causing a recession of one degree or another.

All these are important if rather technical matters. What encourages us at this juncture is the apparent awakening of a good many to the fact that saving as well as investment and consumption is essential to healthy and wholesome expansion and growth.

Continued from first page

Broadening the Market For FHA-VA Mortgages

ment field creates the slightest prejudice for or against mortgages or for or against any other type of investment. These investment men, for the most part, do not have closed minds. But they do have and should have impartial and inquiring minds. From experience, if nothing else, they are quite aware they do not know all the answers. And they are willing to explore all types of investments—their principal standards necessarily being satisfactory security and a net return suitable to the relative competitive factors involved. As prudent men they will go slowly and take time to make up their minds when approaching a field of enterprise new to them. But they will and do examine and weigh all the advantages and disadvantages of any given investment proposal in the light of the requirements made of them and, as I have just said, in the light of values offered by competitive investment proposals.

Pension Funds and Mortgages

Of course you have already heard much and thought long about the question of "broadening the market for FHA and VA mortgages." And I know that the role that Pension Trusts may play as a possible source of funds has attracted an increasing share of your interest if the number of mortgage bankers who have called upon us in the recent past is any guide to your thoughts.

I will therefore not dwell at too great length on the two points which I am told should always be examined before taking up such comments as I shall go on to make.

Point No. 1—The size and potential of the pension trust market.

Point No. 2—The difficulties of purchasing and administering FHA and VA mortgages which confront many of those who handle pension trust investments.

As to Point No. 1—the size of the Pension Trust market — the best figures presently available (a combination of data published by the SEC and the Institute of Life Insurance) indicate that the amount of money presently accumulated in pension funds of corporations (other than Pension Funds of banks, insurance companies and railroads) is about $25 billion and that the increase is now running at about the rate of $3 billion a year. These figures do not include State and municipal funds.

Of these total dollars about 40% apparently is in insured plans and about 60% or $15 billion in self-administered or trusteed plans to which about $2 billion are being added each year. As you know, trusteed Pension Funds for the most part may and do follow a diversified pattern of investment ranging from government bonds to common stocks. The SEC reported that at the end of 1954 the trusteed funds studied by them were invested on the average as follows:

54% Corporate Bonds.
18% U. S. Government Bonds.
18% Common Stocks.
4% Preferred Stock.
2% Cash.

These figures equal 96%—the remaining 4% being invested in various other things including mortgages.

A recent study by the N. Y. State Banking Department of Pension Funds administered by New York State banks shows a somewhat higher percentage (62%) in Corporate Bonds—with mortgages representing only 0.244% of total investments. So by using these reports, we can produce the following general conclusions:

About 75% of the total amount of trusteed pension funds apparently has been invested in bonds. Recently, however, a somewhat lower percentage of the net additions—approximately 65% or $1.3 billion a year has been going into bonds or obligations of various kinds.

These latter figures would seem to be a reasonable measure of the current size of the fixed income or bond market available to all borrowers from this source.

Philanthropic Funds

In addition to the foregoing—and here is a field which I suggest your group, perhaps, has neglected to some extent—are the investment accounts of various other Funds primarily philanthropic in nature, Endowments, Foundations, charities, colleges and schools. Many of these are invested by banks or receive investment advice from banks and investment counsellors. Figures here are more difficult to obtain. The best and most recent I have seen indicate that philanthropic foundations at the end of 1955 had a total worth of about $4.9 billion. This figure appears in a book recently published by The Russell Sage Foundation. Although no breakdown is given on the proportionate investments of all the funds, a detailed analysis is made of the holdings of seven large foundations whose total assets in 1953 amounted to $718 million at market value. This study reveals that at that date common and preferred stocks accounted for over 60% of their investments and bonds almost 40%. Only two of the seven foundations hold any mortgages at all, and these two only a nominal amount.

A report as of June 30, 1955 on college and university endowment funds covering 38 such funds indicated assets valued at $2.1 billion. Their holdings were divided as follows:

Cash & Bonds	31%
Preferred Stocks	6
Common Stocks	56
Real Estate & Mortgages	5
Miscellaneous	2
Total	100%

So — self-administered or trusteed corporate pension funds plus philanthropic funds seem to have values of about $20 billion—and relatively small amounts in mortgages. These funds are scattered widely and not concentrated as in the case of Savings Banks and larger life insurance companies.

Other Investments

The size of this market is large and enticing. But in thinking about the corporate and government bond aspect of Pension Trust and other investment Funds it seems to me it would be a mistake to conclude that all the mortgage banker needs to do is to offer FHA and VA's with a net yield higher than the yield on government and high-grade corporate bonds which are quoted in the market. Among the corporate bonds held by the funds are substantial amounts and various kinds of obligations that are not publicly sold or quoted. Many good corporate bonds are now offered for sale through so-called direct or private placement to a limited number of prospective purchasers in order to avoid the expense of registration and other costs. The yields on such bonds are usually higher than on publicly offered corporate bonds of comparable quality. Certain types of funds are also attracted to negotiated conditional sale contracts at rate, under certain market conditions, in excess of open market rates for Philadelphia Plan Equipment Trust Certificates or corporate bonds. So-called leasebacks, used by corporations to finance many purchases, afford yields above those on publicly offered and quoted bonds. The same is true of bare-boat charters of tanker ships, the return of principal and rate of interest being assured by large oil companies, and of oil payments on proven reserves, production from which is purchased by large oil companies and which frequently have residual values. These types of paper are sound and have been and are available at rates which induce their purchase. Lastly, there are the new Capehart mortgages and debentures now available under Title VIII of the National Housing Act.

I mention these field of investment because they all provide higher yields than those obtainable on marketable bonds, because they may be purchased from time to time in substantial amounts, because the investment officer need satisfy himself only as to the credit standing of one borrower, and because the costs of acquisition are not much greater and subsequent administrative costs are no greater than for governments or publicly sold corporate securities. In some pension and endowment funds with which I am familiar, investments of this kind represent 15% or 20% of total funds. I suggest that these kinds of high-grade investments represent a medium of increasing interest to such funds and are therefore a potent, though perhaps as yet unappreciated source of competition with other fixed investments. Mortgages must also compete with preferred and common stocks for investment by pension and endowment funds. Neither of these forms of investment has disappointed anyone over the past few years. Many well-managed pension and endowment funds earn over 4% today, and that overall rate is a most important competitive factor. All of this would seem to lend weight to the point of view that when talking about FHA and VA mortgages for pension and endowment fund investment we cannot base our comparison solely on the spread between the net yields on them and those on government and publicly sold corporate bonds.

Problems of Mortgage Portfolio

I now come to the second major point confronting those who handle pension and endowment fund investments. This point has to do with the difficulties involved in the purchase and administration of FHA and VA mortgages.

These difficulties are such that they require no detailed comment from me. Those which are the most troublesome, particularly for investment managers of such funds who do not have extensive mortgage departments are:

(a) The cost of acquisition and administration with the resultant effect on net yield;

(b) The problem of obtaining diversiifcation;

(c) The troublesome need for Trustees to qualify to do business in certain states if it is necessary to foreclose.

As you all know, various estimates have been made of so-called home office expense. In the case of insurance companies holding many, many millions of mortgages, these estimates run around one-quarter of 1% per mortgage per year. This, of course, is over and above the usual servicing charges. The costs to an investor holding relatively small amounts of mortgage bonds as compared to an insurance company or savings bank would be even greater particularly since it is contrary to law (in New York State at least) for corporate fiduciaries to participate mortgages and since each trust, except the very largest, would have to confine its investment to small amounts of mortgages in a number of separate blocks in order to obtain proper geographical diversification. The improvement in accounting techniques which have been worked out, such as the single debit system, have made it easier for investors to keep records on small mortgages if bought in good sized blocks. However, if there are only a few mortgages in each block purchased, some of the usefulness of the single debit system disappears.

There is another difficulty that Trustee bank investors run into in a number of States. That is, that if real estate is owned, as might happen in case of foreclosure, the Bank may be held to be doing business in the State in question. In a few States the Bank may be held to be doing business just because it employs a servicing agent even if there is no foreclosure. In any State where the bank might be held to be doing business, it must either qualify under State laws, if permitted, which may expose it to tax dangers present or future, or from a feeder corporation to own the mortgages. Feeder corporations are somewhat costly and cumbersome and, although free of Federal income tax if owned by a Pension Trust, may be subject to State or local income taxes, franchise taxes, etc., which in some cases run as high as 30 or 40 basis points.

Some of these and other points are spelled out in considerable detail in a recent report by the Commissioner of Housing of New York State to the Governor of that State. Of course, all of them are matters of degree and are important primarily because they affect the basic problem—which comes down to the net return on the investment and its relation to the net return on other suitable investments that are available. Or to put it another way, the investor's problem is—gross yield, less ascertainable costs, resulting in a net yield which must be compared to that obtainable from other and overall forms of appropriate investment.

Now as you know so well there has been great improvement over the years in the handling of the "paper work" for FHA's and VA's. You gentlemen deserve great credit for devising and furthering systems and methods which not only reduce your own costs but the overhead costs of those to whom you sell your mortgages. Perhaps there are now, or are just around the corner and unknown to us, procedures which may well close the gaps and solve the problem of reaching a sizable portion of the potential market of the kind I have tried to describe—a market which for better or worse has accustomed itself to certain procedures and competitive standards—and even more important a market which, by and large, up to date has not had too much trouble in finding profitable and prudent outlets for its funds. It may be that in the future its supply of available funds, in conjunction with those of other and larger sources, will force it into fields heretofore largely untapped. But even prior to that time, when and if it arrives, there is no reason to neglect present fields nor does there seem to be any good reason to refrain from exploring even further, ways and means of making FHA's and VA's more palatable to those investors who do not have the extensive facilities of our savings banks and large life insurance companies. Nor would there seem to be any good reason to refrain from going back a few years and examining proposals made then but rejected for one reason or another—particularly today when it seems difficult to expect the purchase of VA's and FHA's by savings banks and others to continue at the accelerated rate which was necessary to bring their mortgage portfolios up to higher proportions than existed in 1946 and which proportions in many cases seem to have been attained.

A New Corporate Organization

The best description of the needs of "our kind of investor" that I have come across runs something like this—

> Our need is for FHA and VA mortgages to be translated into corporate interest-bearing obligations.

Yes—this an old one—but isn't it worthwhile to take another look at is? Perhaps the volume possible under such an arrangement today and the probable need for new purchasers would permit the creation of a corporation who could act as mortgagee and whose sole assets would be cash, U. S. Governments and FHA's and VA's. There would seem to be no reason why such a corporation with full-time management of competent and experienced men of integrity would not be able to resolve the difficulties I have mentioned; sell, at appropriate rates, its corporate obligations to all concerned including self-administered Pension Trusts, Bank administered Pension Trusts, Endowments, Investment counsel, small insurance companies, Trustees and other bond buyers; and buy suitable mortgages from all concerned, mortgage bankers, brokers and originating banks.

Such an arrangement apparently was contemplated in the 1933 Housing Act Title III National Mortgage Association but as far as I know no charter was ever granted. Others have proposed and created collateral trust bonds from time to time. In New York State the Institutional Securities Corporation through its Debenture Service has authorized and created 50 million debentures sold from time to time at various interest rates to 101 savings banks; and as of the year end it held about $280,000,000 FHA and VA mortgages located in 37 States against Certificates of Participation held by 58 savings banks.

Now perhaps from your standpoint there is nothing to this idea, no reason to consider it again—except that if could have an appeal to "our kind of investor"—because it obviously lightens the burden of expenses and difficulties which we are not called upon to assume in other profitable and competitive fields of investment and because, perhaps, a Fiduciary Corporation could be set up under appropriate legislation and operated in a manner which would produce a satisfactory security at a competitive yield. Such a Corporation might tend to solve some of the long-term investment needs of certain funds which, of course, need repayment of their loans but perhaps not at such frequent intervals as scheduled by FHA and VA.

Again, I say, perhaps there is nothing to this old idea—you gentlemen may have explored it even in the past few months; you may have come to the conclusion that today, as in the past, it is not what you want or what the investor needs or wants, that it is not possible to form such a Corporation which could live and create and sell its obligations at competitive yields. But, if you feel it is worthwhile exploring again these specific and related questions,—to take the time involved—why not consider doing it in conjunction with representatives from four or five Trustees of company and bank administered trusts or funds? If your association wished to delegate four or five members to pursue this matter, I suspect you would have no great difficulty in finding the same number of representative Trustees from around the country who would be willing to join you in spending the necessary time and thought.

That concludes my comments—as I said in the beginning — you can now say—"we've heard it all before"—certainly you have! But then—there is nothing which is really new. Now that the relative supply of mortgages and other investments seem to have increased and now that an investment demand from relatively new capital sources seems to have increased, why not open your closet door, take out some of the tools stored there that have not been used extensively to date, and consider, with possible purchasers, whether their present application to fertile fields would not create a competitive and constructive product—one beneficial to all concerned. Of course, it is possible that such a group would conclude that such a Fiduciary Corporation is not feasible—but seldom have gatherings of responsible, reasonable people failed to come up with at least something which is productive and useful.

Blyth-First Boston Group Offers Calif. Oregon Preferred Stk.

Blyth & Co., Inc. and The First Boston Corporation jointly headed an underwriting group which offered publicly on May 1 a total of $70,000 shares of 5.10% series preferred stock of The California Oregon Power Co. at par ($100 a share) plus accrued dividends.

The company will use the proceeds, along with the proceeds of the sale of a proposed issue of $16,000,000 first mortgage bonds, due May 1, 1986, to be sold at competitive bidding on May 8, 1956, to retire outstanding bank loans totaling $23,000,000 used for construction purposes.

Capitalization of the company, reflecting the sale of the preferred and bonds, will consist of: $64,000,000 in long-term debt; 136,122 shares of preferred stock in four series; and 1,638,699 shares of common stock, $20 par value.

Total operating revenues of the company for 1955 were $18,948,000 compared with 1954's $17,046,000 and 1955 net income was $3,817,000 as against $3,416,000 in 1954.

California Oregon Power is an operating electric public utility furnishing electric service in 72 communities and adjacent rural areas in Klamath, Jackson, Josephine, Lake and Douglas Counties in Oregon, and in Siskiyou, Modoc, Del Norte, Trinity and Shasta Counties in California. The company also furnishes electric service to Grants Pass, Klamath Falls, Lakeview, Medford and Roseburg in Oregon, and Alturas, Crescent City, Dunsmuir, Tulelake, Weed and Yreka in California.

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Monetary and Credit Policies Towards Strength and Weakness

through the sale of securities will result in a like reduction of reserves in some other bank unless the Federal Reserve adds to the total.

Finally, the **link between gold and our domestic monetary system** has been loosened in the last few decades, so that an outflow of gold need not result in a severe reduction in our money supply, and conversely an inflow of gold need not result in a larger money supply. Under the gold standard, it was the obligation of the Central Bank to allow changes in the monetary gold stock to be reflected in the monetary policy followed. This is no longer the case. It is not now appropriate to argue the pros and cons of the gold standard, but we should recognize that this earlier disturbing factor has now been eliminated from our credit system. It is, however, only fair to note that loosening the link between gold and our money supply has also removed one of the automatic factors which earlier provided us with some protection against **prolonged** inflation.

III

Quality of Credit

As indicated earlier, the status of the business cycle has been by far the most important determinant of the ability of debtors to repay their debts when due. Yet some argue that deterioration in the **quality of credit** can contribute to the development of a business recession. The quality of credit is difficult to measure prior to the time it actually becomes bad. Several studies by the National Bureau of Economic Research have attempted to do this and, in general, their conclusion appears to substantiate the popular assumption that at a time of rapid credit increase, the quality of credit declines.

Some of the economic conditions that have in the past been associated with credit quality deterioration are, or were, recently in evidence. They are:

(1) A rapid increase in the volume of credit and debt, particularly in the real estate and consumer credit area as well as in short-term loans of banks to business.

(2) Price increases in the assets typically bought with credit such as real estate, common stocks and commodity inventories.

(3) Relaxation of credit controls and lending standards such as occurred in late 1954 and in part of 1955.

These developments suggest that lenders should be **especially careful in granting credit increase** at times like the present. However, there are indications that in recent months **market forces** have brought about the **proper adjustments.** Last year many were concerned that the consumer credit expansion was too great. In recent months factors have operated to slow the advance in consumer credit. The lending terms to finance companies tightened in 1955 due to the shortage of funds in the banking system, and finance companies were forced to induce their dealers to adopt tighter terms to ultimate consumers. In addition, the increased volume of outstanding consumer credit resulted in higher repayments. Both of these factors have tended to moderate further increases in consumer credit in recent months. Current loss ratios on consumer credit are still at a near historical low although there has been a slight increase of late. Bank loans continue to rise at a rapid clip, on a seasonally adjusted basis, due to the accumulation in business inventories. This is particularly true in the metal and metal products industries where the prospects for either higher prices of steel and/or a steel strike, appear to be dominating business decisions. However, the shortage of funds in the banking system has undoubtedly dampened the growth in bank loans. The terms on lending in the real estate area have also been tightened in recent months and the rates have risen.

I would contend that the evidence up to the present time suggests that our economic system does automatically adjust to correct overexpansion of credit in particular areas and that there is **little reason for believing that direct controls** of particular credit markets **would improve the situation.** There are ample indications for believing that areas that appeared to be undergoing excessive credit expansion in 1955 are now expanding at a much lower rate with the exception of bank loans where special factors are evident.

IV

Conclusions

In general, it is my conclusion that our credit system is currently **strong** and is not likely to contribute to depressions or sharp inflations as in earlier years. Although I have some reservation about the appropriateness of the current monetary policy, it seems clear that Federal Reserve policies since 1951 have been superior to the policies followed prior to that time. In addition, there have been **important institutional changes** such as the organization of the FDIC, the change in the nature of bank assets, and the change in the relation of our money supply to gold, which have significantly reduced the potentiality of credit as a weak spot in our economy. Furthermore, although credit developments in 1955 suggest lenders **should exercise more than usual prudence** in granting further credit increases, recent market adjustments have again emphasized the ability of our free economy **to correct excesses in particular credit areas without direct controls.**

FHLB Notes on Market

Public offering of $126,000,000 Federal Home Loan Banks 3½% Series-K 1956 consolidated noncallable notes dated May 15, 1956 and due Nov. 15, 1956 was made yesterday (May 2) by the Federal Home Loan Bank Board through Everett Smith, fiscal agent of the Banks and a nationwide group of securities dealers. The notes are priced at 100%.

The purpose of the offering is to refund $75,000,000 Series D-1956 2⅞ notes maturing on May 15, and to provide funds for making additional credit available by the Federal Home Loan Banks to their member institutions.

Upon completion of the financing and the retirement of the May 15 maturity, outstanding consolidated notes of the Banks will total $913,240,000.

Moore & Schley Admit

Moore & Schley, 100 Broadway, New York City, members of the New York Stock Exchange, on May 3 will admit Grant B. Schley to general partnership and Kenneth B. Schley, Jr. to limited partnership in the firm.

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Sensible Instalment Credit To Stabilize the Economy

sible cause of acute personal distress to large numbers of people. Here are the salient facts about consumer credit:

Salient Credit Facts

(1) Instalment sales do not increase production. They increase production **temporarily** and reduce future production **correspondingly.** Signing a paper promise to pay out of future income cannot increase total production.

(2) Instalment sales reduce the national income. The interest cost, insurance charges, collection expenses, and losses on defaults are net deductions from the money available for consumer goods of real value. Instalment buyers pay on the average 16% of their total debt as carrying charges.

(3) Instalment sales reduce the amount of capital available for maintaining our economy. When people save for later cash purchases their savings pour into enterprise. When people mortgage their future incomes and save nothing there is a net loss of capital for investment. It is a shocking fact that in 1955, the year of greatest personal incomes in American history, the percentage of incomes saved went down. The reduction in the rate of saving was wholly due to the tremendous increase in instalment debt.

(4) Instalment sales distort the entire economic structure. In the main instalment credit is granted on houses, cars, furniture, household appliances, and clothes. In an orgy of instalment sales an abnormal demand arises for these particular goods, with a consequent scarcity of materials and rising prices. The enormous sales of houses, cars, and appliances in the past two years created shortages of steel which affected every American industry and contributed to the economic troubles of farmers.

(5) Instalment credit can be a most powerful promoter of senseless extravagance and socially injurious waste. There is no implication in this statement that people should be prohibited from buying what they want to buy. Sumptuary legislation is wrong. But that fact is no defense for a merchant to use a credit device to persuade people to buy things they do not need and cannot afford. The goods which are sold on instalments, including houses, are goods which are useful and necessary, but also goods which have wide price ranges, with the upper ranges representing luxury, ostentation, and conspicuous waste.

Degenerative Credit

In the light of these facts, only under rigid restraints is instalment credit desirable or essential. In the past five years in innumerable cases sensible restraints have been abandoned. Instalment selling has degenerated in some instances into what is tantamount to an orgy of high pressure merchandising.

During the war years since 1941 home building was severely curtailed. Rent control was imposed, probably wisely. After the war Federal and state governments continued rent controls long after they should have been repealed, solely for the votes of tenants, in the face of the lesson of destruction of housing in all France by continued rent controls. Having done everything possible to discourage home building, Congress embarked on a vast building program which guaranteed mortgages on fantastically easy terms. One law was so stupidly drawn that it was an open invitation to unscrupulous builders to rob government and tenant alike. Congress has investigated all persons connected with this unsavory affair except the Congressmen who drafted the law.

In a mad competitive race some automobile companies pressure their dealers to sell abnormal numbers of cars. The dealers in turn grant incredible terms.

In the area of appliances, household goods, and clothing, some dealers have adopted a general policy of "nothing down, pay when you like" in their furious battle to obtain a competitive advantage. Retail stores, acutely hurt by specialty stores, followed suit in many cases. Some have even devised a banking service, the "revolving credit," to finance their instalment sales. The mania spreads. A couple may now marry, buy a house, all household equipment, clothing for the bride and groom, and a honeymoon with hotels and planes, for a small down payment and a promise, to start life with an overwhelming debt.

Credit Should Stabilize

A large expansion of consumer debt is a boom phenomenon. If consumer debt expanded in depression and contracted in boom times, it would be a great economic stabilizer. In reality it operates in exactly the reverse fashion. In prosperous times wages are high and credit is easy. As wages increase an extraordinary force comes into operation. Wage earners assume that next year's earnings will increase still more. Many instalment buyers base their current purchases, not on current earnings, but on expected larger earnings in future. In a long-continued boom instalment selling has a built-in automatic accelerator which makes instalment sales grow faster than the general wage level. The entire system of consumer debt largely depends for its solvency on a continually accelerating boom.

Thus it is that reckless extension of instalment credit automatically intensifies a boom and makes it more feverish, until the inevitable collapse. There comes a time when the burden of payments on consumer debt cannot be increased and when abnormal purchases in the past have destroyed later demand.

1929 Repayment Held Back Recovery

When the inevitable collapse comes, the mountain of consumer debt prevents recovery. The defenders of unlimited instalment credit, invariably men who financially benefit from it, cite the astonishing degree of repayment of consumer debt in the great depression after 1929. They do not know their economics. It is true that debtors struggle desperately to prevent repossessions. In the great depression many people rode to the bread lines in expensive cars, sometimes in mink coats. This is no reflection on the victims of depression. But the defenders of instalment selling miss the point entirely. Not one dollar of the repayments made in depression goes into new demand for goods. Such payments merely pay off past debt. Abnormal instalment sales make a boom more bloated, make certain a collapse of business in the end, and intensify the depression when it arrives.

What of the future? Every statistical figure shows that the riot of instalment selling has about reached a point that prompts real concern. At the present time the commitments of all families for fixed annual payments is 30% of the total national disposable income. It was 20% only eight years ago. It is true that this unbelievable mortgaging of future and yet unearned incomes includes insurance and home rents as well as mortgages on homes. The instalment debt on a short-time basis equals 14% of the national income. It is now about $29 billion. One deplorable feature is a separation of the population into two groups, the savers who do not buy on instalment and the non-savers who buy practically all durable articles in no other way. The savers are steadily growing fewer, while their net savings grow larger. The non-savers are endlessly increasing in numbers, while their savings, in the most prosperious period in any nation in all history, steadily decline. There are millions of families which have not a cent in savings and owe on short-time debt instalments from 30 to 50% of their annual incomes.

Cost of Housing

The outstanding expert on housing has stated in print that the government's reckless and unsound policies in financing housing have intensified inflation and raised the cost of housing to the owner. The truth is that Federal housing has discouraged more economical building by private enterprise. Undoubtedly it has built up a mountain of mortgage debt which will cause distress in the future.

This writer has long been a defender of free enterprise. He has publicly opposed government regulation when it has been unwise, and it has been unwise more often than not since 1932. This article does not advocate government regulation of instalment sales. It will be sufficient if the government will gradually get out of the housing business. What this article proposes is that the makers of instalment goods in the interest of all concerned put instalment selling on a sane and sensible basis. They can control objectionable instalment selling by their dealers and agents if they choose to do so.

John Nuveen & Co. Announces Additions

CHICAGO, Ill. — A number of John Nuveen & Co. staff promotions and additions were announced by C. W. Laing, President of the company.

Paul A. Hakanen, formerly acting Sales Manager, has been appointed General Sales Manager and George A. McKeon, formerly a Chicago representative, has been appointed City Sales Manager, Chicago. Both men are veterans of the Nuveen organization, Hakanen from 1941 and McKeon from 1945.

Robert R. Hammond, formerly of Taylor & Co., has become associated with the company as a sales representative attached to its Los Angeles office. Robert E. O'Brien, formerly Advertising Manager, Insulation Materials Manufacturers Corp., Chicago, now is coordinator of Nuveen's sales development activities.

Additions to the trading department of John Nuveen & Co. include Robert M. Flynn, Chicago office, formerly of A. C. Allyn & Co., Chicago, and Kenneth D. Owens, New York, formerly of W. W. Jones & Co., New York.

Carl T. Nelson, Jr. has been elected Assistant Secretary and Louis H. Weiler has been appointed Cashier. Both men became associated with John Nuveen & Co. in 1946 and both are located in the Chicago office.

Bache Adds to Staff

(Special to The Financial Chronicle)

BOSTON, Mass. — S. Curtis Keith has been added to the staff of Bache & Co., 21 Congress St.

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Growing Emphasis Upon Research And Development Budgets

ceed 4% of sales; two drug firms, both producers of ethical drugs, reported research was over 6% of sales.

The statistics for the electrical equipment industry do not include General Electric which has, however, reported its research and development costs in 1955 were well above the estimated electrical manufacturers industry average of 6% of sales. Our figures do include Westinghouse Electric, which dominates the sampling. Westinghouse sales account for slightly more than 50% of the group total and its research expenditures for almost 80% of the total. Thus, while the statistics are by no means complete, they do reflect the importance which this industry attributes to research.

In the case of the food industry, the fact that government-financed projects account for 10% of the group's total research is due to substantial government contracts held by one company.

Then while the number of companies in the petroleum group is small, the list does include most of the major firms in the industry.

The statistics for the radio-television industry do not include Radio Corporation of America, a leader in research, but do include two of the larger companies in the industry. In this case, as in the case of the electrical equipment industry, our sampling is not large but does show the importance of research.

As for the tobacco industry, the fact that research is unusually small relative to sales is due in part to the inclusion of tax stamp receipts in the sales figures.

The figures for the transportation industry include both railroads and airlines. As would be expected of a nonmanufacturing industry, research expenditures are small compared to gross revenues. Insofar as the railroad industry alone is concerned, I am aware of one estimate that the total research expenditures of railroads, the Association of American Railroads, and the Railroad Equipment Manufacturers amount to not less than $10 million annually.

Private-Government Financing

As for the total figures, you will note that research expenditures of all the companies answering our survey represented 1.9% of sales. This is very close to other estimates. You will also note that 80% of research expenditures were financed by the companies themselves, and 20% by the government. The survey of the National Science Foundation concluded that about one-third of industrial research was government-financed. Our figure may be a bit low because of the inadequacy of our sampling of the aircraft, electrical equipment and radio - television industries, all of which hold large government contracts.

Finally, I think it very interesting to note that while the number of companies included in our survey is quite small, (they come to only about 5% of the domestic corporations which have research laboratories), their research expenditures amount to more than 20% of the national total. This suggests that a relatively few large corporations, such as those which answered our survey, carry on the bulk of industrial research.

Now at this point I would like to be able to give you a factor or a coefficient by which the current research expenditures of a corporation could be multiplied to arrive at the sales, or better yet the profits of the company, at some future date. There have been attempts to do just that. Minnesota mining has calculated that every dollar spent on research eventually yields $25 in sales. Put another way, Monsanto Chemical has found that for every dollar spent on research it must eventually spend $6 on capital expenditures to make the products its researchers have discovered or improved.

At best, however, the statistical correlation between research and capital expenditures, sales or profits, is most tenuous in the majority of cases. I am not aware of any successful attempt, including our own, to establish such a relationship. The host of economic and political factors which affect sales and earnings militate against a simple statistical approach to this problem. Even so, figures on research spending measure the quantity but not the quality of work done. And not every research project undertaken proves successful. For example, a while back one of our researchers visiting Jefferson Chemical's research laboratories at Austin, Texas, was told that out of five research projects undertaken, maybe one will get to the pilot plant. Thus, the investor cannot regard the mere fact a corporation pursues research as a guarantee of its growth or survival.

Research Done for Investors

If, then, there is no statistical correlation between research expenditures and future sales and earnings, how can the investor appraise a firm's research and development budget? At most he

TABLE I

Corporate Expenditures for Research and Development—1955

	Number Companies Reporting	Sales (Millions	Research Expenditures of Dollars)	Research As A % of Sales	% Research Gov't Financed
Agricultural Machinery	3	$1,791	$49.3	2.7%	*
Aircraft and Parts	12	2,779	142.8	5.1	75%
Automobile Accessories	14	2,520	27.4	1.1	10
Building Supplies	8	1,319	15.2	1.2	5
Chemical	14	5,463	179.8	3.3	*
Drugs—Ethical	8	704	33.2	4.7	*
Drugs—Proprietary	4	361	11.7	3.2	*
Electrical Equipment	13	2,448	168.5	6.9	40
Food	14	6,228	30.1	0.5	10
Household Equipment	5	287	5.6	2.0	*
Machinery	6	674	21.1	3.1	40
Motion Picture Producers	3	230	1.8	0.8	*
Office Equipment	5	1,060	28.6	2.7	*
Petroleum	13	17,724	130.3	0.7	*
Radio-Television	5	920	58.8	6.4	55
Railroad Equipment	7	975	24.6	2.5	45
Tobacco	5	1,734	3.1	0.2	*
Transportation	7	1,706	4.2	0.2	*
Other Manufacturing	32	7,118	96.5	1.4	*
Total	178	$56,041	$1,032.6	1.9	20

*Negligible.

can get a figure or a brief description of a company's research activities in its annual report. Obviously, this would be far from adequate. To help the investor, extensive research facilities are available in the financial district. It may come as a surprise to learn that an organization like ours, for example, spends about as much on research in relation to annual revenues as most leading companies. In fact, our latest annual report is devoted to a discussion of the type of research we do for investors. Looking at research and development budgets is but one function of our research specialists. Aside from just looking at the figures, they must take many other things into account. For example, they try to determine:

(1) Whether the corporation has traditionally been a leader in research and whether its activities in the past have been successful?

(2) Whether a company's current research expenditures compare favorably with those of other corporations in the industry?

(3) Whether a firm's research is original or is it simply a form of imitation designed to enable it to keep pace with its competitors?

(4) Whether the products or processes under development will offer a high profit margin or find a mass market?

(5) Whether research is designed to develop new products or improve old ones and is the field one in which the company has production experience and marketing facilities?

(6) Whether the financial position of the corporation is strong enough and its earnings power stable enough to enable it to pursue its program through fair days and foul and to tackle those problems of basic research which may make the greatest contribution to the corporation's long-term growth?

Obviously the answers to all these questions are not readily available. But this is the way our specialists try to get them. They go right out to the individual companies, go through their research laboratories and talk with the firm's top research personnel, and at times even with the scientists themselves.

In addition they try to keep up with the latest scientific developments in the fields they cover. They examine stacks of scientific literature an dattend all kinds of technical meetings. Our firm also enlists outside experts. At the moment, for example, we have the services of two topnotch atomic energy authorities. In addition our firm is a member of the industrial liaison program at M. I. T. These services help our specialists to keep a little ahead of important developments and to place them in a proper perspective once they are known.

Many years of experience enable our specialists to weigh the various factors involved in evaluating a firm's research activities as well as other forces which affect a company's prospects.

In essence then, we act as a liaison between the corporation and its stockholders or potential stockholders. We seek to channel our client's funds into those enterprises which are alert to and capable of capitalizing on the promises of the future. At the same time, we attempt to enable our clients to avoid the losses which must accrue from the failure to recognize that nothing is so constant as change.

In concluding, I should like to say a few words about the future. The trend in corporate research expenditures is continuing upward. Our own analysts, when asking corporations about their research programs, are almost invariably told that budgets are being increased. Dr. Harold A. Leedy of the Armour research institute has predicted annual expenditures of government and industry for research and development can be expected to increase by at least 50% in the next 10 years.

Shortage of Science Personnel

One limiting factor will be the acute shortage of scientific minds, particularly really creative minds. Our growing economy alone calls for far more scientists and engineers than are now graduating. In recognition of this problem President Eisenhower recently appointed a national committee for the development of scientists and engineers to "foster the development of more highly qualified technological manpower." Industry, too, must give serious consideration to this problem.

Set-Aside Reserves

Another limiting factor could be a shortage of capital. The cost of research can run high. However because research pays off, industry is only too willing to invest in it, when it has the money. But when times are bad, there would probably be many firms which could not afford to do so. For this reason I suggest that over the long-run, it might be beneficial to industry, the government and the economy as a whole, if industry would be allowed to set aside reserves for future research and development so that at all times—good and bad—industry could continue its research activities.

If these problems can be solved and if the extraordinary standard of living we enjoy today is the fruit of research conducted yesterday, I can only predict the achievement tomorrow of new standards of prosperity for our entire society.

Lehman-Bradford Group Sells Nationwide Stk.

An underwriting group headed by Lehman Brothers and J. C. Bradford & Co., on April 27 offered 800,000 class A common shares (par $5) of Nationwide Corp at $19 per share. This offering was oversubscribed and the books closed.

Of net proceeds from the sale of the shares, approximately $4,500,000 will be used to purchase, at $135 a share, 33,266⅔ shares out of total of 100,000 capital shares of North American Accident Insurance Co. of Chicago, Ill. Balance of the net proceeds will be used for the acquisition of control or substantial interests in other insurance companies as they become available for purchase from time to time.

Upon completion of the offering, capitalization of the company will comprise 800,000 class A common shares with a par value of $5 a share and 2,010,500 class B common shares with a par value of $1 a share. Each class elects half the directors and each has certain preferences on liquidation, after which all shares participate equally. All of the class B shares are owned by Nationwide Mutual Insurance Co. and Nationwide Mutual Fire Insurance Co. which, together with Nationwide Life Insurance Co. (a subsidiary of Nationwide Corp.), constitute the Nationwide group of insurance companies.

Nationwide Corp. is engaged primarily in acquiring control of or a substantial interest in insurance companies.

Principal present holdings of Nationwide Corp. consist of a majority of the voting shares of two subsidiaries, Nationwide Life Insurance Co. of Columbus, Ohio and National Casualty Co. of Detroit. Nationwide Corp. also owns 17,651 shares of Sun Life Assurance Co. of Canada and 4,459 shares of Columbian National Life Insurance Co. of Boston, Mass.

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Chances of Convertibility And Long-Range Outlook

soft currency countries. To Europe alone, Switzerland's exports have risen by 20% between 1952 and 1954.

Furthering Convertibility

The solution for further convertibility does not lie in sudden and rash moves in that direction by countries whose position looks temporarily favorable, and convertibility can also not be based on national pride as, in part, did the ill-fated British effort in 1947. This attempt by the Bank of England lasted 37 days and, thereafter, more stringent currency restrictions had to be imposed with the final result of the devaluation of 1949.

Again in 1954 statesmen and leaders in business and high finance promised convertibility. Some of them went so far as to speak of its advent, as if it were practically around the corner, but we all know that convertibility, to this day, has still not been achieved by the leading soft currency countries.

Belgium and Germany have made considerable advances in permitting purely financial transactions and the result has been that much foreign capital was attracted.

But, unless the Pound Sterling goes along, neither Bonn nor Brussels are likely to achieve real convertibility. About 40% of soft currency world trade involves the sterling area in one way or another, and the Bank of England is the Central banker for the entire sterling block. Before the present crisis in Britain, convertibility could not have been maintained by London, and even, if now, sterling area reserves of gold and hard currency were to reach the magic figure of $3 billion, this would not necessarily insure complete freedom for the Pound, the real reason being that unless the freely convertible reserves of a nation are backed by productive capacity adequate to meet all international competition on world markets, convertibility cannot be sustained for long. Nowadays this means mostly that Britain, and others in her position, must be able to earn dollars, because, as has recently been said, the dollar is no longer on the gold standard but gold is now on the dollar standard.

The important figures to watch in order to determine the outlook for convertibility are the terms of trade and the productivity indices, which are the measures of a country's ability to produce efficiently and to sell in competition with others in the hard currency markets.

Britain, for instance, increased her man-hour productivity, i.e., per capita output, in 1955 by only 3%, whereas the figures are 8% for the U. S. and 10.5% for Germany. Another island nation, Japan, achieved a phenomenal increase in reserves of $494 million in the same year, but chances for a freely convertible yen are slim, if for no other reason than that Japan's terms of trade have deteriorated. Her export price index averaged 93.4% (based on 1953=100), representing a drop of 3.6% points since 1954, and her import price index rose by 0.4% points to 94.6% in the same period. Consequently, the terms of trade index dropped from 102.9% in 1954 to 98.7% in 1955.

At the moment, the gradual development towards currency convertibility is reflected by increased limited multilateral trade among areas whose productivity is growing, and who are able to offset against each other the credits and debits resulting from their sales and their purchases. An excellent case in point is the European Payments Union which, despite some difficulties, mostly due to the very strong position of Germany, has functioned well over the past several years. The so-called Hague Club in which limited multilateralism has been agreed to between Brazil on the one hand, and Germany, Britain, the Netherlands and Belgium on the other hand, seems to be functioning fairly well, and there is talk about adding other European and South American countries to this new Payments Union. The trade of these countries with Brazil, by the end of 1955, already represented 13% of total Brazilian imports and 21% of her exports. More recently Egypt, Germany and some other European countries have been discussing a similar arrangement, and it would appear that more agreements of this nature will follow in the near future.

The reason these agreements are being entered into is that progress towards convertibility must necessarily be gradual, until such time as at least a good portion of the soft currency countries have rehabilitated or further developed their productive capacities, built up their internal standard of living, and thus are progressively able to trade on at least a semblance of equal terms. If Britain today were to declare convertibility again, too many speculative avenues would be open to too many other weak countries, and Britain would risk that her reserves would probably dwindle much faster than they could be built up.

American Businessman Can Do

You might say that all the above seems most interesting, but at the same time, you may wonder what you, as an American businessman or banker can do to solve your immediate problem. Until economic stability abroad has further developed, only stop gap measures can be taken from day to day.

At the same time, however, in its own enlightened self-interest, American business will pursue a long-range policy of overseas expansion. U. S. concerns will step up demand for their products in many parts of the world by judicious advertising, and direct investments, such as the establishment of assembly or manufacturing facilities abroad. Obviously, you cannot sell nylon stockings where the people need food and shelter. This does not mean that one should diminish one's efforts to serve the limited markets that already exist, but it implies that more diversified efforts are needed.

Please remember, that even if convertibility comes, convertibility as such will mean little in trade unless it is accompanied by liberalization of commerce. Liberalization means the elimination of existing quotas and the lowering of tariff barriers. This will make world markets more accessible to us.

Meanwhile, exchange transactions which relieve the current dollar demands on soft currency countries could be considered as a means to increase U. S. exports temporarily to these areas. Longterm credits, to enable us to compete with our commercial rivals, and to help the soft currency countries postpone their dollar payments until such time as their industrial capabilities have brought increased exchange earnings, should also improve our chances to sell more. Increased U. S. Government support might be needed by American exporters to enable them to make financial arrangements for long-term sales, and to offer the foreign customers what others are already offering. If such financial support is given and if we make greater efforts to supply the soft currency countries with needed productive materials and equipment, it will serve the central purpose of aiding in their economic stabilization and development. Should the political risks of long terms be covered by our Government, I believe that we will find long terms to be very good business, since the commercial banks, who will do the actual financing and thus bear the commerical risk, will, in most instances, be able to earn more interest money than they could earn from prime loans in this country. All bankers know that the chances of a foreign central bank reneging on its long-term commitments are very slight. Therefore, the possible percentage of losses under expanded Government export insurance will be relatively small.

Another important factor in this general picture is our willingness to allow foreign countries to earn more dollars in our great U. S. market. There also might be instances when we can sell some of the products we would like to export if we were only willing to take in barter some of the products from abroad, thereby helping our overseas customers to conserve some of their dollars.

I submit that there are no easy and quick solutions towards convertibility. Although there might be temporary expedients, as outlined, the long-term trend in our export efforts should be to supply the free world with the best things we have to give, such as technical know-how, advanced products, efficient methods, and our unique distributing techniques. By this means we shall not only maintain but greatly expand our leadership in international trade, and convertibility will come as a natural consequence with the resulting benefits to all.

Dillon, Read Sells Tex. Eastern Tr. Shs.

A secondary offering of 206,547 shares of common stock (par $7) of Texas Eastern Transmission Corp. was made on April 26 by Dillon, Read & Co. Inc., at $26 per share, with a dealers discount of 65 cents per share. It was oversubscribed and the books closed.

Two With Elliott Moore

(Special to The Financial Chronicle)

LONG BEACH, Calif. — Alton L. Booth and Maurice A. Bugbee have become associated with Elliott T. Moore, 4151 East Carson Street.

With J. Barth

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—James C. Doan is now connected with J. Barth & Co., 210 West Seventh Street.

Joins Bateman, Eichler

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Arthur B. Davidson has been added to the staff of Bateman, Eichler & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

First California Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—John D. Desbrow has joined the staff of First California Co., Inc., 647 South Spring Street. He was previously with Hill, Richards & Co.

Texas Group of IBA Elects Officers for 1957

CORPUS CHRISTI, Texas—The 21st annual meeting of the Texas Group of the Investment Bankers Association at the Hotel Robert Driscoll was attended by about 350 investment bankers.

Taylor B. Almon

Dean P. Guerin

Earl G. Fridley

Lon C. Hill, Chairman of the Board of Central Power and Light Co., welcomed the Convention to Corpus Christi. Principal speakers were George Davis, Davis, Skaggs & Co., San Francisco, President of the Investment Bankers Association of America; Murray Hanson, General Counsel of the I. B. A., Washington, Dr. Harold Vagtborg, President of the Southwest Research Institute, and W. E. Tinsley, Executive Director of the Municipal Advisory Council of Texas.

New officers elected by the Texas Group, to take office after the convention of the National Association at Hollywood, Florida, in November, are:

Chairman: Taylor B. Almon, Rauscher, Pierce & Co., Inc., Dallas.

Vice-Chairmen: Earl G. Fridley, Fridley, Hess & Frederking, Houston, and John P. Henderson, M. E. Alliston & Co., San Antonio.

Secretary-Treasurer: Dean P. Guerin, Eppler, Guerin & Turner, Houston.

Committeemen: Russell R. Rowles, Rowles, Winston & Co., Houston, for three years; William F. Parvin, Austin, Hart & Parvin, San Antonio, two years; and J. Wesley Hickman, Schneider, Bernet & Hickman, Inc., Dallas, one year. W. Wallace Payne, First of Texas Corporation, San Antonio, and Milton R. Underwood, Underwood, Neuhaus & Co., Houston, will serve ex-officio.

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Businessmen Must Make Themselves Better Understood

at any time of any action or proceeding with respect to such acquisition under any provision of law." So after meeting the requirements of the law, the sword of Damocles would still hang over the businessman. Even though the government concludes that the deal is lawful, the businessman is not given any expression of official views to that effect.

It is in the interests of businessmen, just as much as all citizens, to prevent mergers which would lead to monopolistic conditions. So, at first glance, the aims of this bill may seem appealing. Every businessman accepts the present law prohibiting mergers which lessen competition. With that law on the books, there is no opposition to authorizing an appropriate government agency to stop such mergers before they take place. But the present pre-merger notice bill would place in the hands of government agencies the power effectively to hinder any merger of companies above a certain size even though there is no conceivable effect upon competition. A textile company, for example, with assets of $11,000,000 wishing to acquire a corporation with a plant worth only $50,000, or, for that matter only $5,000, must first approach the government. A company engaged in the sale of shoes, women's wear, or automobiles on the main street of any town in the United States might not be able to sell out to an interstate company having assets of $10,000,000 without giving 90 days notice to the government.

Note, too, that despite its name "**Pre - Merger** Notification," the bill applies to situations where no merger at all is involved, in the usual sense of that word. Any $10,000,000 corporation engaged in commerce would be subject to investigation by the government before it might acquire as little as 6% of the assets of any other company also engaged in commerce. Taking an example, with which you are familiar: This might mean, in practice, that you could not sell to us one of several service stations which you—the sole owner—had incorporated for good business reasons. Any 100% subsidiary formed for commercial reasons by a corporation in the $10,000,000 category, could not be absorbed by the parent, nor taken over by another 100% subsidiary unless the proposal was reported in advance.

This bill if it becomes law would also bring about formidable administrative problems for the government. It would present not one, but two government agencies with a flood of reports to investigate and act upon. In other words, it would add to the work of government along with greater confusion for the business community. Thus, in an attempt to prevent a relatively small amount of undesirable business activity, H. R. 9424 introduces a new philosophy. No longer is the citizen or corporation obliged solely to observe the law. Now Washington would have to be advised about ordinary business transactions which, under no stretch of the imagination, could violate the law. This bill obviously holds potential interference for a great many day-to-day business operations.

Penalty for Company Officials

Also in the antitrust field is a bill recently introduced into the Senate, labelled S 3516. In effect, this bill provides that company officials who authorize actions subsequently held to violate the penal provisions of the antitrust laws shall be guilty of a misdemeanor, shall be subject to a $50,000 fine, and shall forfeit twice their pay during the period of violation. In addition, they shall be enjoined from rendering any service to the company employing them, for not less than 90 days and perhaps permanently, and from receiving any compensation during that time. Going a big step further, S 3516 says the violator shall be enjoined from working for any "competing company."

Here again the bill has a superficial appearance of merit. But what troubles me about it is the almost medieval quality of the punishment. A company official who violates the Sherman Act is now subject to fine and imprisonment. This bill would also bar him from earning his livelihood after he has satisfied the normal penalties of the law. This is more severe treatment than that given the worst felon. Just as the law of ancient England chopped off the hand of the pickpocket, this law would take the right arm of the businessman. And this is to be done to enforce a statute where not only lawyers but the judges of our highest court often disagree on what is right and what is wrong. Few statutes are less understood or subject to more different interpretations than the Sherman and Clayton Acts. What is right and accepted in one year can be, and has been, judged illegal in the next. The present bill if it were to become law might force the officer of any company to take a long vacation without pay because he has followed in good faith the advice, given in good faith, of the most competent counsel on the law's interpretation.

Stepped-Up Corporate Income Tax

Far more sweeping in its implications for all business and the country's economic health is H. R. 9067, a bill which would realign corporate income tax rates so that they would be graduated from a low of 22% to a high of 75%. (That is correct, **three-quarters** of a company's income in the top bracket.)

This proposed law, which represents a radical departure from the historical pattern of business taxation followed by our government, is presented is the guise of helping smaller companies whose rates of taxation would be reduced. The tax laws, of course, are designed to provide our government with revenues as well as to stimulate a high level of capital investment, expansion of our economy, and to encourage consumption. They are not designed to achieve so-called "social objectives" no matter how laudable these objectives may seem to be.

There can be, of course, no quarrel with the aim of increasing the health and prosperity of small business firms. But H. R. 9067 would, from every possible viewpoint, produce exactly opposite effects. For it is predicated on the misconception that large business organizations are inimical to smaller ones, when the actual fact is that they both depend on the other for their well being. The present bill would remove from our economy billions of dollars now being invested for growth by larger corporations, dollars which are being paid to hundreds of thousands of smaller companies for goods and services.

An example most familiar to me is the $475,000,000 being spent in the United States in 1956 by the domestic affiliates of Standard Oil Company (New Jersey). This money represents the re-invested profits belonging to more than 330,000 stockholders, put to work to build and modernize facilities capable of supplying the increasing energy needs of the American consumer. Much of this $475,000,000 is being spent for materials supplied to us by more than 26,000 separate companies in the United States — and 75% of these suppliers employ less than 500 people (the yardstick by which a "small" business is measured). The smaller companies are receiving about 50% of the dollar total of the purchases made by Jersey's domestic affiliates. You can see that if confiscatory taxes cut the amounts we have to invest, there would be immediate economic repercussions among all members of the country's industrial community. It would not be very practical help to cut the tax rates of smaller companies while, at the same time, their incomes were being eliminated or drastically reduced. This boils down to the possibility that instead of having small business maintained and supported by "big business," that small business may have to be supported by "big government." I wonder which course small business would prefer?

When you multiply this one example a thousand fold the true effects of this proposed tax law become uncomfortably plain. Our large business institutions, which have grown large because they have big services to perform in this growing country, would by this measure be stopped dead in their tracks. They would be forced to forego expansion plans which are important props to our present and future prosperity. The effects of this action would be felt very promptly not only by the larger corporations directly involved, and the smaller companies the proposed law is supposed to help, but also by every American. With such a tax law the government's tax revenue would soon decrease. Reduced business activity would squeeze the wage earner, the farmer's income would shrink, and there would soon be less and less goods for the consumer. As our economy leveled off, finding no space in which to move ahead, it might well begin to falter and fall back.

These potential laws might be, and often are, explained away on the grounds of political expediency. It is undoubtedly true that some of them represent the interests of only small groups of highly vocal constituents, that others are pet projects of particular Senators or Representatives, and that many have been introduced with little hope of their ever being enacted into law. Such explanations do not comfort me. Whether or not such bills ever do become law, the very fact of their existence demonstrates dangerous ignorance about business on the one hand, and the need for action to combat such ignorance on the other.

Incompatible With General Welfare

The area of ignorance is plainly defined by the demonstrated feeling of legislators from both parties that the interests of businessmen are in some way incompatible with the general welfare of the United States. Businessmen themselves know how false that notion is. But obviously some legislators do not. Their distrust is mirrored in these specific proposals I have mentioned — current proposals to hamper lawful business mergers; to establish cruel and unusual punishment, including forcing a man from his chosen profession; and to use the government's taxing power to penalize business growth.

Ignorance is always dangerous and none more so than this ignorance about the actions, motives, and economic effects of business. Replacing it with the truth should be the concern of all businessmen.

"How is that to be done?" is the very natural rejoinder, and one to which I feel there are many effective answers.

It seems to me, for example, that businessmen have the specific responsibility for seeing that members of Congress know what makes business tick. The business organizations and industrial plants of a state or a congressional district are vital to the areas, and are entitled to proper representation by legislators. But these men and women must have knowledge and background to provide such representation. As individuals, ask your Congressmen and Senators to visit your plants and offices. Show them what you make or do, and explain the economic and social importance of it to your community. If they are good lawmakers, they will ask questions and, in their own way, reach a better understanding of your aims and problems.

Two-Way Street

Understanding, of course, is a two-way street, so don't be afraid to listen to what your legislators have to say. Rotary Clubs, it seems to me, are ideal forums for lawmakers to utilize in revealing what's on their minds. And I don't think it's overly important, or even likely, that you will achieve immediate or complete agreement. But the very process of friendly and constant communication will lead to a respect for the other's point of view, which is the true beginning of wisdom.

What I am recommending is that businessmen should work to develop understanding with legislators in the same ways they would do so with their customers or friends. Find out where your congressman or senator is planning to speak in your neighborhood — and not alone before organizations to which you belong— and take the time to go and hear his story. Read his speeches given on the floor of the House or the Senate. Follow his voting record. When you feel he has acted wisely about a measure, no matter whether you have a direct interest in it, write him a note telling of your approval. A continual and sincere display of interest in his problems and activities is the most effective method of building in his mind an interest in your own business affairs.

Certainly this long-range approach to better understanding seems preferable to what is often the usual relationship of businessmen with Congress. Too many legislators see or hear from their business constituents only when they have a complaint about specific legislation, or are seeking a favor. After all, business is a chief ingredient in many of the principal interests of our lawmakers—the maintenance of employment, progress is research, the extension of technology, and the defense of our nation. This makes it only more logical for businessmen to know their legislators 365 days a year, in the "off season" periods as well as when Congress is in session. In those times there is no atmosphere of conflict, no hint of self-seeking, and less possibility of mistaking your aims as a businessman in trying to explain the fundamentals of business and how important they are to the health of our economy which supports all of our citizens.

In many other ways, too, businessmen have the responsibility for extending this understanding widely among other public groups. Plant visits can turn community indifference or suspicion into friendship. The sponsoring by business of Junior Achievement companies brings knowledge of our economic system to boys and girls at an age when, as they learn by doing, the lessons will really sink home. The cheerful assumption by companies — large or small — of civic duties in their own towns, states, or on a national scale will — far more than any words—convince the public that business organizations are interested in making profits by improving our society, not by extracting from it what the traffic will bear.

Certainly there is no reason for any businessman to feel that the job of better public understanding is accomplished just because business is a popular subject these days. Familiarity is no substitute for understanding. And real understanding is worth working for, since the future of our industrial economy is at stake and, along with it, the future of every American.

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The State of Trade and Industry

cars and 99,500 trucks, the latter attaining 95.5% of planned volume.

In recapping this year's output pattern, "Ward's" stated manufacturers built 29,100 cars daily in January and pared to the 26,000 level thereafter—to 26,400 in February, 26,160 in March and 26,450 in April.

Originally, the industry planned to operate at April's daily rate in May but now has reduced the objective by 6.4%, which in effect cuts 38,000 final assemblies off the May target.

May's projected average is 14.8% below this year's high of 29,100 car assemblies daily reached in January.

Steel Production Set This Week at 99.5% of Capacity

Record second quarter steel mill operations were predicted on Monday of this week by "Steel" magazine, as production of steel for ingots and castings last week edged above 100% of practical capacity for the first time this year. The mark: 100.5%. The metalworking publication said that despite this high production level, many forms of steel will remain difficult to get.

Plates, standard structural shapes, wide flange beams, seamless mechanical tubing, line pipe, oil country tubular goods and possibly small sizes of hot-rolled carbon bars are expected to be in short supply throughout the year. If there is no steel strike this summer, the magazine said cold-rolled carbon sheets may be easier to get as automakers work off part of the inventories being built up. But this will not affect other forms of steel in short supply.

While some analysts believe there are 18,000,000 to 20,000,000 tons of steel in inventory, the metalworking authority stated there is little likelihood of a general inventory recession like we had in late 1953 and 1954.

The major reason is that stocks are not being fattened up across the board. Inventory buying is concentrated principally in the automotive industry and mainly in cold-rolled carbon sheets. These inventories are not expected to strengthen the steel industry's bargaining position with labor in the June contract talks.

"Steel" listed three general incentives for piling up inventories. They are a probable steel price increase at midyear; heavy consumption of most forms of steel and the need for steel to carry over a possible strike of steelworkers.

The scrap market remained strong, with "Steel's" price composite advancing 33 cents to a new record of $55.33 a gross ton in the week ending April 25. "Steel's" price composite on finished steel held 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 99.5% of capacity for the week beginning April 30, 1956, equivalent to 2,450,000 tons of ingot and steel for castings as compared with 100.5% of capacity, and 2,473,000 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 97.7% and production 2,406,000 tons. A year ago the actual weekly production was placed at 2,331,000 tons or 96.6%. 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 Continues Decline of Preceding Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, April 28, 1956, was estimated at 10,867,000,000 kwh., a decrease below the week ended April 21, 1956, according to the Edison Electric Institute.

This week's output declined 27,000,000 kwh. under that of the previous week; it increased 1,168,000,000 kwh. or 12.0% above the comparable 1955 week and 2,477,000,000 kwh. over the like week in 1954.

Car Loadings Advanced 2.9% the Past Week

Loadings of revenue freight for the week ended April 21, 1956, increased 21,384 cars or 2.9% above the preceding week the Association of American Railroads reports.

Loadings for the week ended April 21, 1956, totaled 763,437 cars, an increase of 62,005 cars, or 8.8% above the corresponding 1955 week, and an increase of 137,255 cars, or 21.9% above the corresponding week in 1954.

U. S. Automotive Production Last Week Held Steady With the Prior Week But Declined 29.4% Below Output For Like Period In 1955

Automotive output for the latest week ended April 27, 1956, according to "Ward's Automotive Reports," held steady with the previous week's level, but registered a decline of 29.4% from the same week a year ago.

Last week the industry assembled an estimated 129,960 cars, compared with 129,930 (revised) in the previous week. The past week's production total of cars and trucks amounted to 153,007 units, a decrease of 260 units below the preceding week's output, states "Ward's."

Last week's car output rose above that of the previous week by 30 cars, while truck output showed a greater loss the past week of 290 vehicles. In the corresponding week last year 184,279 cars and 32,350 trucks were assembled.

Last week the agency reported there were 23,047 trucks made in the United States. This compared with 23,337 in the previous week and 32,350 a year ago.

Canadian output last week was placed at 11,470 cars and 2,926 trucks. In the previous week Dominion plants built 11,458 cars and 2,909 trucks, and for the comparable 1955 week, 11,307 cars and 3,085 trucks.

Business Failures Show Further Declines in Latest Week

Commercial and industrial failures declined to 236 in the week ended April 26 from 252 in the preceding week, according to Dun & Bradstreet, Inc. However, the toll exceeded the 212 of a year ago and the 234 of the comparable 1954 week. Continuing below the pre-war level, failures were down 28% from the 326 recorded in the similar week of 1939.

Failures with liabilities of $5,000 or more dipped to 207 from 214 last week but were more numerous than a year ago when 177 occurred. Small failures involving liabilities under $5,000, declined to 29 from 38 in the previous week and from 35 in the comparable week of 1955. Concerns failing with liabilities in excess of $100,000 totalled 19, the same as last week.

Wholesale Food Price Index Holds to Higher Trend

Extending its upward movement, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose 3 cents to a new five-month peak of $6.04 on April 24, the highest since Nov. 15, last, when it also registered $6.04. It compared with $6.42 on the corresponding 1955 date, with the year-to-year decline narrowed to 5.9%.

Twenty of the items included in the index showed no change in price last week, with only eggs quoted lower. The 10 commodities advancing included wheat, corn, rye, oats, hams, lard, butter, cottonseed oil, hogs and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index in Latest Week Registered Highest Level Since June 13, 1952

The general commodity price level continued to move upward the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., registered 295.24 on April 20, the highest point reached in almost four years, or since June 13, 1952, when it stood at 295.54. The index closed at 294.98 on April 24, up from 293.22 a week earlier and 274.31 on the like date a year ago.

Grain markets showed considerable strength during the week, influenced by the announcement of higher price supports for this year's corn and wheat crops.

Demand for wheat was stimulated also by a growing tightness in the supply of "free" wheat, the fact that drought conditions are threatening 1956 crops in the main producing areas, and a pick-up in export business. Some late selling developed in the bread grain on reports of some snow and rain in parts of the Winter wheat belt over the past week-end.

Corn prices advanced sharply with country offerings continuing light. Investment buying of corn was more active and a modest volume of export buying was noted.

Oats and rye prices made fair gains largely influenced by strength in other grains. Activity in grain and soybeans futures on the Chicago Board of Trade expanded sharply last week with total sales averaging about 67,100,000 bushels per day, compared with 62,400,000 the previous week, and 43,400,000 a year ago.

Cocoa prices finished slightly higher following irregular movements during the week. Warehouse stocks of cocoa showed a further slight drop to 340,299 bags, from 343,512 a week earlier and compared with 176,447 bags on the corresponding date a year ago. Trade in sugar was brisk with both raw and refined prices up slightly for the week. Lard prices moved irregularly upward, influenced by strength in vegetable oils and a steady to firm undertone in the hog market.

Domestic cotton prices moved irregularly lower last week. After early strength, the market reversed itself following the announcement of the 82.5% parity loan rate, which was below the level many in the trade had expected.

Some selling was induced by fears that the substitute proviso of the cotton export program would result in the dumping of unwanted cotton against delivery commitments.

Sales in the 14 spot markets were relatively small and totalled 44,000 bales for the week, against 38,400 the previous week and 61,700 last year. Mill consumption of cotton during March declined to a daily average rate of 36,656 bales, from 38,030 bales during February. The March 1955 rate was 35,730 bales.

Trade Volume Eased Slightly the Past Week With Over-All Volume a Trifle Above Like Period A Year Ago

There was a slight dip in retail volume the past week, despite numerous sales promotions and clearance sales in women's apparel, linens and housewares. However, the total dollar volume was slightly above that of the similar period a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 1 to 5% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England 0 to +4; East +4 to +8; South +1 to +5; Middle West, Northwest and Pacific Coast +2 to +6 and Southwest —5 to —1%.

Clearance sales somewhat stimulated consumer buying of women's Summer suits, cotton dresses and lightweight coats. Volume in millinery, sportswear and lingerie was at the level of the previous week. A slight rise in the buying of men's tropical suits was reported, while the call for furnishings declined moderately.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index of the week ended April 21, 1956, increased 1% above those of the like period of last year. In the preceding week, April 14, 1956, an increase of 11% was reported. For the four weeks ended April 21, 1956, no change was reported. For the period Jan. 1, 1956 to April 21, 1956 a gain of 3% was registered above that of 1955.

Retail trade volume in New York City the past week registered a slight increase above the corresponding period a year ago. Trade observers placed the gain at 2 to 4%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended April 21, 1956, increased 7% above those of the like period last year. In the preceding week, April 14, 1956, an increase of 20% (revised) was recorded. For the four weeks ending April 21, 1956, a gain of 3% was recorded. For the period Jan. 1, 1956 to April 21, 1956 the index recorded a rise of 2% above that of the corresponding period of 1955.

A S E to Honor Mann At Testimonial Dinner

Edward T. McCormick, American Stock Exchange President, has announced that Exchange members would honor recently

John J. Mann

E. T. McCormick

retired Chairman, John J. Mann, at a testimonial dinner to be held on Thursday, May 10, 1956 at the Park Lane Hotel.

Mr. Mann, who started his financial career as a page boy on the New York Curb Market in 1925, is the only individual in the exchange's history to hold the chairman's post for five consecutive terms. The dinner was proposed by the membership according to Mr. McCormick, to pay tribute to Mann's outstanding work on behalf of the exchange.

Mr. Mann retired as Chairman at the end of his record-breaking fifth consecutive term, to seek a post as a regular board member. He was elected to the board again early in 1956 for a three-year term and is presently serving as Chairman of the Finance Committee and as a member of the Floor Transactions and Securities Committee.

Halsey, Stuart Group Offers Equipments

Halsey, Stuart & Co. Inc. and McMaster Hutchinson & Co. are offering today (May 3) $3,285,000 Western Maryland Ry. 3⅜% equipment trust certificates, series S, maturing annually June 1, 1957 to 1971, inclusive.

The certificates are scaled to yield 3.35% on all maturities. 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 $4,114,521: two Diesel electric road switching locomotives; 75 flat cars; four dump cars; 400 hopper cars, and 45 covered hopper cars.

Ward, Ryder & Co. Formed in New York

Formation of the firm of Ward, Ryder & Co., Inc., 49 Wall Street, New York City, underwriters and dealers in United States Government, tax exempt and corporate securities, is announced today.

Carroll J. Ward is President of the new organization, and Patrick J. Ryder is Vice-President. Both Mr. Ward and Mr. Ryder were formerly associated with Bartow Leeds & Co.

Edward M. Fitzpatrick is Secretary and Treasurer of the new firm. He was formerly with D'Avigdor Co. and prior thereto was an officer of J. B. Roll & Co.

Joins R. A. Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Hildreth E. Dambacher has joined the staff of Richard A. Harrison, 2200 16th Street.

With Hannaford Talbot

SAN FRANCISCO, Calif. — Oliver H. Brouillard is now affiliated with Hannaford & Talbot, 519 California Street.

Putnam Fund Assets $131 Million

The George Putnam Fund of Boston reports for the quarter ended March 31, 1956, total net assets at a new high of $131,-332,452, compared with $105,347,-835 a year ago and $121,220,021 at year-end.

Net asset value per share increased to $13.25 compared with $12.065 a year ago and $12.75 at the year-end, adjusted for the 100% stock distribution paid in May, 1955. Number of shares outstanding and shareholders were also at new highs.

On March 31 common stocks represented 65% of the fund's total investment, compared with 67% a year ago and 66% on Dec. 31, 1955.

New additions to the fund during the first quarter included: 9,000 shares Filtrol Corp.; 15,000 Ford Motor Co.; 10,000 Granite City Steel Co.; 20,000 Loblaw Companies, Ltd. "B"; 5,600 Long Island Lighting Co.; 10,000 Outboard, Marine & Mfg. Co.; 6,700 Portland Gas & Coke Co.; 2,100 U. S. Gypsum Co.

Eliminations included: 10,000 shares Anaconda Co.; 4,000 Boston Insurance Co.; 15,000 Central Bank & Trust Co. (Denver); 5,000 Loblaw Groceterias Ltd. "B."

Mutual Funds

By ROBERT R. RICH

Investment Company Assets $9.8 Billion

Total net assets of the 152 member companies of the National Association of Investment Companies on March 31, 1956 amounted to $9,835,921,000, a gain of $799,312,000 over the 1955 year-end total of $9,036,609,000, according to the association's quarterly report. A year ago on March 31 total assets of NAIC member companies were $7,744,274,000.

The number of shareholder accounts with investment companies (many investors have holdings in more than one company) increased by 66,796 during the first quarter to a total of 2,339,345 for the 152 present association members. This represents a gain of 276,645 over the 2,062,700 shareholder accounts reported by the 146 companies which were members on March 31, 1955.

Payments to shareholders of investment income by the 152 companies amounted to $71,477,000 for the first three months of 1956, compared with $62,413,000 in the same period a year ago. Distributions from realized capital gains and other sources for the first quarter totaled $61,205,000 against $30,698,000 a year earlier.

A breakdown of quarterly figures shows net assets of the Association's 126 open-end company members at $8,555,494,000 on March 31, 1956. This is an increase of 31% over the $6,524,486,000 reported a year ago, and $717,970,000 over the 1955 year-end total of $7,837,524,000.

Purchases of mutual fund shares by investors during the first quarter were at a record high of $349,907,000 while repurchases of shares (redemptions) totaled $116,972,000. For the corresponding period of 1955 purchases by investors and redemptions were $330,099,000 and $140,039,000, respectively.

The number of accumulation plans opened by investors for the regular purchase of mutual fund shares during the month of March was at a new peak of 15,355, bringing the total of new plans for the first quarter to 40,993, compared with the previous high of 30,447 in the fourth quarter of 1955.

Securities purchased by the open-end companies for investment portfolios (excluding U. S. Government securities) totaled $540,-092,000 during the first quarter. Total sales of portfolio holdings were $359,151,000. In the same period a year ago portfolio purchases and sales were $416,401,000 and $274,999,000, respectively.

Cash, U. S. Government securities and short-term obligations held by the 126 mutual funds totaled $508,565,000 on March 31, 1956, representing 5.9% of total net assets. This compares with $341,542,000, or 5.2% on March 31, 1955 and $437,966,000, or 5.6% at the close of 1955.

Net assets of the 26 closed-end member companies at the end of the first quarter totaled $1,280,427,000, compared with $1,199,-085,000 on Dec. 31, 1955 and $1,219,788,000 for the 29 companies which were members on March 31, 1955.

During the first three months of 1956 the closed-end companies had an increase in capital of $7,450,000, resulting from the sale of new stock, bank loans and other sources totaling $7,586,000, offset by the retirement of stock or bank loans of $136,000. In the same period last year closed-end companies had a net decrease in capital of $1,794,000.

Nation-Wide Sells Stock As Market Goes Up

Nation-Wide Securities Company, Inc., a balanced mutual fund managed by Calvin Bullock, sold common stocks on balance as the market rose over the past six months, according to the company's report for the six months ended March 31, 1956. This does not mean that the Nation-Wide management feels a decline in common stock prices is imminent, the report says, but reflects the company's reducing equity holdings in a prolonged market rise and reinvesting proceeds in fixed income investments.

As of March 31, 53.30% of its holdings were in common stocks, 16.26% in preferred stocks, 13.83% in corporate bonds, and the rest in government bonds, cash and the like. At March 31 total net assets of Nation-Wide Securities reached $27,414,000, or $19.98 per share, and total shares outstanding were 1,372,151.

Industrial Production To Boom in Fall After Year at Peak Levels, Kulp Says

Industrial production which reached a record peak in this country last winter is expected to continue close to these levels into the fall when a better than seasonal improvement is expected, A. Moyer Kulp, Vice-President and Executive Director of the investment committee of Wellington Fund, stated.

In a report on the general business outlook, Mr. Kulp said that if there is no strike, steel production is expected to drop more than seasonally in the third quarter because of forward buying in anticipation of wage and price increases. Steel output is then expected to snap back to a high rate in the fourth quarter.

The executive said that residential building and automobile production, which are off from last year's record peak, have stabilized at satisfactory levels. Their moderate decline has been fully offset by the rise in capital expenditures for plant and equipment and the rise in general construction activities of all kinds.

Discussing Wellington Fund's investment program, Mr. Kulp said the degree of caution which has been introduced into the program is evidenced by the fact that the percentage invested in common stocks has not been allowed to rise as the market rose into new high ground in recent weeks. He reported that this does not represent a bearish attitude, but rather the fund's traditional policy of adjusting the portfolio to abrupt shifts in relative values and risks.

Fidelity Fund Rises To $239 Million

As of March 31, 1956, Fidelity Fund reported that the net asset value reached an all-time new high of $239,368,074. This is an increase of approximately 10% over the net asset value of $217,-596,660 on Dec. 31, 1955 and approximately 37.6% over the net asset value of $173,902,917 as of March 31, 1955. The number of shares outstanding an the number of shareholders also attained new highs as of March 31, 1956.

Net asset value per share as of March 31, 1956, was $15.38 compared with $14.80 on Dec. 31, 1955 and $13.15 a year ago. The March 31, 1956, net asset value per share is after a capital gains distribution of 37 cents per share paid on Feb. 1, 1956, which compares with 31¼ cents per share distributed on Feb. 1, 1955.

Investors Mutual Sets New Records

Investors Mutual, Inc., largest mutual fund affiliate managed by Investors Diversified Services, Inc., disclosed in its semi-annual report to its 215,000 shareholders that the fund had reached new highs in the first fiscal six months of 1956, topping figures recorded at the end of any annual or semi-annual fiscal period in its history.

Total net assets of Investors Mutual rose from $846,644,515 to $953,470,092 between Sept. 30, 1955 and March 31, 1956, an increase of $106,825,577. Net asset value of the fund's shares increased from $18.15 to $19.32 per share during the first half of the fiscal year, the report showed.

As of March 31 of this year, 66.76% of the portfolio of Investors Mutual, Inc., was in common stocks, 18.97% in preferred stocks, and 11.87% in bonds. Cash and other net assets amounted to 2.40%.

Unrealized appreciation of investments climbed during the first half of the current fiscal year to a record high of $249,-125,732, an increase of $49,636,898 over the unrealized appreciation figure of $199,488,834 at the beginning of the period. Dividends derived entirely from investment income, paid or declared in the last six months ended March 31, 1956, totaled 33½ cents per share compared with 31 cents per share for the like period in the previous year.

Fundamental Chalks Up 34% Gain Of $90 Million

Fundamental Investors, Inc. 93rd Quarterly Report to shareholders reveals a 34% gain in total net assets in the 12 months ended March 31, 1956, equal to more than $90 million. Over $43 million of the increase occurred in the first quarter of 1956.

On March 31, total net assets of the Fund were $363,664,472, the highest so far reported.

During the first quarter of 1956, net asset value per share of Fundamental Investors rose 8.2% to $16.91, compared with $15.63 at the 1955 year-end. Further gains were reported in numbers of shareholders which totaled 73,-222 on March 31, compared with 69,284 three months earlier. First quarter income dividends per share this year were 12¢, compared with 11¢ in 1955.

Among changes in investment holdings, common stocks of Kansas City Southern Railway Co., Trane Co., and United Aircraft Corp. appeared as newly added investments. Common stocks of Admiral Corp., American Radiator & Standard Sanitary Corp., Canada Dry Ginger Ale, Inc., Niagara Mohawk Power Corp., and Olin-Mathieson Chemical Corp. were eliminated from holdings and shares of Hilton Hotels Corp. 4¾% convertible preferred stock were converted into common stock.

Common stock investments substantially increased in amount include A. C. F. Industries, Inc., Boeing Airplane Co., Burroughs Corp., Chrysler Corp., Commercial Credit Co., Container Corp. of America, and Chas. Pfizer & Co., Inc.

Substantial reductions were made in holdings of General Motors Corp., Grumman Aircraft Engineering Corp., Louisiana Land & Exploration Co., and Union Pacific Railroad Co.

Massachusetts Life Fund reports for the quarter ended March 31, 1956, total net assets of $29,515,-393, equal to $39.65 per share on 744,379 shares outstanding. This compares with $22,134,238, equal to $35.59 per share on 621,940 shares outstanding for the same period a year ago.

On March 31, 1956, common stocks represented 61.89% of the Fund's assets, with 9.37% in preferred stocks, and 28.74% in bonds and cash.

Wisconsin Fund, Inc., reported net assets at March 31, 1956, of $11,338,984, compared with $8,-628,523 a year earlier, and $10,-644,941 at the 1955 year-end. Net assets per share amounted to $5.61 on March 31, compared with $5.40 on March 31, 1955 and $5.84 on Dec. 31, 1955. The figures for March 31, 1956 are after payment of the capital gains distribution of 44 cents per share on Jan. 31, 1956.

The Bond Fund of Boston net assets at the close of its fiscal year on March 31 were $3,646,615, equal to $8.11 per share, according to the annual report. This compares with net assets of $3,-347,907 at the end of March, 1955, amounting to $8.20 per share. During the 12-month period the number of shares outstanding increased from 408,062 to 449,533. The report notes that all bonds held are of bank quality. Of the Fund's total shares at the end of the latest fiscal year, 34% were held by individuals, 32% by fiduciaries, 8% by insurance companies, 13% by other corporations and the balance by religious, charitable and educational institutions or profit-sharing funds.

MUTUAL FUND STATISTICS—MARCH 31, 1956

126 Open-End Funds
(000's of dollars)

	Mar. 31, '56	Dec. 31, '55	June 30, '55	Dec. 31, '54
Total Net Assets	$8,555,494	$7,837,524	$7,185,699	$6,109,390

	Month of— March	Month of— February	1st Quarter 1956	4th Quarter 1955
Sales of Shares	$109,005	$117,756	$349,907	$290,417
Redemptions	37,157	39,337	116,972	92,501

Purchases and Sales of Portfolio Securities
(Excluding U. S. Government Securities)

	1st Qr. 1956	4th Qr. 1955	Year 1955	Year 1954
Purchases	$540,092	$375,633	$1,640,656	$1,363,398
Sales	359,151	233,406	1,098,224	968,033

Distributions to Shareholders by Open-End Funds

	1st Qr. 1956	4th Qr. 1955	Year 1955	Year 1954
From Investment Income	$65,661	$72,101	$241,036	$200,102
From Security Profits	56,351	152,470	222,018	129,933
From Other Sources	2	------	160	552

Number of Accumulation Plans Opened
(83 Funds Reporting)

Month of Mar.	Month of Feb.	1st Qr. 1956	4th Qr. 1955	Year 1955
15,355	12,648	40,993	30,447	114,974

Number of Shareholder Accounts
Mar. 31,'56—2,157,468 Dec. 31,'55—2,085,325 Dec. 31,'54—1,703,846

Personal Progress

The election of Jacquelin A. Swords as a director of Hudson Fund, Inc., was announced by James W. Maitland, President.

Mr. Swords is a member of the law firm of Cadwalader, Wickersham & Taft, which he joined as a member of the legal staff in 1932. He also is a director of Federal Gas, Oil & Coal Company and of Kycoga Land Company. He is a graduate of Harvard College and holds an LLB from Columbia Law School.

Public Utility Securities

By OWEN ELY

Are "Growth" Utilities too High?

During the past two years there has been renewed interest in utility growth companies — a trend slightly reminiscent of 1929, though at that time the growth idea was greatly exaggerated and nearly all utility stocks (but more particularly the holdings companies) sold at fantastic multiples of earnings. Perhaps the prize example was Cities Service (at that time considered a utility holding company) which sold as high as 68½ (after a 10-for-1 split) on consolidated share earnings of $1.18, *without any visible depreciation charge to expenses.*

The utility list may currently be divided into three groups: (1) the non-growth companies such as those in New England, Iowa, etc., which offer attractive yields of 5½-6%; (2) utilities of average growth, yielding perhaps 4-5½%; and (3) the "rapid growth" utilities which yield only about 2½-4%.

Obviously, yields are of lesser importance to wealthy investors than anticipated capital gains, and growth stocks usually offer the best prospects for such gains. Moreover, growth companies frequently pay out a smaller proportion of earnings in dividends—stockholders being content to let large retained earnings "ride" and earn a fat return.

In the accompanying table two groups of growth stocks are compared—utility and industrial—the utilities being further divided geographically. The table is not, of course, all-inclusive. Because of variations in dividend payout policy, price-earnings ratios are used as a better index of market popularity. While there is no definite rule, because of the variety of factors involved in market appraisals, nevertheless it seems safe to conclude that, on the average, the larger the percentage gains in share earnings in recent years the higher the price-earnings ratios will be. This is illustrated in the two group averages: the utilities with average annual gains of 14% sell at an average of 18 times earnings; the blue chip industrials, with gains averaging 17% per annum, sell at a multiple of 27 times earnings. (IBM seems to be the favorite at 37 times earnings.)

"Blue chips" are a bull market phenomena—their price advance is apt to be compounded, due both to rising share earnings and rising P-E multiples. In a bear market the reverse occurs, of course. As compared with industrial blue chips, the utility stocks do not seem specially over-valued at an average P-E multiple of 18. The latter compares with a general average for all utilities somewhere around 15, and ratios as low as 12-13 for non-growth companies. The investor in rapid growth issues must be prepared for greater market fluctuations than in the more sedate non-growth utilities, as well as an occasional disappointment where anticipated "growth" doesn't work out.

"Growth" Stocks—Comparison of Average Earnings Gains and P-E Ratios

	Aver. Yearly Increase in Earns. 1951-1955	Price-Earns. Ratio
20 UTILITY STOCKS		
Texas Companies:		
Texas Utilities	13%	19
Houston L. & P.	20	20
Central & South West	13	19
Gulf States Utilities	17	18
Community P. S.	18	13
El Paso Electric	9	16
Arizona Companies:		
Arizona P. S.	9	18
Tucson G. E. L. & P.	11	18
Florida Companies:		
Florida P. & L.	16	21
Florida Power Corp.	20	21
Tampa Electric	11	20
Pacific Coast Companies:		
Pacific G. & E.	16	16
Puget Sound P. & L.	10	17
Calif. Electric Power	17	16
Other Utilities:		
American G. & E.	9	19
Atlantic City Electric	10	20
Idaho Power	8	19
Public Service of Colo.	7	17
Southern Company	8	16
Rockland L. & P.	11	20
General Telephone	31	17
Average for Utilities	14%	18
10 INDUST'L "BLUE CHIPS"		
Minneap.-Honeywell	22	25
National Lead	24	24
du Pont	25	24
Monsanto	7	22
Union Carbide	8	27
General Electric	11	26
Alcoa	30	27
IBM	22	37
Amerada	12	29
Scott Paper	13	27
Aver. for Industrials	17%	27

Railroad Securities

By GERALD D. McKEEVER

Norfolk & Western

A few weeks ago it was stated by the Norfolk & Western management that "first quarter earnings are expected to exceed the $1.07 per share for the corresponding 1955 period." This has turned out to be a gem of understatement. Earnings for the first quarter of this year amounted to $1.44 per common share, this sizable increase despite the handicap in the first two months of having no freight rate increase to offset the wage increases that became effective in the latter part of 1955. As a matter of fact, the gain in net per common share was almost exactly as much proportionately in the first two months without the freight rate increase as it was in March or, for the first quarter.

The reason for this vigorous gain in earnings is, of course, largely the heavy volume of coal moving for export, stimulated by the resumption of coal shipments to Free Europe under the economic aid program. The prosperity of Free Europe is vital to our own interests, and the key to the continuation of a high level of industrial activity abroad is the availability of coal, and more coal than Free Europe itself can produce. In the case of Great Britain, for instance, steel production has increased 20% over the prewar level while coal production is up only 2%. Also the Argentine, no longer able to look to Britain for coal to the same extent as formerly, has recently turned to the United States. The soft coal industry and the roads which move its product to tidewater stand to benefit indefinitely from this renewed foreign demand.

The movement of coal for export at its tidewater terminal in the Norfolk area is highly profitable business for the Norfolk & Western, as are the similar hauls of the other two Pocahontas carriers, since it is long haul traffic. In the case of the Norfolk & Western, its coal originates in eastern Kentucky, West Virginia and western Virginia, and produces a haul over the greater part of the main line of the road. Important as this is turning out to be, however, the backbone of the coal traffic of the Norfolk & Western is the domestic demand from industrial and public utility sources, and notably at the present time, from the steel industry. Pocahontas coal is of the highest quality for coking in steel production and it is also top grade for steam power for public utilities and others. Shipments to the industrial centers of the North and Northeast afford a haul of almost the same length as the export movement to the Norfolk area. These shipments northward move largely to Hagerstown, Md. where they are delivered to the Pennsylvania RR. which controls the Norfolk & Western through 45% ownership of its common stock.

The main line of the 2,128 mile Norfolk & Western extends from Norfolk westward to Cincinnati via Portsmouth, Ohio at which point a branch runs northward to Columbus. At Portsmouth, where the road has its major classification yard, the Atomic Energy Commission is building a huge $1.1 billion gaseous diffusion plant. Access to the South is gained through connections with the Atlantic Coast Line, Seaboard Air Line and Southern Ry.

With about 58% of its revenues derived from the movement of soft coal, the revenue trend of the Norfolk & Western has tended to lag in most recent years until 1955 in line with the relative decline of soft coal as a source of energy and as an industrial factor outside of steelmaking. This is shown by the following table of revenue indices based on the 1947-49 average as 100:

	Norfolk & Western	Virginian Railway	Pocahontas District	Class I Average
1955	126	128	125	112
1954	102	107	101	104
1953	114	109	113	119
1952	117	127	117	118
1951	124	137	122	116
1950	101	96	101	106

Even in the years when the Norfolk & Western was failing to keep quite abreast of the general revenue trend its securities commanded a very high investment rating for two reasons. One is that this road may be said to be virtually debt-free. Paying cash for its locomotives and rolling stock, the road has no equipment obligations, and its non-callable bonded debt, consisting of $32,408,000 Norfolk & Western first 4s of 1996 and $3,384,000 Scioto Valley & New England first 4s of 1989 and representing together only 6.2% of total capitalization at the 1955 year-end, is provided for at maturity by a voluntary sinking fund. It is pointed out in the 1955 annual report that since February, 1925, when the road's debt reached its peak, total obligations have been reduced by $88 million or 71%.

The other reason for the high regard in which the securities of the Norfolk & Western are held is that this road is a very efficient operation. Its 1955 Transportation Ratio of 28.9% ranked fifth in a group of principal Class I roads. It was stated in the road's 1955 report that the average tonnage per train in 1955 was the highest ever handled and that the 1955 gross ton-mileage per freight train hour, namely 77,547, was also a new peak. It was pointed out that this latter figure was among the best for American railroads of comparable or greater length, but due allowance must be made on this score for the heavy type of the greater part of this road's traffic. While coal accounts for less than 60% of revenues as last reported, it represented over 70% of the road's 1955 tonnage. Because of the differences in the traffic consist among the various roads, the way to view the factor of gross ton-miles per freight train hour, the overall measure of operating efficiency, is to consider its improvement percentagewise over any given period. Largely because the Norfolk & Western was already a highly efficient operation in 1946, for instance, the gain in this efficiency measure since 1946 has been only 25% as against a gain of over 40% for Class I roads.

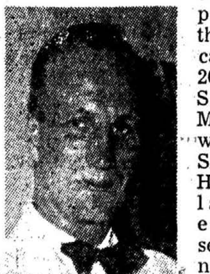
While this is largely due to the road's historically high level of efficiency, as stated above, it has also been due somewhat to the reluctance of the Norfolk & Western to dieselize. As late as 1954 year-end, the Norfolk & Western owned no diesels, and with the exception of one electric locomotive, it operated by steam power. Despite the relative cheapness and the accessibility of coal, however, the Norfolk & Western has begun to give in, and in October of last year eight general purpose diesels were placed in service to handle all the traffic on the branch line between Lynchburg, Va. and Durham, N. C. The road then ordered 25 more for service between Portsmouth, Ohio and Cincinnati, and another order was placed this year for 50 more of the same general purpose diesel units for service in the Shenandoah District between Roanoke, Va. and Hagerstown, Md. Capital expenditures totaled $16.2 million in 1955, but the 1956-57 program calls for over $70 million—$9.5 million for the 50 diesels and the balance for the acquisition of 8,550 freight cars, the modernization of three yards, and the expansion of the Roanoke car shops.

The Norfolk & Western earned $6.70 per share in 1955 including the benefit of 70 cents per share from the $3,963,000 tax deferment due to accelerated amortization. It is reasonable at this point to expect that 1956 earnings will be higher unless the expiration of the wage contract in the steel industry on July 1 leads to a strike. For one thing, the road comes out well in the freight rate increase as against the wage increases of last year. Despite the "holddown" on the coal rate increase to 15 cents per ton the freight rate increase should produce about $9 million additional revenues at the 1955 traffic level as against the $7.1 million wage increases—both on an annual basis.

This year's result nevertheless depends largely on smooth sailing for the steel industry, since it is stated that 25.4% of the coal originated by the Norfolk & Western in 1955 moved to steel industry consumers. However, the road took little chance in increasing the extra dividend last year from 50 cents to 75 cents per share in view of the sharp increase in earnings from $4.52 per common share in 1954 to $6.70 last year. The $3.75 total payment rate for 1955 was highly conservative and this should be a minimum expectation for 1956 in the absence of a set-back of unimagined magnitude.

Charles Werner Joins Shearson, Hammill Co.

CHICAGO, Ill. — Shearson, Hammill & Co. announces that Charles S. Werner has joined the company as Manager of the Institutional Department of the firm's Chicago office, 208 South La Salle Street. Mr. Werner will head Shearson, Hammill's enlarged and expanded services to financial institutions, corporations and investment dealers in the Midwest area.



Charles S. Werner

Mr. Werner entered the investment banking business in 1933, shortly after his graduation from Wesleyan University. Except for four years of service with the U. S. Navy in World War II, he has been continually associated with investment banking, most recently with Wertheim & Co.

Joins Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — David T. Driscoll is now connected with Hooker & Fay, 221 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

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.

★ **Adams Express Co.**
May 2 filed 528,792 shares of common stock (par $1) to be offered for subscription by common stockholders of record on or about May 23, 1956 on the basis of one new share for each five shares held; rights to expire on or about June 6, 1956. **Price**—To be supplied by amendment. **Proceeds**—For investments and general corporate purposes. **Underwriters** — Hallgarten & Co. and R. W. Pressprich & Co., both of New York.

Alexandria Steel Fabricators, Inc.
April 13 (letter of notification) $250,000 of 7½% debentures due 1966. **Price**—At par. **Proceeds**—For expansion, etc. **Office**—Alexandria, Va. **Underwriter**—Seaboard Securities Corp., Washington, D. C.

American Frontier Corp., Memphis, Tenn.
Feb. 15 filed 175,000 shares of class A common stock (par $1). **Price** — $10 per share. **Proceeds** — Together with other funds, to purchase 1,000,000 shares of common stock (par $1) of American Frontier Life Insurance Co. **Underwriter**—None.

American Insurors' Development Co.
Feb. 10 filed 400,000 shares of common stock (par $1). **Price** — $2.50 per share. **Proceeds** — To expand service business. **Office** — Birmingham, Ala. **Underwriter** — Odess, Martin & Herzberg, Inc., Birmingham, Ala.

★ **American International Corp., New York**
May 2 filed 375,100 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of one new share for each five shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—For investments and other corporate purposes.

★ **American Mining & Smelting, Inc., Spearfish, S.D.**
April 27 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Address**—Spearfish, S. D. **Underwriter**—None.

● **American Shopping Centers, Inc. (5/14)**
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. (5/14)**
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 (with an oversubscription privilege). **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.

★ **Anthony (C. R.) Co., Oklahoma City, Okla.**
April 11 (letter of notification) 1,250 shares of class B common stock (par $100) to be offered to employees. **Price**—At book value ($218.50 per share). **Proceeds**—For general corporate purposes, including expansion. **Office**—701 North Broadway, Oklahoma City, Okla. **Underwriter**—None.

Arizona Public Finance Co., Phoenix, Ariz.
Sept. 16 filed 78,006,081 shares of common stock to be offered for subscription by holders of life insurance policies issued by Public Life Insurance Co. **Price**—20 cents per share. **Proceeds**—For working capital. **Underwriter**—None, sales to be directly by the company or by salesman of the insurance firm.

Associated Grocers, Inc., Seattle, Wash.
April 20 filed 5,703 shares of common stock; $2,000,000 of 25-year 5% registered convertible debenture notes; and $1,500,000 of 5% coupon bearer bonds. **Price** — Of stock, $50 per share; and of notes and bonds, 100% of principal amount. **Proceeds**—To reduce bank, mortgage loan, or other indebtedness; and for working capital. **Underwriter**—None.

★ **Atlantic Oil Corp., Tulsa, Okla.**
April 30 filed 2,000,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — To be named by amendment.

● **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. Stockholders will vote on merger on May 24. Statement effective April 20.

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.

● **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. No public offering planned.

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.

★ **Blue Star Mining & Survey Corp., Colville, Wash.**
April 18 (letter of notification) 130,000 shares of common stock (par 15 cents). **Price**—25 cents per share. **Proceeds** — For mining expenses. **Office** — 208 Collins Building, Colville, Wash. **Underwriter**—None.

★ **Boston Fund, Inc., Boston, Mass.**
April 26 filed (by amendment) 1,000,000 additional shares of common stock (par $1). **Price** — At market. **Proceeds**—For investment.

★ **Brown-Miller Enterprises Inc., Denver, Colo.**
April 27 (letter of notification) 10,000 shares of common capital stock. **Price**—At par ($5 per share). **Proceeds**—For mining expenses. **Office**—2660 South Williams St., Denver, Colo. **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**—To be received up to 8:30 a.m. (PDT) on May 8 at 464 California Street, San Francisco 20, Calif.

★ **Celotex Corp., Chicago, Ill. (5/16)**
April 26 filed $10,000,000 of convertible subordinated debentures due May 1, 1976. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters** — Hornblower & Weeks and Union Securities Corp.

Cherokee Uranium Mining Corp.
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.

★ **Circus Hall of Fame, Inc.**
April 23 (letter of notification) 430 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For advertising and working capital. **Office**—North Tamiami Trail, Sarasota, Fla. **Underwriter**—None.

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.

★ **Coffee Time Products of America, Inc.,**
April 26 (letter of notification) 68,000 shares of class A common stock (par $1). **Price**—$4 per share. **Proceeds**—For advertising and promotion of Coffee Time in current markets and new markets. **Office**—25 Huntington Avenue, Boston 16, Mass. **Underwriter** — L. D. Friedman & Co., Inc., New York, N. Y.

★ **Coleman Engineering Co., Inc.**
April 27 filed 40,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($12.50 per share). **Proceeds** — $250,000 to retire short term bank borrowings; and $192,500 as additional working capital. **Underwriters**—Wilson, Johnson & Higgins, San Francisco, Calif.; Lester, Ryons & Co., Los Angeles, Calif.; Davis, Skaggs & Co., San Francisco, Calif.; and Jones, Cosgrove & Miller, Pasadena, Calif.

Colohoma Uranium, Inc. (5/21)
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; Shaiman & Co., Denver, Colo., and Honnold & Co., Oklahoma City, Okla.

★ **Colorado Resources, Inc., New York, N. Y.**
April 27 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For mining expenses. **Office** — 50 Broad St., New York, N. Y. **Underwriter**—A. T. Geyer & Hunt, New York, N. Y.

★ **Colstone Restaurants, Inc., Boston, Mass.**
April 6 (letter of notification) $250,000 of 6% subordinate debentures due June 1, 1961 in exchange for outstanding shares of Colstone Foods, Inc. at a rate of $5.30 per share. **Office** — 18 Matthews Street, Boston, Mass. **Underwriter**—None.

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.

Consolidated Edison Co. of N. Y., Inc. (5/22)
April 24 filed $30,000,000 of first and refunding mortgage bonds, series L, due May 1, 1966. **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 received up to 11 a.m. (EDT) on May 22.

Container Corp. of America
March 9 filed 115,276 shares of common stock (par $10) being 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. Statement effective March 30.

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.

● **Crampton Manufacturing Co. (5/16)**
April 24 filed 137,814 shares of 6% cumulative convertible preferred stock (par $10), of which 125,009 shares are to be offered for subscription by holders of 5% convertible preferred stock and common stock on the basis of one new share for each three shares of 5% preferred stock held and one new share for each eight shares of common stock held. The remaining 12,805 shares of 6% preferred stock are to be offered in exchange for the 5% preferred stock on a share-for-share

basis. **Price** — $10 per share. **Proceeds** — For working capital. **Underwriter**—Baker, Simonds & Co., Detroit, Mich. Statement expected to become effective on or about May 15.

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.

★ Crestmark Cruisers, Inc. (5/14)
April 25 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds** —For machinery and equipment. **Business**—Construction of ports cruisers. **Office** — 472 Fire Island Ave., Babylon, L. I., N. Y. **Underwriter**—Lepow Securities Corp., New York.

Cullen Minerals Corp. (Texas) (5/7)
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.

★ Dalmid Oil & Uranium, Inc., Grand Junction, Colo.
April 16 (letter of notification) 2,700,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1730 North 7th Street, Grand Junction, Colo. **Underwriter**—Columbia Securities Co., Denver, Colo.

★ Dalton Finance, Inc., Chevy Chase, Md.
April 26 (letter of notification) 300,000 shares of common class A stock (par 50 cents). **Price**—$1 per share. **Proceeds**—To expand Mt. Ranier subsidiary balance and the remainder to start an office in Virginia. **Office**—4304 Center Street, Chevy Chase, Md. **Underwriter** — Whitney & Co., Inc., Washington, D. C.

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.

★ Dibbs Aluminum Products, Inc. (6/4-7)
April 27 filed $360,000 of 7% convertible subordinated debentures due June 1, 1966 and 180,000 shares of common stock (par 10 cents) to be offered in units of $50 of debentures and 25 shares of stock. **Price**—$100 per unit. **Proceeds**—For additional equipment and working capital. **Business**—Manufacturer of aluminum awning and casement windows, jalousies, and similar products. **Office** — Tampa, Fla. **Underwriter** — Eisele & King, Libaire, Stout & Co., New York.

★ Dixie Auto Insurance Co., Inc., Anniston, Ala.
April 12 (letter of notification) 100,000 shares of capital stock (par $1). **Price**—$2.50 per share. **Proceeds**—For capital and surplus. **Office**—Commercial National Bank Bldg., Anniston, Ala. **Underwriter**—None.

★Dixie Fire & Casualty Co., Greer, S. C.
April 12 (letter of notification) 11,000 shares of common stock (par $10). **Price**—$26 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

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.

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.

★ Durango Minerals & Oil Co.
April 23 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—32 Exchange Place, Salt Lake City, Utah. **Underwriter**—Filosa Securities Co., Grand Junction, Colo.

● Eastern Corp., Bangor, Me.
April 9 filed $4,090,200 of 4½% convertible subordinated debentures due May 15, 1981, being 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 (flat). **Proceeds**—Together with funds from 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 & Adhesive Corp. for $1,000,000. **Business**—Manufacturer and seller of paper and pulp. **Underwriter**—White, Weld & Co., New York.

★ Eastern Stainless Steel Corp. (5/23)
May 1 filed $5,277,500 of 15-year convertible subordinate debentures to be offered for subscription by common stockholders of record May 22 on the basis of $100 of debentures for each 11 shares of common stock held; rights to expire on June 6. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Hornblower & Weeks, New York.

Ekco Products Co. (5/14)
April 23 filed 50,000 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds**—To a private trust. **Underwriters** — Lehman Brothers and Shearson, Hammill & Co., both of New York.

★ Empire Studios, Inc., Orlando, Fla.
April 12 (letter of notification) 20,000 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Proceeds** —For motion picture production. **Office** — 101 North Orange Avenue, Orlando, Fla. **Underwriter**—None.

★ Eureka Corp., Ltd., New York
April 30 filed 2,276,924 shares of common stock (par 25 cents-Canadian), of which 1,991,210 shares are to be offered for subscription by stockholders of record May 18, 1956 at the rate of one new share for each five shares held. The remaining 285,714 shares are to be issued to the underwriters as compensation in connection with the offering. **Price**—$1.75 per share. **Proceeds**— To explore, develop and exploit the TL Shaft area. **Underwriters**—Alator Corp., Ltd. and Rickey Petroleums & Mines, Ltd., both of Toronto, Canada.

★ First Hellenic American TV Hour, Inc.
April 18 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital and will be used to pay operating expenses of the present weekly telecast over Station WATV and for expansion of such program. **Office**—80 Wall St., New York City. **Underwriter** — 20th Century Pioneer Securities Co., Inc.

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.

First Railroad & Banking Co. of Georgia (5/18)
April 19 filed 225,000 shares of class A common stock (par $1), of which 159,561 shares are to be offered for subscription by common stockholders on the basis of one class A share for each five shares of common stock held of record May 18, 1956. The remaining 65,439 shares are to be offered to a selected group of licensed general insurance agents in Georgia and South Carolina. **Price**— To be supplied by amendment. **Proceeds**—To purchase stock of First of Georgia Fire & Casualty Co. (to be formed) and for general corporate purposes. **Underwriter** —Johnson, Lane, Space & Co., Inc., Savannah, Ga., for 159,561 shares.

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NEW ISSUE CALENDAR

May 4 (Friday)

Sierra Pacific Power Co.—Preferred
(Exchange offer—to be underwritten) $4,025,000

May 7 (Monday)

Cullen Minerals Corp.—Common
(Lepow Securities Corp.) $300,000

Duke Power Co.—Common
(Offering to stockholders—no underwriter) 367,478 shares

Inter-County Tel. & Tel. Co.—Common
(Central Republic Co., Inc.) 25,000 shares

Nemaha Oil Co.—Common
(Whitney-Phoenix Co., Inc.) $300,000

May 8 (Tuesday)

California Oregon Power Co.—Bonds
(Bids 8:30 a.m. PDT) $16,000,000

International Metals Corp.—Common
(Gearhart & Otis, Inc.) $400,000

National Aviation Corp.—Common
(Offering to stockholders—no underwriting) 139,523 shares

New York, Chicago & St. Louis RR.—Equip. Tr. Ctfs.
(Bids noon EDT) $4,620,000

Niagara Mohawk Power Corp.—Bonds
(Bids 11 a.m. EDT) $30,000,000

May 9 (Wednesday)

National Fuel Gas Co.—Common
(Offering to stockholders—no underwriting) 447,797 shares

Piedmont Natural Gas Co., Inc.—Common
(Offering to stockholders—to be underwritten by White, Weld & Co.) 41,530 shares

Savannah Electric & Power Co.—Bonds
(Bids 11 a.m. EDT) $4,500,000

May 10 (Thursday)

Lewisohn Copper Corp.—Common
(George F. Breen) 100,000 shares

Thyer Manufacturing Corp.—Debentures & Com.
(P. W. Brooks & Co., Inc.) $765,000

May 14 (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

Crestmark Cruisers, Inc.—Common
(Lepow Securities Corp.) $300,000

Ekco Products Co.—Common
(Lehman Brothers and Shearson, Hammill & Co.) 50,000 shares

May 15 (Tuesday)

Dubl-Check Corp.—Preferred & Common
(Talmage & Co.) $299,370

General Electric Co.—Debentures
(Morgan Stanley & Co. and Goldman, Sachs & Co.) $300,000,000

Murphy Corp.—Common
(Lehman Brothers and A. G. Becker & Co. Inc.) 250,000 shares

Pennsylvania Electric Co.—Bonds
(Bids 11 a.m. EDT) $12,500,000

Pennsylvania Electric Co.—Preferred
(Bids 11 a.m. EDT) $9,000,000

May 16 (Wednesday)

Celotex Corp.—Debentures
(Hornblower & Weeks and Union Securities Corp.) $10,000,000

Crampton Manufacturing Co.—Preferred
(Offering to stockholders—to be underwritten by Baker, Simonds & Co.) $1,378,140

Erie RR.—Equip. Trust Ctfs.
(Bids noon EDT) $6,225,000

Northern Illinois Gas Co.—Bonds
(Bids 10 a.m. CDT) $15,000,000

Tiarco Corp.—Common
(Offering to stockholders—to be underwritten by Charles Plohn & Co.) 375,000 shares

May 18 (Friday)

First Railroad & Banking Co. of Ga.—Common
(Offering to stockholders—to be underwritten by Johnson, Lane, Space & Co.) 159,561 shares

Monterey Oil Co.—Common
(Offering to stockholders—to be underwritten by Lehman Brothers) 225,810 shares

May 21 (Monday)

Colohoma Uranium, Inc.—Common
(General Investing Corp. and Shaiman & Co.) $1,000,000

White Eagle International Oil, Inc.—Common
(Paine, Webber, Jackson & Curtis) 1,156,250 shares

May 22 (Tuesday)

Consol. Edison Co. of New York, Inc.—Bonds
(Bids 11 a.m. EDT) $30,000,000

Mark (Clayton & Co.)—Common
(Dominick & Dominick) 141,420 shares

May 23 (Wednesday)

Adams Express Co.—Common
(Offering to stockholders—to be underwritten by Halgarten & Co. and R. W. Pressprich & Co.) 528,792 shares

Eastern Stainless Steel Corp.—Debentures
(Offering to stockholders—to be underwritten by Hornblower & Weeks) $5,277,500

Florida Public Utilities Co.—Common
(Starkweather & Co. and Clement A. Evans & Co., Inc.) 25,000 shares

Iowa Power & Light Co.—Bonds
(Bids to be invited) $7,500,000

Iowa Power & Light Co.—Common
(Bids to be invited) 249,556 shares

Southern California Gas Co.—Bonds
(Bids 8:30 a.m. PDT) $40,000,000

May 24 (Thursday)

Reading Co.—Equip. Trust Ctfs.
(Bids to be invited) $6,600,000

Republic Cement Corp.—Common
(Vickers Brothers) $9,650,000

June 4 (Monday)

Dibbs Aluminum Products, Inc.—Debs. & Com.
(Eisele & King, Libaire, Stout & Co.) $720,000

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

Delaware Power & Light Co.—Common
(Offering to stockholders—bids to be invited) 232,520 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

Indianapolis Power & Light Co.—Bonds
(Bids to be invited) $10,000,000

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

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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 Towers Corp., Clermont, Fla.**
April 30 (letter of notification) $50,000 of 6% first mortgage notes. **Price**—At par (in multiples of $500 each). **Proceeds** — To complete construction of commercial building, for improvements and working capital. **Underwriter**—None.

Fort Pitt Packaging International, Inc.
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. **Price**—$3 per share. **Proceeds**—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. **Office** — Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Frigikar Corp., Dallas, Tex.
April 18 filed 104,500 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—Southwestern Securities Co., Dallas, Tex., and Muir Investment Corp., San Antonio, Tex.

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.**
April 6 filed $23,810,700 of 4% convertible subordinated debentures, due May 1, 1981, being 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**—100% (flat). **Proceeds** — For working capital. **Underwriter** — Kuhn, Loeb & Co., New York.

General Electric Co. (5/15)
April 25 filed $300,000,000 of sinking fund debentures due 1976. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for capital expenditures and working capital. **Underwriter** — Morgan Stanley & Co. and Goldman, Sachs & Co., both of New York.

General Telephone Corp.
March 29 filed $50,854,200 of convertible debentures due May 1, 1971 being 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.

★ **Gibraltar Uranium Corp., Aurora, Colo.**
April 24 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For mining expenses. **Office** — 710 Moline, Aurora, 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.

★ **Greenbelt Consumer Services, Inc.**
April 18 (letter of notification) 4,000 shares of class A stock, 9,500 shares of class B stock and $15,000 of 5% three-year promissory notes. **Price**—For stocks, $10 per share. **Proceeds**—To purchase equipment in Greenbelt center and the balance for equipment in the Piney Branch store. **Office**—133 Centerway Road, Greenbelt, Md. **Underwriter**—None.

★ **Greenwood Corp., Washington, D. C.**
April 19 (letter of notification) 5,000 shares of common stock. **Price** — At par ($10 per share). **Office** — 7821 Morningside Drive, N. W., Washington, D. C. **Underwriter**—None.

Griggs Equipment, Inc., Dallas, Texas
April 12 filed 400,000 shares of common stock (par 50¢). **Price** — $5.75 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.

★ **Harrison (D. L.) Corp., Dallas, Texas**
April 18 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds** — For equipment, raw materials and working capital. **Underwriter**—Garrett & Co., Dallas, Texas.

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.

★ **Honolulu Oil Corp.**
April 30 filed $3,275,000 of Interests in the company's Incentive and Stock Ownership Plan for its Employees, together with 50,000 shares of common stock (par $10) which may be acquired under the Plan.

★ **Huse-Liberty Mica Co., Boston, Mass.**
April 17 (letter of notification) 1,500 shares of common stock (par $5). **Price**—At market (estimated at $16.67 per share). **Proceeds**—To a selling stockholder for further investment in the Trust. **Office** — 171 Camden Street, Boston, Mass. **Underwriter**—F. L. Putnam & Co., Inc., Boston 10, Mass.

Hydro-Loc, Inc., Seattle, Wash.
Oct. 25 (letter of notification) 1,674 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For working capital, etc. **Office**—603 Central Bldg., Seattle 4, Wash. **Underwriter**—Pacific Brokerage Co. of Seattle, Wash.

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.

★ **Income Fund of Boston, Inc., Boston, Mass.**
April 30 filed (by amendment) an additional 300,000 shares of common stock (par $1). **Price** — At market. **Proceeds**—For investment.

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.

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 Tel. & Tel. Co. (5/7-11)
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. (5/8)**
Oct. 4 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To finance exploration and development of mining properties of Recursos Mineros Mexicanos, S. A., Mexican subsidiary, and to discharge note. **Office** — Houston, Tex. **Underwriter**—Gearhart & Otis, Inc., New York.

International Plastic Industries Corp.
Oct. 12 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For advances to Arliss Co., Inc. for purchase of equipment, etc. **Office** — 369-375 DeKalb Ave., Brooklyn 5, N. Y. **Underwriter**—Kamen & Co., New York.

★ **Investment Co. of America, Los Angeles, Calif.**
April 25 filed (by amendment) 2,000,000 additional shares of common stock (par $1). **Price** — At market. **Proceeds**—For investment.

● **Iowa Power & Light Co. (5/23)**
April 25 filed $7,500,000 first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Equitable Securities Corp.; Kidder, Peabody & Co.; White, Weld & Co.; Union Securities Corp. and Blair & Co. Incorporated (jointly); Blyth & Co., Inc.; Lehman Brothers; Kuhn, Loeb & Co. **Bids**—Expected to be received on May 23.

● **Iowa Power & Light Co. (5/23)**
April 25 filed 249,558 shares of common stock (par $10) of which 226,871 shares are to be offered for subscription by common stockholders on the basis of one new share for each eight shares held as of record May 23, 1956; rights to expire on June 7. The balance of 22,687 shares represent stock which may be acquired in stabilizing transactions. **Proceeds**—To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders may include Smith, Barney & Co., New York.

"Isras" Israel-Rassco Investment Co., Ltd.
Sept. 28 filed 9,000 ordinary shares. **Price**—At par (100 Israel pounds each, or about $55 in U. S. funds), payable in State of Israel Independence Issue Bonds only. **Office**—Tel Aviv, Israel. **Underwriter** — Rassco Israel Corp., New York.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 326 West Montezuma St., Cortez, Colo. **Underwriter** — Bay Securities Corp., New York, New York.

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.

★ **Keystone Custodian Funds, Inc., Boston, Mass.**
April 26 filed (by amendment) 750,000 additional shares of Keystone Custodian Fund certificates of participation, series K-1. **Price**—At market. **Proceeds** — For investment.

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. (5/10)
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.
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. **Offering** — Postponed because of present unsatisfactory market conditions.

Lost Canyon Uranium & Oil Co.
Oct. 6 (letter of notification) 3,000,000 shares of non-assessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

★ **Lumberman's Investment & Mortgage Co.**
May 2 filed 50,000 shares of common stock (par $10). **Price**—$12 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — Denver, Colo. **Underwriter**—None.

M. & D. Display Mfg. Corp., Alhambra, Calif.
April 20 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For plant construction; machinery and equipment; to retire existing indebtedness; and for other corporate purposes. **Underwriters** — Bateman, Eichler & Co., Los Angeles, Calif; and Dempsey-Tegeler & Co., St. Louis, Mo.

● **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 com-

pany at approximately the principal amount thereof plus interest. The offer will expire on May 10. **Proceeds**—To retire old bonds.

Manufacturers Cutter Corp.
Oct. 18 (letter of notification) 300,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loans, and for new equipment and working capital. **Business**—Cutting tools. **Office**—275 Jefferson St., Newark, N. J. **Underwriter**—Paul C. Ferguson & Co., same city.

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.

★ **Mark (Clayton) & Co., Evanston, Ill. (5/22)**
April 27 filed 141,420 shares of common stock (par $5), of which 100,000 shares are to be offered for account of the company and 41,420 shares by selling stockholders. **Price** — To be supplied by amendment. **Proceeds** — For working capital and general corporate purposes. **Business**—Manufacture and sale of water well supplies and water systems; tubing and forged steel unions and fittings. **Underwriter**—Dominick & Dominick, New York.

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."

★ **Mission Appliance Corp. of Mississippi**
April 23 (letter of notification) 7,475 shares of preferred stock (par $20) and 29,900 shares of common stock (par $5) to be offered in units of one preferred and four common shares. **Price**—$40 per unit. **Proceeds** — For purchase of machinery and equipment. **Office**—New Albany, Miss. **Underwriter**—Lewis & Co., Jackson, Miss.

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.

Monterey Oil Co., Los Angeles, Calif. (5/18)
April 25 filed 225,810 shares of common stock (par $1) to be offered to common stockholders of record May 18, 1956, at the rate of one new share for each seven shares held; offering to extend for a period of approximately two weeks. **Price**—To be supplied by amendment. **Proceeds**—To carry on a program of offshore oil exploration with The Texas Co. along the southern California coastline. **Underwriter** — Lehman Brothers, New York.

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.

Murphy Corp., El Dorado, Ark. (5/15-16)
April 25 filed 250,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For retirement of $112,000 of 3% unsecured debenture bonds; $600,000 for investment in a proposed bromine project; and for other corporate purposes. **Business**—Crude oil and natural gas; also liquified petroleum products. **Underwriters** — Lehman Brothers, New York; and A. G. Becker & Co. Inc., Chicago, Ill.

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 May 8, 1956, on the basis of one new share for each four shares held (with an oversubscription privilege); rights to expire May 22, 1956. **Price**—To be supplied by amendment. **Proceeds**—For investment. **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** — $17.75 per share. **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.

● **Nemaha Oil Co., Dallas, Texas (5/7-9)**
April 11 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For exploration and development costs and to retire outstanding indebtedness. **Office** — 2206 Mercantile Bank Bldg., Dallas, Tex. **Underwriter**—Whitney-Phoenix Co., Inc., New York.

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**—To be received up to 11 a.m. (EDT) on May 8 at Room 232 — 120 Broadway, New York, N. Y.

★ **Niagara Uranium Corp., Salt Lake City, Utah**
April 3 (letter of notification) 2,400,000 shares of common stock (par 3⅓ cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — 345 South State St., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

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 up to 10 a.m. (CDT) 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. **Offering**—Not expected until the latter part of June.

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.

● **Pacific Finance Corp. (Calif.)**
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. **Offering**—Temporarily postponed.

Paria Uranium & Oil Corp.
Oct. 17 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Newhouse Bldg., Salt Lake City, Utah. **Underwriter** — Western States Investment Co., Tulsa, Okla.

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.

Pennsylvania Electric Co. (5/15)
April 18 filed $25,000,000 of first mortgage bonds due 1986 (reduced on April 19 by amendment to $12,500,000). **Proceeds**—To redeem $12,500,000 of 4⅛% first mortgage bonds due 1983 and to repay bank loans. **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 up to 11 a.m. (EDT) on May 15.

Pennsylvania Electric Co. (5/15)
April 18 filed 90,000 shares of cumulative preferred stock, series G (par $100). **Proceeds** — To repay bank loans and 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 up to 11 a.m. (EDT) on May 15.

★ **Pennsylvania Life Insurance Co.**
April 23 (letter of notification) $300,000 of 6% certificates of contribution to surplus to be issued in denominations to $1,000 and multiples thereof. **Proceeds**—For surplus. **Office**—1616 Walnut Street, Philadelphia, Pa. **Underwriter**—None.

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. (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 9; 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.

★ **Plastic Molded Arts Corp.**
April 20 (letter of notification) 15,000 shares of common stock (par 25 cents) to be issued upon exercise of warrants. **Price**—$3 per share. **Proceeds**—For working capital. **Office**—12-01 44th Avenue, Long Island City, N. Y. **Underwriter**—None.

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**—575 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.

★ **Reading & Bates Offshore Drilling Co.**
May 2 filed 170,000 shares of class A (cumulative convertible) capital stock (no par). **Price**—$12 per share. **Proceeds**—To repay loans and advances and for working capital. **Office**—Tulsa, Okla. **Underwriters**—Hulme,

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Applegate & Humphrey, Inc., Pittsburgh, Pa.; The Milwaukee Co., Milwaukee, Wis.; The Ohio Company, Columbus, Ohio; and Stroud & Co., Inc., Philadelphia, Pa.

★ Reliance Uranium Corp.
April 3 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Underwriter**—None.

Reno Hacienda, Inc., Inglewood, Calif.
Dec. 19 filed 4,000,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase real property, for construction of buildings and other facilities and for general corporate purposes. **Underwriter**—Wilson & Bayley Investment Co.

Republic Cement Corp., Prescott, Ariz. (5/24)
April 20 filed 965,000 shares of capital stock. **Price**—$10 per share. **Proceeds**—For construction of plant, working capital and general corporate purposes. **Underwriter**—Vickers Brothers, New York.

★ Republic Gas & Uranium Corp., Dallas, Texas
April 23 (letter of notification) 200,000 to 300,000 shares of common stock (par five cents). **Price**—16 cents to 25 cents per share. **Proceeds**—To Robert A. Howard of Scottsdale, Ariz., the selling stockholder. **Office**—533 Mercantile Bank Building, Dallas, Texas. **Underwriter**—None.

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.

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.

★ Senogas Corp., Miami, Fla.
April 19 (letter of notification) 6,000 shares of participating preferred stock. **Price**—At par ($50 per share). **Proceeds**—To produce engineering specifications needed to conduct negotiations with potential manufacturers and to continue their research. **Office**—579 Flagler Street, Miami, Fla. **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. (5/4)
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. **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. Exchange offer expected May 4 to expire on May 24.

Sierra Prefabricators, Inc. (Calif.)
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
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.

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.

Southern California Gas Co. (5/23)
April 23 filed $40,000,000 of first mortgage bonds, series B, due 1981. **Proceeds**—To repay short-term indebtedness owing to parent, Pacific Lighting Corp.; and for 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**—To be received up to 8:30 a.m. (PDT) on May 23 at Room 1216—810 South Flower St., Los Angeles 54, Cal.

★ Spiral Uranium Co., Salt Lake City, Utah
April 26 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—32 Exchange Place, Salt Lake City, Utah. **Underwriter**—None.

Spurr Mining Corp.
Nov. 9 (letter of notification) 300,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For mining expenses. **Underwriter**—Cavalier Securities Co., Washington, D. C.

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) being offered for subscription by common stockholders of record March 26 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; rights to expire on May 9. **Price**—$418.75 per unit. **Proceeds**—For expansion and working capital. **Office**—404 Logan Street, Adrian, Mich. **Underwriter**—Golkin & Co., New York. Statement effective April 24.

Suburban Land Developers, Inc., Spokane, Wash.
Feb. 2 (letter of notification) 920 shares of 6% cumulative non-voting preferred stock ($100 per share) and 2,160 shares of common stock (par $10). **Price**—Of preferred, $100 per share; and of common, $15 per share. **Proceeds**—For improvements and working capital. **Office**—909 West Sprague Ave., Spokane, Wash. **Underwriter**—W. T. Anderson & Co., Inc., Spokane, Wash.

Summit Springs Uranium Corp., Rapid City, S. D.
Oct. 3 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Harney Hotel, Rapid City, S. D. **Underwriter**—Morris Brickley, same address.

Sun Oil Co., Philadelphia, Pa.
April 18 filed 229,300 shares of common stock. **Price**—At the market. **Proceeds**—To selling stockholders. **Underwriter**—None.

Superior Uranium Co., Denver, Colo.
Nov. 9 (letter of notification) 29,600,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—608 California Bldg., Denver, Colo. **Underwriter**—Securities, Inc., P. O Box 127, Arvada, Colo.

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 being offered for subscription by common stockholders of record April 17 on the basis of $100 of debentures for each seven shares of common stock held; rights to expire on May 8. **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. (5/10)
April 13 filed $600,000 of 6% sinking fund debentures due 1976 (with warrants attached) and 40,000 shares of capital stock (par $1). **Price**—For debentures, 100% and accrued interest; and for stock, $4.12½ per share. **Proceeds**—For working capital in connection with increased business. **Business**—Manufactures and sells prefabricated homes. **Office**—Toledo, Ohio. **Underwriter**—P. W. Brooks & Co., Inc., New York.

★ Tiarco Corp., Newark, N. J. (5/16)
April 25 filed 375,000 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each three shares held as of record about May 15; rights to expire about June 5. **Price**—To be supplied by amendment. **Proceeds**—For production equipment, etc.; and to repay short term loans. **Business**—Research and development of new and improved commercial processes, techniques and equipment for electrolytically depositing chromium coatings directly on various types of base metals. **Underwriter**—Charles Plohn & Co., 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.

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.

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. 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. **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.

● Value Line Special Situations Fund, Inc. (N. Y.)
April 18 filed 2,000,000 shares of capital stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For investment. **Underwriter**—Value Line Distributors, Inc., New York.

★ Vicar, Inc.
April 12 (letter of notification) 2,500 shares of common capital stock. **Price**—At par ($10 per share). **Proceeds**—For expenses incident to wholesale and retail distribution of photographic equipment and supplies. **Underwriter**—None.

West Jersey Title & Guaranty Co.
Jan. 23 (letter of notification) 10,000 shares of common stock (par $10) of which 8,000 shares are first to be offered for a period of 30 days in exchange for outstanding preferred stock on a 2-for-1 basis; any shares remaining will be offered to common stockholders. **Price**—$25 per share. **Office**—Third and Market Sts., Camden, N. J. **Underwriter**—None.

● Western Electric Co., Inc.
April 13 (letter of notification) 2,595 shares of common stock (no par) being 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, 1956. 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.

★ White Eagle International Oil, Inc. (5/21-24)
April 27 filed 1,156,250 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—To purchase properties of White Eagle Oil Co., and for working capital. **Office**—Tulsa, Okla. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass., and New York, N. Y.

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.

★ Wing E-E, Inc., Denver, Colo.
April 10 (letter of notification) 299,900 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For manufacturing expenses, selling and distributing of toys and novelty items. **Office**—609 Equitable Bldg., Denver 2, Colo. **Underwriter**—Columbia Securities Co., Denver, Colo.

Wisconsin Electric Power Co.
March 30 filed 463,641 shares of common stock (par $10) being 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. Unsubscribed shares will be offered to employees. **Price**—$28.75 per share. **Proceeds** — For construction program. **Underwriter**—None.

Woodstock Uranium Corp., Carson City, Nev.
Nov. 21 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—Virginia Truckee Bldg., Carson City, Nev. **Underwriter**—Cayias, Larson, Glaser, Emery, Inc., Salt Lake City, Utah.

Wycotah Oil & Uranium, Inc., Denver, Colo.
Nov. 10 filed 1,500,125 shares of common stock (par one cent) to be offered only to the owners of percentages of working interests in certain oil and gas leases and to the owners of certain uranium properties, and in exchange for such working interests and properties. **Price**—Shares to be valued at an arbitrary price of $4 per share. **Proceeds**—To acquire properties. **Underwriter**—None.

Woodbury Telephone Co., Woodbury, Conn.
March 27 (letter of notification) 5,300 shares of common stock being 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.

★ WPFH Broadcasting Co., Philadelphia, Pa.
April 24 (letter of notification) 150,000 shares of class A common stock (par $1). **Price**—$1.87½ per share. **Proceeds**—For working capital. **Office**—1425 Walnut Street, Philadelphia 2, Pa. **Underwriters** — Boenning & Co.; Hallowell, Sulzberger & Co.; Woodcock, Hess & Co., Inc., and Suplee, Yeatman & Co., Inc., all of Philadelphia, Pa.

★ Yardley Water & Power Co., Yardley, Pa.
April 23 (letter of notification) 2,000 shares of common stock. **Price** — At par ($25 per share). **Proceeds** — For outstanding note, pumping station and repayment of advances from developers. **Office** — 50 West College Avenue, Yardley, Pa. **Underwriter**—None.

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.

Boston Edison Co. (6/25)
April 25 it was announced 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. **Meeting**—Stockholders to vote on new issue on May 8.

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.

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).

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 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 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.

● Delaware Power & Light Co. (6/6)
April 27 the directors approved a plan for the sale of 232,520 additional shares of common stock to common stockholders of record June 6, 1956 on the basis of one new share for each eight shares held. Unsubscribed shares are to be offered to employees. **Price**—To be fixed by the board about June 1. **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. **Bids**—Expected to be received on or about June 6.

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.

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. (5/15)
April 9 it was reported company plans to issue and sell 58,700 shares of preferred stock and 58,700 shares of common stock in units of one share of each class of stock. **Price**—$5.10 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.
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. **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

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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.

Florida Public Utilities Co. (5/23)
April 23 company applied to the Florida RR. & P.U. Commission for authority to issue and sell 25,000 shares of common stock (par $3). **Price** — To be determined later. **Proceeds**—For construction program, etc. **Underwriters**—Starkweather & Co., New York; and Clement A. Evans & Co., Inc., Atlanta, Ga.

★ **Fruehauf Trailer Co. (5/22)**
April 30 it was announced a registration is expected to be filed with the SEC on May 4 covering 228,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To the Strick family, who received the shares in connection with the sale of Strick Co. to Fruehauf. The 228,000 shares represent about 50% of Fruehauf common stock that the Strick family received in the sale. **Underwriter**—Kidder, Peabody & Co., New York.

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. **Underwriters**—Paine, Webber, Jackson & Curtis and Union Securities Corp. **Registration**—Expected late in May.

General Contract Corp., St. Louis, Mo.
April 18 it was announced that company plans $5,000,000 additional financing in near future. **Proceeds**—To go to Securities Investment Co., a subsidiary. **Underwriter**—G. H. Walker & Co., St. Louis, Mo.

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.

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.

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.

Indianapolis Power & Light Co. (6/7)
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 June 7.

★ **Inland Steel Co.**
April 26, Joseph L. Block, President, disclosed company will seek additional financing through sale of equity stock (the method and amount has not yet been determined). **Proceeds**—For expansion program. **Underwriter**—Kuhn, Loeb & Co., New York.

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.

Johns-Manville Corp.
March 9, Leslie M. Cassidy, Chairman, said the corporation is studying possibilities for expansion that could require financing, adding that the management had no definite plan for the issuance of additional stock other than those required for the two-for-one split but "the situation could change."

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 24 stockholders approved a proposal 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 (probably not until first half of 1957).

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.

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 $77,745,000 indebtedness of company held by the RFC and the Treasury Department. **Underwriters**—Probably Dallas Rupe & Son; Estabrook & Co.; and Straus & Blosser.

Long Island Lighting Co.
April 14 it was reported company plans to issue and sell next Fall $20,000,000 to $25,000,000 first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Blair & Co., Incorporated and Baxter, Williams & Co. (jointly); Smith, Barney & Co.

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.

Michigan Bell Telephone Co.
April 19 company applied to the Michigan P. S. Commission for permission to issue and sell $30,000,000 of 40-year debentures later this year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

★ **Milwaukee Gas Light Co.**
April 26 it was announced company plans to file soon with the SEC for permission to issue and sell $13,000,000 of first mortgage bonds. **Proceeds**—Together with $5,000,000 to be received from American Natural Gas Co., parent from sale to it of additional common stock, to be used for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Glore, Forgan & Co. and Lehman Brothers (jointly); Smith, Barney & Co., Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc.

★ **Missouri Pacific RR.**
Bids are expected to be received by the company for the purchase from it of $2,625,000 equipment trust certificates, series E, to be dated June 1, 1956 and to mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Montreal Transportation Commission
April 23 it was reported early registration is expected of $11,500,000 of sinking fund debentures due 1976. **Underwriter**—To be determined by competitive bidding. Probable bidders: Shields & Co., Halsey, Stuart & Co. Inc. and Savard & Hart (jointly); Lehman Brothers; White, Weld & Co., Blyth & Co., Inc. and Union Securities Corp. (jointly); Kuhn, Loeb & Co., Glore, Forgan & Co. and Salomon Bros. & Hutzler (jointly).

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 to be received by the company up to noon (EDT) on May 8 for the purchase from it of $4,620,000 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.

★ **Oklahoma Gas & Electric Co.**
April 20 it was announced that stockholders will vote May 17 on increasing the authorized preferred stock from 240,000 shares to 500,000 shares and the authorized common stock from 3,681,000 shares to 5,000,000 shares. **Underwriters** — (1) For any common stock (probably first to stockholders) — Merrill Lynch, Pierce, Fenner & Beane. (2) For preferred stock, to be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Lehman Brothers and Blyth & Co., Inc. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.

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**—To-

gether 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.)
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.

Potomac Electric Power Co.
April 23 it was reported company plans to do some additional financing in 1956 and 1957. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding for any bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Stone & Webster Securities Corp. and Union Securities Corp. (jointly); The First Boston Corp.; Lee Higginson Corp.; Dillon, Read & Co. and Johnston, Lemon & Co. (jointly); Harriman Ripley & Co. Inc.

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 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).

Puget Sound Power & Light Co.
Feb. 15 the company announced that it estimates that its construction program for the years 1956-1959 will amount to $87,000,000, including $20,000,000 budgeted for 1956. This large expansion, the company says, can be financed wholly by debt and from internal sources. **Underwriter**—If determined by competitive bidding, may include Halsey, Stuart & Co. Inc.; The First Boston Corp.

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 (par $100), of which it is planned to issue 50,000 shares later in 1956. **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.

South Carolina Electric & Gas Co.
March 9, S. C. McMeekin, President, announced that it is expected that $10,000,000 of new money will be required in connection with the company's 1956 construction program. The company proposes to obtain a part of its new money requirements from the sale of $5,000,000 of preferred stock and the balance from the private sale of $5,000,000 principal amount of bonds. **Underwriter**—Kidder, Peabody & Co., New York.

Southern Counties Gas Co. of California
Jan. 30 it was reported company may in the Fall offer $15,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

Southern Nevada Power Co.
Nov. 7 it was announced company plans to sell in 1956 approximately $10,000,000 of new securities (probably $7,000,000 first mortgage bonds and $3,000,000 preferred and common stocks). **Proceeds**—For construction program. **Underwriters**—For stocks: Hornblower & Weeks, New York; Wiliam R. Staats & Co., Los Angeles, Calif.; and First California Co., San Francisco, Calif. **Bonds** are to be placed privately.

Southern Union Gas Co.
April 19 it was announced company is considering issuance and sale to stockholders later this year of some additional common stock on a pro rata basis (with an oversubscription privilege). **Underwriter**—None.

Spencer Telefilm Corp., Beaumont, Texas
Jan. 16 it was announced company plans to offer publicly to Texas residents 75,000 shares of capital stock. **Price**—$1.50 per share. **Business**—To produce, sell and distribute syndicated films for television. **Underwriter**—Porter-Stacy Co., Houston, Tex.

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 were to 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.

UM & M T-V Corp.
April 2 it was reported company may offer an issue of up to $7,000,000 of debentures. **Underwriter**—Hirsch & Co., New York.

Union Electric Co. (Missouri)
April 23 it was announced company plans to issue and sell prior to Sept. 14, 1956, $35,000,000 to $40,000,000 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.

Vita Food Products, Inc., New York
April 23 it was reported early registration is expected of 60,000 shares of common stock **Proceeds**—To selling stockholders. **Underwriter**—Granbery, Marache & Co., New York.

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.

Western Airlines, Inc.
April 26 it was reported company plans to issue and sell $5,000,000 of debentures. **Proceeds**—For new equipment. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

★ Wyandotte Chemicals Corp., Wyandotte, Mich.
April 23 it was reported company plans to issue and sell some additional stock in the near future. **Underwriter**—Lazard Freres & Co., New York.

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The Security I Like Best

adjusted for a 10% stock dividend paid last December. Profits of General Teleradio, now a wholly-owned subsidiary, were not included. If its 90% equity in General Teleradio had been included, 1955 earnings would have been $7.67 a share, and on the basis of its 100% ownership, which General now holds, earnings would have been around $7.80 or so.

Prospects for the current fiscal year are even more exciting. All divisions are understood to be operating at capacity levels and it appears earnings could mount to $9 a share as the capitalization is now constituted.

Particularly impressive is the further growth potential in the rocket and guided missile sphere.

Aerojet-General, a subsidiary, is considered the largest factor in this country devoted exclusively to development and manufacture of rocket components, including motors, propellants and test facilities. Since rocketry and missiles are in their infancy, the basis for substantial growth is unusually interesting.

Aerojet-General, incidentally, is famous for having developed JATO (Jet Assisted Take Off) which was used, it will be remembered, to launch the carrier-based Air Force planes that launched the first attack on the Japanese mainland in World War II. Propellants developed by Aerojet-General, fuel the principal guided missiles now used by the U. S. Armed Forces, and will be used, as well, in the first artificial satellites to be launched by the United States.

The chemical and plastic operations are also expanding at a fast clip. Latest move was a joint venture with El Paso Natural Gas to construct an $8,000,000 copolymer plant for production of synthetic rubber near Odessa, Texas. As it is, General now ranks as the largest integrated producer of plastic film and sheeting.

Originally, General confined its tire activities to replacement tires, rather than original equipment. In 1955, it broke into the original equipment passenger car tire field, and is expanding production facilities to enable it to gain a strong foothold in that field.

The active and imaginative management, under the O'Neil family, is not resting on these accomplishments, however. The company is in negotiations for purchase of A. M. Byers, for example. Apparently, it is believed that the pipe making and distributional facilities of this company can be fitted into the General family, probably with production of plastic pipe, a relatively new and expanding field.

To facilitate possible acquisition of Byers, provision was made for issuance of some additional stock. Announcement of plans to increase the capitalization brought some selling into the market. General Tire common, which had been around 64, dropped to 57. At this writing, it is just under 59, after having fluctuated in a two-point range for some time. The issue is listed on the New York Stock Exchange.

It strikes me that the selling was overdone. True, the stock capitalization may be boosted, but actual earnings dilution will be made up, with some to spare, by increased earning power. The present rising trend, and the potential of General's new projects, point to such a development.

Therefore, I believe that on both technical grounds (the stock has met good support between 57 and 59 and is down on news that is not necessarily bearish) and on dynamic prospects for further long-range growth and earnings gains, General Tire common affords unusually good value. True, dividend return (from the $0.50 quarterly payment) is not large, but this reflects plowing back of earnings into growth, rather than paying out a large proportion at the expense of expansion. Eventually, I would expect to see the stock selling considerably higher, once the aggressive growth trend has been fully appreciated by investors, and would expect the dividend to be upped substantially when newly acquired facilities have added their strength to the company's undeniably large earning power.

Finally, I like the stock particularly because the common-share capitalization is small and would still be moderate even though the planned additional stock were issued. It's a fast-moving vehicle for substantial capital gains, and to my mind, underpriced at the moment.

Taylor & Co. Now Is Incorporated

BEVERLY HILLS, Calif.—The H. Lynden Taylor Corporation, doing business as Taylor and Company, 364 North Camden Drive, announces that it has acquired and will continue the investment business of Taylor and Company, a partnership, which has been dissolved. All personnel of the former partnership, except Gifford Phillips and Roland Maroney, will be associated with the new organization.

Officers of the corporation are Howard L. Taylor, President; Lorenz C. Evers and Harlan K. Deckert, Vice-Presidents; and Carol Slott, Secretary-Treasurer.

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)	May 6	§99.5	*100.5	97.7	96.6
Equivalent to—					
Steel ingots and castings (net tons)	May 6	§2,450,000	*2,473,000	2,406,000	2,331,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	April 20	7,129,900	7,155,900	7,163,265	6,831,800
Crude runs to stills—daily average (bbls.)	April 20	¶7,436,000	7,551,000	7,970,000	7,099,000
Gasoline output (bbls.)	April 20	24,599,000	25,417,000	25,788,000	23,974,000
Kerosene output (bbls.)	April 20	2,044,000	2,067,000	2,533,000	2,250,000
Distillate fuel oil output (bbls.)	April 20	11,982,000	12,170,000	12,321,000	10,382,000
Residual fuel oil output (bbls.)	April 20	8,182,000	8,178,000	8,628,000	8,005,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	April 20	192,933,000	195,059,000	196,801,000	179,741,000
Kerosene (bbls.) at	April 20	18,070,000	17,607,000	17,710,000	20,429,000
Distillate fuel oil (bbls.) at	April 20	61,926,000	60,832,000	65,912,000	65,678,000
Residual fuel oil (bbls.) at	April 20	32,829,000	32,788,000	34,047,000	44,619,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	April 21	763,437	742,053	697,248	701,432
Revenue freight received from connections (no. of cars)	April 21	679,867	662,943	660,741	613,598
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	April 26	$525,982,000	$536,373,000	$459,450,000	$458,531,000
Private construction	April 26	347,686,000	386,544,000	245,184,000	308,490,000
Public construction	April 26	178,296,000	149,829,000	214,266,000	150,041,000
State and municipal	April 26	163,676,000	119,912,000	158,874,000	124,484,000
Federal	April 26	14,620,000	29,917,000	55,392,000	25,557,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	April 21	9,900,000	10,050,000	9,930,000	8,542,000
Pennsylvania anthracite (tons)	April 21	553,000	545,000	496,000	409,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	April 21	113	114	112	112
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	April 28	10,867,000	10,894,000	10,992,000	9,699,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	April 26	236	252	263	212
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	April 24	5.179c	5.179c	5.179c	4.797c
Pig iron (per gross ton)	April 24	$60.29	$60.29	$59.71	$56.59
Scrap steel (per gross ton)	April 24	$55.50	$55.50	$52.50	$35.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	April 25	45.775c	46.150c	46.525c	35.700c
Export refinery at	April 25	46.500c	47.125c	47.875c	37.075c
Straits tin (New York) at	April 25	98.500c	‡98.875c	98.625c	91.500c
Lead (New York) at	April 25	16.000c	16.000c	16.000c	15.000c
Lead (St. Louis) at	April 25	15.800c	15.800c	15.800c	14.800c
Zinc (East St. Louis) at	April 25	13.500c	13.500c	13.500c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 1	93.75	92.79	93.82	96.28
Average corporate	May 1	104.83	104.83	107.09	109.24
Aaa	May 1	107.44	107.62	110.52	112.93
Aa	May 1	106.92	106.74	109.06	110.52
A	May 1	104.83	104.83	106.92	109.60
Baa	May 1	100.49	100.49	102.13	104.31
Railroad Group	May 1	103.47	103.80	100.04	107.44
Public Utilities Group	May 1	105.00	105.17	107.62	109.97
Industrials Group	May 1	105.40	105.69	107.62	110.34
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 1	2.99	3.03	2.98	2.77
Average corporate	May 1	3.46	3.46	3.33	3.21
Aaa	May 1	3.31	3.30	3.14	3.01
Aa	May 1	3.34	3.35	3.22	3.14
A	May 1	3.46	3.46	3.34	3.19
Baa	May 1	3.72	3.72	3.62	3.49
Railroad Group	May 1	3.54	3.52	3.39	3.31
Public Utilities Group	May 1	3.45	3.44	3.30	3.17
Industrials Group	May 1	3.40	3.41	3.30	3.15
MOODY'S COMMODITY INDEX	May 1	420.2	424.6	415.5	398.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	April 21	241,807	247,625	271,210	235,321
Production (tons)	April 21	281,098	285,493	285,966	263,794
Percentage of activity	April 21	99	100	98	95
Unfilled orders (tons) at end of period	April 21	557,227	602,710	554,885	483,631
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	April 27	109.06	108.62	107.97	106.91
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	April 7	1,711,897	1,239,287	1,453,569	919,857
Dollar value	April 7	$90,602,135	$65,796,336	$75,979,537	$47,931,382
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	April 7	1,389,593	1,103,530	1,296,296	872,921
Customers' short sales	April 7	8,609	11,068	6,527	3,505
Customers' other sales	April 7	1,380,984	1,092,462	1,289,769	869,416
Dollar value	April 7	$70,967,466	$55,588,549	$64,306,337	$43,803,793
Round-lot sales by dealers—					
Number of shares—Total sales	April 7	342,490	293,700	346,990	238,190
Short sales	April 7				
Other sales	April 7	342,490	293,700	346,990	238,190
Round-lot purchases by dealers—					
Number of shares	April 7	653,300	422,380	536,470	294,180
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	April 7	661,650	474,190	533,670	318,220
Other sales	April 7	14,101,860	11,524,160	14,647,090	9,547,130
Total sales	April 7	14,763,510	11,998,350	15,180,760	9,865,350
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	April 7	1,881,630	1,396,590	1,765,250	1,160,660
Short sales	April 7	403,300	272,160	312,770	189,890
Other sales	April 7	1,460,050	1,191,400	1,396,480	972,080
Total sales	April 7	1,863,350	1,463,560	1,709,250	1,161,970
Other transactions initiated on the floor—					
Total purchases	April 7	406,940	327,790	362,210	206,290
Short sales	April 7	39,990	25,000	21,860	6,400
Other sales	April 7	409,510	316,200	326,040	201,370
Total sales	April 7	449,500	341,200	347,900	207,770
Other transactions initiated off the floor—					
Total purchases	April 7	633,258	580,972	690,430	385,880
Short sales	April 7	93,720	94,870	97,180	60,270
Other sales	April 7	806,002	671,751	764,521	445,394
Total sales	April 7	899,722	766,621	861,701	505,664
Total round-lot transactions for account of members—					
Total purchases	April 7	2,921,828	2,305,352	2,817,890	1,752,830
Short sales	April 7	537,010	392,030	431,810	256,560
Other sales	April 7	2,675,562	2,179,351	2,487,041	1,618,844
Total sales	April 7	3,212,572	2,571,381	2,918,851	1,875,404
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	April 24	113.7	113.5	112.9	110.4
Farm products	April 24	88.6	88.0	87.4	92.8
Processed foods	April 24	101.2	100.7	100.1	102.8
Meats	April 24	77.5	76.6	73.8	84.1
All commodities other than farm and foods	April 24	121.4	*121.3	120.8	115.8

*Revised figure. ¶Includes 754,000 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. ‡Corrected figure.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of March (in thousands)	$189,804,000	$162,087,000	$178,924,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of February (millions of dollars):			
Manufacturing	$46,800	*$46,300	$43,300
Wholesale	12,500	*12,400	11,700
Retail	24,200	24,100	22,400
Total	$83,500	*$82,800	$77,300
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Consumed month of March	916,396	760,590	893,238
In consuming establishments as of March 31	1,730,102	1,759,389	1,869,607
In public storage as of March 31	15,462,034	16,524,478	11,855,428
Linters—Consumed month of March	151,622	152,625	136,616
Stocks March 31	1,250,523	1,500,113	1,797,192
Cotton spindles active as of March 31	19,350,000	19,418,000	19,365,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on March 31	21,997,000	21,971,000	22,390,000
Spinning spindles active on March 31	19,350,000	19,428,000	19,365,000
Active spindle hours (000's omitted) Mar. 31	11,740,000	9,653,000	11,485,000
Active spindle hours per spindle in place Mar.	469.6	481.7	459.4
EMPLOYMENT AND PAYROLLS—U. S DEPT. OF LABOR—REVISED SERIES—Month of March:			
All manufacturing (production workers)	13,199,000	*13,229,000	12,778,000
Durable goods	7,679,000	*7,703,000	7,375,000
Nondurable goods	5,520,000	*5,526,000	5,403,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	106.7	*107.0	103.3
Payroll Indexes (1947-49 Average=100)—All manufacturing	158.4	*157.9	146.6
Estimated number of employees in manufacturing industries—			
All manufacturing	16,807,000	*16,821,000	16,201,000
Durable goods	9,761,000	*9,775,000	9,323,000
Nondurable goods	7,046,000	*7,046,000	6,878,000
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of March:			
Contracts closed (tonnage)—estimated	365,517	*331,497	285,434
Shipments (tonnage)—estimated	306,760	*285,380	227,789
LIFE INSURANCE PURCHASERS—INSTITUTE OF LIFE INSURANCE—Month of February (000's omitted):			
Ordinary	$2,588,000	$2,445,000	$2,194,000
Industrial	524,000	450,000	544,000
Group	595,000	847,000	620,000
Total	$3,707,000	$3,742,000	$3,358,000
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of February (millions of dollars):			
Inventories—			
Durables	$26,941	*$26,590	$24,028
Nondurables	19,859	*19,709	19,228
Total	$46,800	*$46,299	$43,256
Sales	27,165	*27,023	24,649
MONEY IN CIRCULATION—TREASURY DEPT. As of Feb. 28 (000's omitted)	$30,163,000	$30,228,000	$29,817,000
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of March:			
Total number of vehicles	689,984	663,586	894,597
Number of passenger cars	583,169	560,924	791,280
Number of motor trucks	106,381	102,384	102,992
Number of buses	434	278	325
NEW YORK STOCK EXCHANGE—As of March 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debt balances	$2,817,297	$2,774,420	$2,700,929
Credit extended to customers	31,334	34,499	48,556
Cash on hand and in banks in U. S.	342,027	340,905	335,933
Total of customers' free credit balances	959,837	913,175	1,022,005
Market value of listed shares	223,887,163	209,558,874	175,806,386
Market value of listed bonds	103,832,165	105,443,575	104,348,807
Member borrowings on U. S. Govt. issues	75,611	83,103	87,677
Member borrowings on other collateral	2,341,533	2,355,166	2,017,179
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of February (in billions):			
Total personal income	$313.1	*$312.7	$293.2
Wage and salary, receipts, total	216.0	*216.2	200.3
Commodity producing industries	93.8	*94.1	86.3
Distributing industries	57.3	*57.3	53.0
Service Industries	28.7	*28.6	26.7
Government	36.2	*36.2	34.3
Less employees contribution for special insurance	5.7	5.7	5.0
Other labor income	7.2	7.2	6.8
Proprietors and rental income	49.5	*49.2	48.8
Personal interest income and dividends	28.3	*28.1	25.3
Total transfer payments	17.8	17.7	17.0
Total nonagricultural income	298.8	*298.6	277.7
PORTLAND CEMENT (BUREAU OF MINES)—Month of January:			
Production (barrels)	21,440,000	23,075,000	20,223,000
Shipments from mills (barrels)	13,273,000	16,979,000	13,314,000
Stocks (at end of month—barrels)	25,456,000	17,536,000	23,437,000
Capacity used (per cent)	85	91	81
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914=100—As of March 15:			
All farm products	230	226	243
Crops	239	231	243
Commercial vegetables, fresh	290	244	262
Cotton	267	262	269
Feed, grains and hay	174	173	198
Food grains	223	220	239
Fruit	211	212	204
Oil-bearing crops	245	239	264
Potatoes	196	175	200
Tobacco	453	452	437
Livestock and products	221	220	243
Dairy products	250	256	248
Meat animals	221	215	260
Poultry and eggs	187	188	199
Wool	224	226	281
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of February (000's omitted):			
Exports	$1,343,000	*$1,276,200	*$1,237,400
Imports	1,078,000	*1,072,900	*849,800

A. L. McDougal, Jr., With Herbert J. Sims & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Alfred L. McDougal, Jr. has become associated with Herbert J. Sims & Co., Inc., 39 South La Salle Street. Mr. McDougal was formerly an officer of Municipal Securities, Inc. and was a partner in McDougal and Company.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Me.—Sidney R. Gordon has become associated with King Merritt & Co., Inc., Casco Bank Building. He was previously with Jay W. Kaufmann & Co. and Keller & Co.

Joins Courts Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—William R. Porterfield has been added to the staff of Courts & Co., 11 Marietta Street, Northwest, members of the New York Stock Exchange.

With Sellers, Doe

(Special to THE FINANCIAL CHRONICLE)

AUGUSTA, Ga.—F. S. Boyer is now with Sellers, Doe & Bonham, Marion Building.

With Hill Brothers

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—William H. Mansfield is now with Hill Brothers, Security Building, members of the New York and Midwest Stock Exchanges. Mr. Mansfield was previously with Dempsey-Tegeler & Co.

Form Oil Investors

Oil Investors, Ltd. has been formed with offices at 276 Fifth Avenue, New York City, to engage in a securities business. Officers are Robert B. Keljikan, President and Secretary; and John G. Keljikan, Vice-President and Treasurer.

Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—When it comes to a sharp eye for a fast buck, these guys in the government lending agencies have really got it.

In fact, they really make pikers out of those poor, benighted individuals who get yanked every few days before a Congressional investigating Committee and get exposed and consequent big play in the metropolitan dailies, for snitching a few thousand bucks out of the public trough for steering a cap or clothing contract. The government guys figure out ways to con the Treasury out of funds in the magnitude of $100 million—but that isn't news.

There is a distinction, however. When an individual takes a bribe, that is clear individual graft, free and clear to the extent it is not reported on the income tax return and Uncle deprived of his cut. When the well-preserved and fed lads in the lending agencies dig a little diversion channel for some $100 million from the Treasury, that is not legally and directly individual graft. In fact, it is proposed by act of Congress to make it strictly Supreme Court-proof legal.

To be sure, the boys in the lending agencies have life that much easier. They are that much farther ahead in the competition with the tax-paying privately-owned banking institutions. The business of these blokes in the protected government institutions goes up. Their life is even more secure. And with more business goes promotions and in this roundabout way, more money.

Farm Credit "Merger"

The beginnings of this story go back 21 years ago when under Henry Morgenthau, Jr., as Governor of the Farm Credit Administration and President F. D. Roosevelt, Congress passed the Farm Credit Act of 1935.

That Act envisioned a great dream of setting up a nationwide system of production credit on a cooperative basis. A group of 12 institutions known as "production credit corporations" were set up just to seed and cultivate these local production credit associations, cooperative in nature, in that they would cooperate in getting money under Federal subsidy.

The scheme worked very well, especially in that the seed planted consisted of the nice green stuff. The 12 production credit corporations had $120 million of this seed stock. Their successful method of farm finance horticulture consisted of setting up these local farmer production credit associations scattered all around the land, and depositing in each a nice chunk of government bonds. The PCA's clipped the coupons and lived thereon until they got established with some money of their own.

Meanwhile the PCA's have been flourishing, what with exemption from the corporation income tax and a tap on the money markets of the land through the government-capitalized Federal intermediate credit banks and have paid back something between 90% and 100% of the dough sunk into them 21 years ago by the Treasury through the PCC's.

Along Came Hoover

Then along came Hoover with his Commission. He said that the government should get rid of unnecessary institutions. Inasmuch as about the only remaining function of the production credit corporations was to supervise the local production credit associations; in other words, examine and/or wet nurse them, the PCC's were not necessary. In a great concession, Mr. Eisenhower and the Farm Credit Board approved. The PCC's are to be abolished and are to be merged with the Federal intermediate credit banks.

Resemblance Stops

At this point any practical resemblance with the recommendations of the Hoover Commission comes to an abrupt end.

The Hoover Commission said that lending agencies with Treasury capital in the agricultural field should repay this Federal capital gradually over the years. The only part of the admonition the Farm Credit Board took seriously was the "gradual" part of it. In the first place, the bill provides for the repayment of only a part of the Federal capital, and then in such a painless, contingent method (except for an initial small token payment by the PCA's) that even R. B. Tootell, Governor of the Farm Credit Administration, admitted it would take something up to 30 years.

However, the large surplus earned in a generation of operations on the use of Federal capital, (FICB's antedate the 1935 Act) would remain put in the system. And then the capital would be retired and it wouldn't be retired. Some $160 million would remain as a contingent fund which could be drawn at the demand of the Farm Credit Board to further fertilize "cooperative credit."

Add to Revolving Fund

This, incidentally, is $30 million more than is at present available for the purpose. Without relating the abstruse technicalities, the repayment method works out on an arithmetical ratio of about this: Farm Credit Administration could not merely eat its cake and have it too; it could eat it and have something like three cakes.

PCA's in relation to the Farm Credit Administration are in one respect like national banks in relation to the Comptroller of the Currency. The one is supervised by the latter, or examined. Banks pay for the expenses of examination. The FCB would provide that the Treasury-created surplus earnings could be used to pay for expenses of supervision and examination to help the poor PCA's, as cooperatives exempt from income taxation, from falling down miserably on the job of helping the poor farmers get credit.

Eventually Gov. Tootell hopes that the intermediate credit banks can siphon credit from the money markets and pass it on to the PCA's with all this splendiferous increase in capital, on a margin of 0.1% over what it pays the market, or put the PCA's on a par or better with General Electric and AT&T, versus a margin of 0.4% on the average, in the past. It's a great day coming up for the small or medium-sized bank, the object of such current great solicitude in the passing of the Bank Holding Company bill, when it not only has to pay the market freight, but taxes and operating expenses as well in competition with this growing government-sponsored credit empire.

An Analogy

In many respects this suggests an imaginable plan for commercial banks to raid systematically the resources of the Federal Reserve System. Abstruse as it is, such a scheme, never concocted, would despite its technicality, be sure to rate a column nationally by some Drooley Fearsome, and would be damnated on the floor of the Senate by the Champions of the People, if any one ever did dare to try it.

Of course the thing will largely get through because very few members of even the committees on agriculture can comprehend the ins and outs of the proposal. The delicious thing about Gov. Tootell's explanation of the bill, a magnificent exercise in obscurantism, is that its disorganized and highly technical explanation of the bill, using most profound language, flatters the members of Congress. It would be a rare Congressman who would admit his ignorance and pipe up and say: "Governor, just what in the heck are you talking about?"

And the less Congressmen can understand what they are doing, the better the chance of its passing the thing.

Some Objections

Not that it will all pass, necessarily. The Administration has some objections.

For instance, the Farm Credit Board proposed that it exempt itself, despite its huge Federal capital, from budgetary controls.

Second, the bill was rigged so that in the event of liquidation of the intermediate credit banks, their surplus earned with government capital would go to the eventual "owning" PCA's rather than to the Treasury.

Third, the Eisenhower Administration did not want to increase the revolving fund callable from the Treasury from $130 million to $160 million.

Favors Subsidy

If amended on those three points, the bill has the blessing of the economy-minded, get the government-out-of-business Eisenhower Administration. The Director of the Budget expressly agreed with the philosophy of subsidy contained in the bill, declaring that "we have no objection to donating the present surplus and reserves of the production credit corporations and the Federal intermediate credit banks to the merged institutions as a Federal subsidy."

A "Hoover Accomplishment"

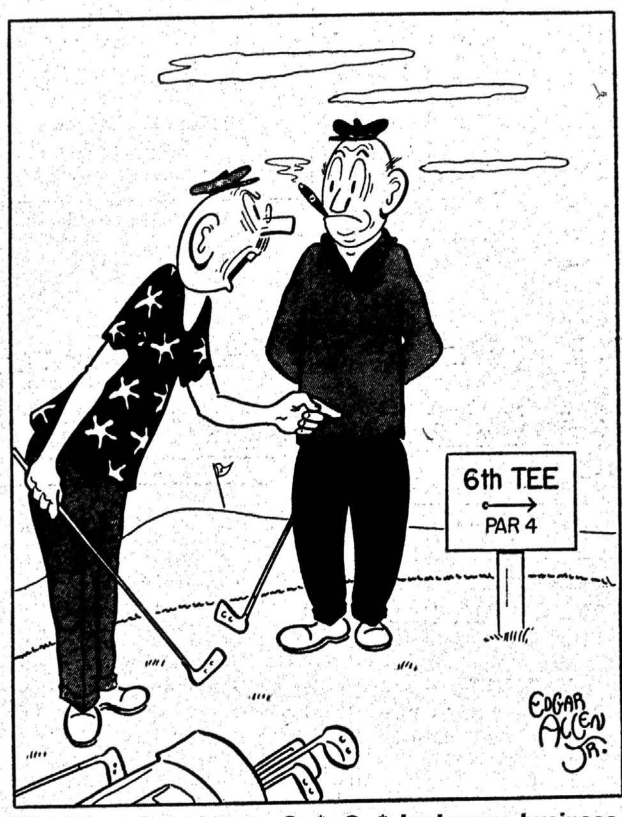
One thing one can be as sure of as that the sun will rise each day: If the Farm Credit Board's bill passes, it will be cited as a "carrying out of the Hoover Commission recommendations in the agricultural credit field." It will be so cited in the political campaign.

All that it has in common with the Commission recommendations is that it seemingly kills off the PCC's, merging them on an ennobled and easier financed basis with the FICB's.

In this respect it will be a statistic, another Hoover Commission "accomplishment." It will have as much in common with the Hoover Commission recommendations as a bawdy house has with a cathedral: Both reportedly have roofs.

[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



"Can't you forget your @ * @ * brokerage business for two minutes?—It's par four—not par VALUE four!"

COMING EVENTS

In Investment Field

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 15, 1956 (New York City) Cashiers Division Association of Stock Exchange Firms 8th Annual Wright Memorial Golf Tournament, at Leewood Golf Club, Crestwood, N. Y.

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 4, 1956 (Chicago, Ill.) Midwest Stock Exchange annual election.

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.