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EDITORIAL

As We See It

In reply to a direct question, Russia's blunt Khrushchev is reported recently to have said in effect that he and his confreres were quite sincere in their belief in "peaceful coexistence," but that their concept of peaceful coexistence was a competitive coexistence—competitive, that is, in the realm of peace or at least short of war. They believe, so Mr. Khrushchev is said to have added, that they have a superior economic and social system and that they intend to do all they can within the frame work of peace to see that it demonstrates its superiority by ultimately pushing the so-called free enterprise system off the map. This profession, for the once in the case of the Soviets, seems to conform very well with the actions of the Kremlin. At any rate, the so-called Western World, particularly possibly the United States, appears to have come to the conclusion that this is precisely the strategy of the Kremlin under its new leadership. Planning ways of meeting the challenge thus thrown down appears accordingly to be absorbing a large part of the attention of a large part of the non-communist world at this time.

We do not believe that there are many readers of the *Chronicle* who would agree with the Russian master mind about the relative merits of the communistic system and what we like to term the free enterprise system. We are certain in our own minds, and we are confident that the vast majority of our readers are sure, that given a fair field and no favor the American system of individual freedom and private initiative would prove so far superior to the authoritarian system of the Kremlin that it would have to be called

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Role of Monetary Policy in Creating a Stable Economy

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

Mr. Martin describes Board's policy of letting supply and demand for credit be reflected in market rates of interest in order to prevent borrowers from crowding banks with loan demands on a scale greater than average normal growth. Enunciates five basic considerations entering into monetary policy decisions: (1) recognition of Treasury needs and responsibilities; (2) meeting business seasonal needs; (3) relating growth in money supply to economy's growth; (4) adjusting to psychological changes, and (5) counteracting inflation or deflation. Reiterates Board's limitation in keeping economy prosperous without inflation.

More than a generation ago, President Wilson explained that his passionate belief in democracy stemmed from the reason that this form of social organization, with its emphasis on freedom and opportunity for the individual, "releases the energies of every human being."

W. McC. Martin, Jr.

As this occasion falls in the year when the memory of Woodrow Wilson is being honored on the 100th anniversary of his birth, it seems fitting to recall that remark—especially so for one who serves in the Federal Reserve System, which President Wilson helped to establish.

It seems to me that Mr. Wilson's observation helps to explain a great deal about American history in the interval since he made the remark: How we have survived great military perils and moved to higher rank among the nations of the globe; also, how we have survived great economic

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*An address by Mr. Martin before the 62nd Annual Convention of Pennsylvania Bankers Ass'n, Atlantic City, N. J., May 4, 1956.

Nearing Boom's Peak?

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

Professor Slichter finds savings problem confronting the economy is opposite that envisaged by Keynes. Foresees continuation of present horizontal business movement until fourth quarter when slowly rising production and expenditures in all principal categories except inventories will set in—providing restrictive credit policy is changed to allow above seasonal bank credit growth. Discusses: (1) planned plant and equipment expenditures; (2) unions and slowly rising prices; (3) maintenance of employment level requiring $13 billion increase in GNP, and (4) the fall in farm products prices preventing a rise in wholesale price index.

I

The Extended Horizontal Movement of the Principal Economic Series

For the last few months the economy has been going through an extended horizontal movement. There was virtually no change in the Gross National Product between the fourth quarter of 1955 and the first quarter of this year. The dollar figures show a rise of around four-tenths of 1%, which is not enough to indicate real change. When allowance is made for the fact that the figures on services and investment are based upon slightly higher prices in the first quarter of 1956 than in the preceding quarter, one reaches the conclusion that output in the first quarter of 1956 was probably slightly less than in the last quarter of last year.

Sumner H. Slichter

Industrial production, factory billings of goods, retail sales, and total expenditures on fixed private investment are all series that have been moving horizontally since last September or earlier. In addition, there has

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*An address by Prof. Slichter before the 4th Annual Business Executive Conference, University of Oklahoma, May 3, 1956.

STANY PICTURES IN SECOND SECTION—Candid shots taken on the occasion of the 20th Annual Dinner of the Security Traders Association of New York at the Waldorf-Astoria, appear in the Second Section of today's issue.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

J. I. McDOWELL
Partner, McDowell, Diamond & Co., Providence, R. I.

Providence Washington Insurance Co.

In looking around for undervalued issues it might be well to heed the old saying that "Every calamity can also be an opportunity." With this thought in mind, my present choice for the "Security I Like Best" would be Providence Washington Insurance Company which currently has a market price of $25 per share.

J. Irving McDowell

Providence Washington Insurance is one of the oldest companies in the country writing multiple line insurance and had a long and honorable record until the last few years when it was hit with a combination of inferior management along with the disastrous hurricanes which hit the Atlantic seaboard in 1954. As a result of its dismal underwriting record, a new management took over in 1954 and initiated a complete overhauling of the organization. Expenses were reduced drastically, including a drop in the number of employees from 985—1953; 817—1954, to 736 in 1955, while at the same time its underwriting policies were completely revamped. It then looked as though the company was turning the corner until the most unusual combination of "Carol," "Edna" and "Hazel" in the fall of 1954 forced losses of $8,550,000 upon it. While this amount was cut by re-insurance to $4,415,000 net it was, nevertheless, a severe body blow. Had the company not been hit with this combination, it would have shown a percentage for losses plus loss expenses incurred of 53.6% of earned premiums in that year instead of 70.1%, and the underwriting end would have had a statutory underwriting profit of $854,978.

It is gratifying to note that the management has now applied corrective measures against inadequate re-insurance and in 1955 has further tightened its belt in the matter of its expense ratios, as Table I will show.

Providence Washington shares ended 1955 with a book value of $44.16 as against a figure of $42.91 for 1954, a startling recovery indeed when one considers the short time that the new management has been at work. At its present price of $25 the stock is selling at a discount of over 43% from its liquidating value. This discount is far in excess of the average prevailing for other representative companies in the insurance field.

Some idea of the way the stock has over-discounted its troubles may be gained from the fact that since 1946 the shares are down from a high of 43½ to 25, a 43% drop in market value, while the liquidating value was declining from $52.96 to $44.16 per share or a decline of only 17%. These figures would indicate a clear case of over-discounting adversity, without at the same time giving any reflection to the marked improvement which is already under way.

From the earnings standpoint the group showed an operating profit of $1,173,695 for 1955, this figure being composed of $1,150,694 from net investment income and a statutory underwriting profit of $23,001. The investment income alone works out to $2.48 per share so that the stock is selling at just about 10 times investment earnings as against an average for the industry of well over 15 times earnings. With an uninterrupted dividend record since 1907 it would be hard to find very many quality stocks at such a generous discount from book value as well as with such a modest capitalization of its present earnings.

Moreover, the high quality and defensive character of the securities in its portfolio would most certainly stand the company in good stead should there arise any period of decline in the stock market. (See Table II)

Also, there is good reason to believe, according to scientific prognostications, that the peak of hurricane cycles for the Northeastern States has been reached and will be of less intensity from now on. Even if this were not so, many remedial steps have already been undertaken by the government, as well as local authorities, to prevent a repetition of such enormous damage as has been recently experienced.

History will show that the leading insurance companies over a long period of time have always grown bigger and better in spite of the hazards to which they have been exposed. More and more insurance is being written all the time as new needs develop, and an investor does have the satisfaction of knowing that insurance, unlike competitive industrial products, is an indispensable service for which no known substitute has yet been found.

While there is no immediate prospect of a raise in the dividend rate of $1, the shares of Providence Washington Insurance Company would certainly seem to offer the patient investor far more than average value for his money.

The security is unlisted and I believe the shares of the Providence Washington Insurance Company are suitable for trustees, insurance companies, banks and conservative investors.

TABLE I

	1955	1954	1953
Net premiums written	$24,669,562	$24,786,152	$25,894,053
Underwriting expenses other than commissions and taxes	4,233,171	4,910,293	5,418,416
Ratio of all underwriting expenses to written premiums	44.3	48.2	48.5
Ratio of losses and loss expenses to earned premiums	57.7	70.1	63.1
Policyholders' surplus—Convention value basis	14,481,079	12,735,745	13,275,354
Ratio of policyholders' surplus to unearned premium reserve	68.5	56.9	54.3
Net profit per common share (before income tax)	2.58	(2.15)	(2.10)
Net profit per common share after allowance for change in unearned premium reserve equity (before income tax)	1.30	(4.25)	(4.08)

TABLE II

	1955	
Bonds		
United States Government	$9,827,510	25.8%
New Housing Authority	2,724,860	7.2
State and municipalities	8,314,900	21.8
Canadian and other	1,464,071	3.9
Total	$22,331,341	58.7%
Preferred Stocks		
Railroad	$416,500	1.1%
Public utilities	2,754,200	7.2
Banks and insurance companies	168,000	0.4
Industrial	4,400,050	11.6
Total	$7,738,750	20.3%
Common Stocks		
Public utilities	$2,955,720	7.8%
Banks and insurance companies	1,260,043	3.3
Industrial and miscellaneous	3,768,195	9.9
Total	$7,983,958	21.0%
Total investment securities	$38,054,049	100 %

SIDNEY R. WINTERS
Partner, Abraham & Co., N. Y. City
Members New York Stock Exchange and Other Leading Exchanges

Arkansas Louisiana Gas Company

In a speech before the New York Security Analysts made in January of this year, the President of Arkansas Louisiana Gas Co. referred to changes which have taken place in the company's status since the acquisition of control in December of '54 by prominent local interests, as "The New Look." An examination of the annual report for '55, the first year of operations under the guidance of the new controlling interests, leaves no doubt but that there is a "new look" to this picture. Tremendous progress has been made in a relatively short span of time and in my opinion this is only the beginning of a long period of growth ahead.

Sidney R. Winters

Arkansas Louisiana is an integrated natural gas company, engaged in the production, purchase, gathering, processing, transmis-

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Growth Prospects of TV and The Role of Advertising

By ROSS D. SIRAGUSA*
President, Admiral Corporation

Admiral Corporation head predicts 100 million TV sets will be sold in next decade—double the first 10 years' record—and assigns to the marketing and advertising profession the task of influencing mass consumer market to buy more high standard-of-living products, in receiving the Advertising Club's Award for Achievement in the field of printed circuits and automation. Personal TV sets are seen as the major factor in sales boom which is expected to amount to 1.5 to 2 million sets during 1956. Anticipates a vast overseas market for the lightweight receivers. Points out the industry is second in size only to the automobile industry among the consumer durable goods lines.

I feel that I have a strong common bond with this audience. One of my primary responsibilities in our company since it was founded 22 years ago has been marketing and, with it, of course, advertising. So even though I have never been officially designated as an advertising man, I am at least an ex-officio member of your fraternity. Certainly I have first hand knowledge of the trials and tribulations as well as an understanding based on experience of the deep satisfaction that comes from the creation and execution of a successful advertising operation.


Ross D. Siragusa

Advertising Creates Demand

At Admiral we have always believed that advertising was a means for creating demand rather than merely a method of obtaining sales when people were in a buying mood and business was good anyway. In the 10 postwar years from 1946 to 1955, we backed this conviction with advertising totaling $100 million. Large as that sum is, it is minor in comparison with our sales in the decade, which exceeded one and one-half billion dollars. This investment in advertising, in addition to playing a prime part in moving that huge volume of merchandise, advanced the Admiral brand from comparative obscurity to its present standing.

More than one-half of the entire advertising expenditure in behalf of Admiral has been in over 1,500 newspapers throughout the nation. The balance has been spent in national magazines, trade magazines, television and radio, outdoor billboards and spectacular signs in metropolitan centers. I don't think there is any media we haven't used except possibly smoke signals.

As advertising specialists, I hardly need tell you how all-important the establishment of a brand name is in marketing television and radio and major household appliances. It has been many years since buyers in this country parted with several hundred dollars for a capital asset for their homes carrying an unknown brand. Today, the same trend is becoming increasingly evident in marketing even the least expensive items.

Because of this fact, and because of the ever rising intensity of competition, I think one of the surest predictions one can make is that advertising will continue to grow faster than the economy as a whole. The money invested in advertising rose almost 200% between 1946 and 1955, while the nation's output rose 85%. I look for a continuance of this relative rate of gain for the foreseeable future. Not only are we producing more and more goods, but an increasing percentage of our output is in high standard of living products which consumers can subsist without. It is estimated that currently as much as one-third of the nation's production is in the category of optional purchases. Influencing the mass of consumers to decide to buy is the big job facing marketing and advertising today.

The electronic and appliance industries will have an even greater need for advertising and promotion in the future than they have in the past. Both industries are continually developing new products and obsoleting old products with greatly improved models.

Size of Industry

While many of you may not be directly interested in the television and appliance industries, they bulk large enough in the economy that their future course has a bearing on practically every other line of business. These two industries, which last year accounted for eight billion dollars of business at retail, are, in fact, second in size only to the automobile industry among the consumer durable goods lines.

I should begin by telling you that at Admiral we are optimistic for the appliance and television industries for the balance of this year and very optimistic for the interim and long-term future. Both will contribute their full

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*An address by Mr. Siragusa before the Advertising Club of Washington, Washington, D. C., April 30, 1956.

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Retooling for the Atomic Age and Increased Foreign Spending

By HARRY A. BULLIS*

Chairman of the Board, General Mills, Inc.

Noting that we are in an economic cold war of the atomic age, and that the Soviets know that a nation's destiny is determined by trade, Mr. Bullis believes our attempts at foreign aid and private investment abroad have been inadequate and, unless increased no matter the inconvenience to ourselves, will create an economic vacuum into which will quickly flow Russian economic penetration and political infiltration. To maintain our freedom, Mr. Bullis suggests it would be suicidal for us to underestimate this Communist economic trade and credit challenge even though we know it is evil, packed with lies, and based upon slave labor production.

For many years now I have been an economic optimist. This means that even in periods of downturn, I have never for a moment doubted America's power to develop the strongest and most dynamic economy known to man. Our recent history, spelled out in terms of payrolls and incomes, has more than justified that faith.

Harry A. Bullis

Now, as a confirmed economic optimist, I face this awesome era called the atomic age with confidence, tempered with realism and with the belief that some degree of wholesome fear of the future can be a positive influence.

When we speak of retooling for the atomic age, we are apt to regard it as a problem in higher mathematics to be solved on the drawing board. We tend to overlook the social changes it will demand, among them perhaps the uprooting of many of our deep-seated cultural prejudices. Instinctively, we will resist drastic change. We will try to retard, rather than take advantage of, the atomic forces that must upset the status quo. That is why I said that some degree of fear of the future can be a wholesome influence. Intelligent, fully realized fear of the forces to be loosed in the future must become one of the dynamic factors in our plans for retooling for the atomic age. It is the force that will jar us out of our social rut.

Let's consider the phrase "retooling for the atomic age." Let's define just what it may mean to us today, to our families and our business.

Economic Competition

First of all, in my opinion, retooling for the atomic age means reshaping today's economy for the war that is on—not a shooting war. The atomic stalemate between Soviet Russia and the United States is keeping the bombs in reserve. But there is a war—a war for survival between communism and democracy, an economic war that is ruthless and ferocious.

Soviet Russia is out to strike us where it hurts—in the pocketbook. Once she has won in the economic area, she counts on easy victory in the political arena.

The Russian big guns and jet fighters in this economic war are trade and credit competition. Threats of military penetration for the moment are soft-pedalled. Instead, they are determined to shatter free world patterns of trade and international relationships, hoping thus to weaken us. The Soviet economic and political penetration into other nations, particularly into less-developed countries, is designed to bring the United States to its knees. Full well do the Soviets know that the destiny of nations is determined by trade.

During the past six months, Russia has been putting on pressure. They have penetrated countries which are politically unstable and whose people are inflamed with nationalism, countries staggering under low standards of living and financial woes. To these less-developed nations the Communists are offering economic aid, loans on unrealistic terms, trade and in addition, arms.

These are not normal commercial relations in the historical sense. They are offered at the expense of the Russian slave labor economy, a system whereby each human being exists solely for the benefit of the colossus of state. The monies and credits are offered on the classic Marxian dogma that the end, which is world domination, justifies the means of getting there. Above all, they are designed to upset economic relationships in the Free World, to alienate millions of people from the ideal of democracy. With every cent of this cut-rate interest, goes a dollar's worth of political penetration.

Let us admit that the Soviet Union's tactics are immoral, deceptive, supercharged with political guile; that their entire scheme of living and propaganda is based on godlessness and slavery. But the fact remains that Soviet Russia is still our number one economic rival. And the outcome of this long trade competition for the less-developed countries will very likely determine which way, communistic or democratic, the world will go.

All of us here today, businessmen and industrialists, have a fairly clear idea of what the Soviet policy is, how it is being applied and where. We are beginning to feel the pull. We can guage the political consequences. But I think too many of us are so busy hating and fearing communism, that we are a little fuzzy about what we have to do to combat these forces. You know the story about the two phychiatrists who met on the street. One said to the other, "Hello, you are fine. But how am I?"

I think that story applies here. We know about Russia's plans in the economic war. But we seem a little ignorant about our own industrial health and national state of mind.

Can We Afford Foreign Aid

Economically, we are doing all right in our nation. In 1946 our Gross National Product was $209 billion, equal to about $290 billion in present-day dollars. This year it will be $400 billion, 40% higher. Ten years ago we were producing steel at the rate of 83 million tons annually. This year it will be 128 million tons.

Signs point now to a balanced budget in the near future. In each of the past three years, our Federal Government has collected in taxes a sum almost as large as Soviet Russia's total gross national income. Yet our taxes are not killing us.

The percentage of Soviet national income devoted to military expenditures far exceeds the percentage of our income devoted to armament purposes together with foreign aid. All this should reinforce our faith in a free economy.

It is going to cost us money to fight the economic war with Russia. Yes, billions of dollars. But we have the substance and production techniques to do it. To win, however, we need more than that.

We Cannot Live Alone

First, I think, we must accept the basic fact that we do not live alone in the world—or that we can live alone in the world. It is not enough for free enterprise to prosper in the territorial United States. We cannot afford to permit half of the earth's population to be economically sick. Less-developed countries lack the economic vitality to resist the bullying of the Soviets, especially when threats are disguised in easy credit and empty promises.

Our course is clear. To meet this evil, we must spend more

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*An address by Mr. Bullis at the 44th Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., May 1, 1956.

Observations . . .

By A. WILFRED MAY

CONFUSION UNCONFINED

"What the Senate requires and what the country requires is an independent evaluation of all foreign aid as a factor in American foreign policy." This statement by Senator Mike Mansfield, Chairman of a Foreign Relations subcommittee currently reporting on our technical assistance programs, surely represents the one clear conclusion emanating from the foreign aid area of discussion.

A. Wilfred May

In his desperate quest for a concrete foreign policy issue to bulwark the vague anti-Dulles-Eisenhower carpings, candidate Stevenson has hopped on to Henry Wallace's 1948 campaign plank of demanding that our foreign economic aid be distributed through the United Nations, instead of direct giving by the U. S. as the donor. "We should try to remove economic development from the arena of the Cold War. . . . Our first purpose is human betterment and anything less is a by-product," was Adlai's pronouncement via the American Society of Newspaper Editors' meeting of a fortnight ago. (How this contention by the Democrats' titular head reconciled with his equally vociferous castigation of the Administration, in the same speech, for "presiding over the reduction in our armed strength," and for "having 'lost' a clear margin of military superiority in the field of air-atomic power," is a bit difficult to understand.)

Incidentally this Wallace-Stevenson tack not only contradicts President Eisenhower's desires, but also the principles of Mr. Truman, who as President insisted that we retain control of the Marshall Plan outlays, and of the Point Four distributions.

Intra-Administration Conflict

Unfortunately the plethora of differing views and conflicting policy recommendations cannot merely be written off as a partisan by-product in an election year, but are running rife between key officials within the Administration—from the President down.

In his news conference of last Friday the President (agreeing with the basic principle of the Truman Doctrine cited above) most decisively expressed his disapproval of transferring any substantial part of the United States foreign aid program to the United Nations. Because of the world organization's politick-ing, said Mr. Eisenhower, as a practical matter, foreign aid must be continued to be carried out through bilateral arrangements.

Ambassador Lodge's Dissent

On the other hand, in direct contradiction of his Chief, none other than his top-level key official, the United States Ambassador to the United Nations, Henry Cabot Lodge Jr., has endorsed Mr. Stevenson's opposition policy. In a formal statement on the value of multilateral assistance in comparison with bilateral, the President's emissary gave his conflicting views as follows:

"Multilateral aid offers a way to prevent the so-called 'auction' which some are trying to promote between the United States and the U.S.S.R. as to which will spend the most in an underdeveloped country.

"A multilateral program supplies no cover for engaging in political penetration, which is what the communists do and which we are unjustly suspected of wanting to do. We thus get credit for unselfish motives in contributing to such a fund; yet we can influence it constructively.

"The percentage which a country like ours contributes to a multilateral program is less than it would be under a bilateral program because more countries are sharing the expenses. . . ."

And this advocacy of United Nations-channelling is being vigorously seconded by Ambassador Lodge's associates at the World Organization. Thus Dr. John C. Baker, U. S. Representative in the Economic and Social Council, in a press interview last week raised the danger of insulted recipients' resentment against Uncle Sam as a "self-aggrandizing" individual giver.

The Road to Self-Depreciation

What a far cry this self-abnegating attitude is from that at the initiating of the Point Four program. Although promulgated by President Truman in his Inaugural Address of 1949 as a "bold new program," and widely regarded as an epochal give-away move, its proponents still displayed the audacity to assume some *quid pro quos;* as conformity with the purpose "to promote the foreign policy of the United States." Far from suffering from guilt feelings with obligations for apology, we then had the "temerity" frankly to envisage—and proclaim—some practical return, as restoration of balance in international payments, encouragement to our private investors (possibly encompassing government guarantees), and the like.

At that time the President, the State Department, and the Congress firmly proceeded under the insistence that the proposition was to be a strictly U. S. affair. Accordingly, the implementing

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The State of Trade and Industry

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

Over-all industrial production for the country-at-large in the period ended on Wednesday of the past week continued at a high level. Output registered noticeable improvement over that of the similar 1955 week with production of steel, electric power, automobile and petroleum sustained at or close to the peak of the preceding week. Moderate increases were noted in the lumber, paperboard and coal industries.

Initial claims for unemployment insurance declined 10% the past week and were 13% below the corresponding level a year ago. The most noticeable decreases occurred in New York, Illinois and Pennsylvania, where there were fewer layoffs in mining, trade and manufacturing.

In the week ended April 28, first claims for state jobless pay dropped by 2,400 to 200,400, the Government reported.

The Labor Department's Bureau of Employment Security said the decline in first claims, which reflect lay-offs, was reported by 36 states. Cutbacks in the auto industry were offset by seasonal employment gains in apparel, leather goods and food processing.

First claims for unemployment insurance benefits a year ago totaled 207,800.

In the week ended April 21, the total of workers drawing jobless pay declined by 57,200 to 1,323,500, due to a pickup in the outdoor activities and seasonal industries. The total a year ago was 1,474,300.

The Labor Department said reports from seven states with more than 75% of the nation's auto workers showed 18,000 new layoffs and 6,000 recalls in the week ended April 28. This represented a net increase of 12,000 in lay-offs and brought to 137,000 the number of laid-off auto workers who have yet to be called back to their jobs.

Three out of five of the 137,000 workers were from Michigan, where 84,000 auto workers were still idle at the end of that week. In second and third place were Indiana with 18,000 and Ohio with 12,000.

States with heaviest auto lay-offs in the week ended April 28 were Michigan, 10,700; Ohio, 4,200; Indiana, 1,700 and New York, 1,300.

Major recalls were in Ohio, 2,300; Michigan, 2,200 and Indiana, 900.

The stage is being set for one of the toughest steel wage bargaining sessions in recent years. Steel labor is talking big and expensive and some steel leaders are not disposed to give in without a fight, according to "The Iron Age," national metalworking weekly, this week.

Whether negotiations are settled peacefully depends on how serious labor is about going after the more expensive demands it is expected to make, particularly premium pay for weekend work. This would be costly in terms of both money and rescheduling of operations, states this trade authority.

Regardless of the outcome of the steel wage negotiations, more steel people are growing optimistic over the third quarter market outlook. While the ingot rate is expected to drop from present levels, at least part of the decline will be due to vacation, maintenance, and hot weather slowdowns, it adds.

Detroit, it points out, seems to be on the fence at the moment. Automotive steel buyers are holding off on making third quarter commitments until the last minute. Most claim their inventories are ample. A pickup in new car sales would bring a quick turnabout. The auto companies still have to place tonnage orders for 1957 model production.

Appliances are taking up a lot of the slack in sheets caused by reduced automotive buying. A Detroit steel producer that sells both to auto companies and appliance makers says it expects to be busy on sheets through the third quarter. Its deliveries continue to lag behind promises.

Several weeks after setting a new all-time high, prices of steel scrap headed sharply downward this week in most consuming areas. Price declines of as much at $3 per ton were reported. The reductions took the pressure off demands for more stringent scrap export restrictions.

In the automotive industry United States car building ebbed to the lowest level of the year a week ago as Chevrolet scheduled its first major reduction since late last February, "Ward's Automotive Reports," stated on Friday last.

On tap for the work session were 116,165 car assemblies, 8.7% below the previous week's 127,277-unit volume and lowest count since the Christmas week yield last December of 105,670 units. Truck erecting, pegged at 22,290 last week, remains relatively strong; such scheduling has ranged between 19,103 to 26,690 units weekly this year, reflecting the sales strength of the heavy-duty market, declared "Ward's."

Chevrolet, General Motors' volume producer, accounted for the bulk of last week's fall-off; the division's program called for 29,900 completions for the period compared with 37,483 in the previous week and a 32,680 to 38,919-unit range maintained throughout the first four months this year. Elsewhere, Mercury showed a slight decline indicating elimination of Saturday overtime maintained during the previous two work periods. The rest of the industry remained relatively firm.

General Motors' portion of total industry car building the past week will be 49.6%, Ford's 29.8%, Chrysler's 17.3% and the remaining producers 3.3%. "Ward's" noted that these percentages indicate a marked shift in ratios since the first quarter when General Motors garnered 55.5% of all car making, Ford 25.3%, Chrysler 14.6% and the others 4.6%.

Across the border, Canadian motor manufacturers are soaring at the best production rate in history. April car and combined

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Canadian Oil Development And Its Importance to America

By E. H. LA BORDE*

President, Canadian Homestead Oils Limited

Canadian oil producing head reviews Canadian oil developments and the Royal Commission's forecast, and finds therein evidence warranting our changing from Middle Eastern and other foreign oil to Canada as the most dependable, safest, and logical source of crude supply to augment American production. Mr. La Borde indicates the number of progressive independents in Western Canada at the threshold of vast expansion, and anticipates an investment need of close to $20 billion in next 25 years in order to continue present oil development pace.

Back in 1946 Western Canada was noted mainly for its cattle and wheat, and as a good place to go for a little hunting or duck-shooting. We used to have American visitors by the hundreds.


Edward H. La Borde

Today, in the Province of Alberta alone, there are an estimated 35,000 American citizens taking part in the greatest expansion Canada has ever seen in any industry. That industry is the oil industry.

The progress made more than catches the imagination — it staggers it. The advent of all-out exploration and development of petroleum has completely changed the economic and social life of the west, particularly Alberta, and has had a marked effect on the overall economy of Canada in general.

Oil Development Reviewed

A brief review of this progress will show graphically what a concerted effort by industry can accomplish.

This activity was sparked by the discovery of the Leduc oil field in 1947 by Imperial Oil. Prior to that Canada's crude production was 20,000 barrels per day, and this supplied 10% of Canadian requirements. Most of the oil came from Turner Valley and supplied refineries in Alberta and Saskatchewan.

*An address by Mr. La Borde before the Security Analysts of Los Angeles, Calif., April 30, 1956.

Then things started to move. During the next two years the Redwater and Golden Spike fields were discovered. Markets were needed and the Interprovincial pipeline was built from Edmonton to Superior, Wisconsin. The first year the pipeline was in operation Canadian production hit 133,000 barrels per day — nearly seven times the 1946 daily rate of production.

In 1953 the Trans-Mountain line was built westward from Edmonton to the border, and extended the next year to Puget Sound. Production still zoomed. Today, operating at half the maximum efficient rate, production is near 400,000 barrels daily, and supplying 60% of Canadian requirements, with the demand increasing 300%.

This took vision, technical skill and millions of dollars. In 1946 expenditure for exploration development and facilities was at the rate of $1 million per month. The industry spent over $500 million last year and, providing Trans-Canada Pipe Lines makes a start on its all-Canadian line, expenditures will reach some $850 million this year.

The Weatcoast Transmission line will cost $160,000,000. In conjunction with this, an $18 million gas processing plant is being built in Northeastern British Columbia.

Interprovincial Pipe Line plans 119 miles of line looping mainly on the Canadian sector, at a cost of $9 million. Alberta Gas Trunk Line, the gathering system for Trans-Canada, will cost $47 million. Trans-Mountain Pipe Line will spend $1.5 million increasing capacity to 150,000 barrels per day. It plans a new pump station at Laurel, Washington. Engineering is under way to increase capacity to 200,000 barrels daily.

The value of pipelines on the drawing board and under construction totals $595 million, not all to be spent this year, of course.

By the end of 1950 there were 2,100 wells capable of production in Canada. At the beginning of this year there were 8,588. Of these 6,261 were in Alberta, 1,700 in Saskatchewan, 566 in Manitoba and 61 in the Northwest Territories.

Well completions totalled roughly 2,900 last year and it is expected 3,500 will be drilled in 1956. In the first quarter 690 were completed, with a development success rate of 76%. The success rate for wildcat wells is 25%.

These figures show that even after the initial growth stage, which is understandably fast, the growth continues at an amazing rate.

The year 1952 saw an average of 178 drilling rigs active throughout the year. A peak was reached in March of this year when 288 rigs were actually drilling or moving to new locations.

One of the great forces behind recent growth was the discovery of the Pembina Field. Jan. 1, 1954, it had one well, a year later there were 85 and production was 6,500 barrels per day. Today there are 1,025 wells, with production normally between 80,000 and 100,000 barrels per day, depending upon market requirements. There are still some 4,000 wellsites in this vast field, and at the peak of activity some 70 drilling rigs active.

Naturally, the prosperity and bulging pay cheques from all this activity has spread far beyond the limits of the oil worker and the oil industry. The farmer continues to grow his grain and graze his cattle among the wells. He has plenty of room because well spacing ranges from 40 to 160 acres per well. The butcher, the baker and the candlestick maker have all got their share of this prosperity.

The Alberta Government is the only government in Canada, and I dare say there is not a similar government in the United States, which has cash reserves exceeding its debt. This happy state of affairs results from the sale of Crown leases and reservations and from oil and natural gas royalties. To the end of 1955, its total revenue from these sources was $456,375,000. For the past two years this revenue has been $108.9 million, and there is every likelihood the pace will be maintained.

Incidentally, there will be a land sale on the 24th of May in

Continued on page 26

Automation Helps Coal Pick Up

By IRA U. COBLEIGH

Enterprise Economist

An underground look at two companies contributing importantly and mechanically to the bulge in bituminous production.

Of the so-called fossil fuels, coal has long been the step child. Oil companies have come from modest beginnings and speculative status, to rank among our blue chip corporations. Natural gas, an infant in the 1930's, now boasts many producing pipeline and distributing corporations, whose securities bask in the sleek portfolios of our elite investment institutions. But not coal. In fact, only one company in the industry, in three-quarters of a century, has even approached the status of a Standard Oil; and that one is Pittsburgh Consolidation Coal Co. Cursed first with over-production and dog-eat-dog competition, then fiercer competition from oil and gas, aggravated by rapidly rising costs deriving from highly unionized labor—all these things have kept the business of mining soft coal an erratic and volatile trade, with the "downs" outnumbering the "ups."

Ira U. Cobleigh

But now, curiously enough when atomic energy is looming in the offing as still another competitor, soft coal has turned about and the larger units have a brighter future than in decades. Against 1954 production of 400 million tons, 600 million is predicted for 1960 and about 800 million by 1970. Why? Well, first because coal's customers are expanding faster than the national average of industrial production. For example, electric power generating is growing at an annual rate of 9%, aluminum above 10%, and nuclear energy (vast coal supplies are required at atomic power stations) 40%. Steel demands, too, are rising but less spectacularly. Not only are existing use demands on the upgrade, but low-temperature carbonization, delivering both energy and by-products, is a big potential for the future; and chemists are beaverishly busy on low cost methods of converting coal into gas or oil.

While the economics of coal are thus currently favorable, the important industry problem is, and has been, cost control. Somewhere between 50% and 55% of the gross cost of coal above ground has traditionally been for labor. This high cost labor factor has done much, in times gone by, to price coal out of the market, and deliver the business to competitive fuels. So bright and practical engineering brains have been busy bringing labor saving machines and devices into the mines. Some of these inventions have been amazingly successful; but they do require a lot of original money outlay. Hence the current urge to merge among coal companies, to pool working capital so expensive machinery can be bought and installed; and to work kindred properties at top efficiency, by streamlining operating and sales organizations.

Our theme today, however, is not mergers, present or incipient, but mine machinery, and two makers thereof. They should be credited with a big "assist" in the box score of current coal success. We outline the biggest one first, Joy Manufacturing Co. (no, junior, it is not an amusement park!).

Joy Manufacturing Co. is an $80 million company with 1955 sales (fiscal year ends Sept. 30) running $2 million above that. Joy specializes in mechanized equipment designed for the extractive industries — minerals, metals, stone, oil and gas. No other company manufactures such a wide diversity of percussion and rotary drills; and no company has so far contributed more to automation in the coal mines than Joy. It pioneered in so-called "continuous mining" and has in the field today some 325 Joy Miners. These expensive and voracious excavators can, depending on structure and thickness of seams, and requirements for roof support, produce from 250 to 650 tons per machine shift, delivering same to shuttle cars or conveyors. With no more than 5% of U. S. present production coming from continuous miners, you can perceive the magnitude of the future market for this equipment in this country alone; not to mention urgent needs for mechanization in British and European mines where production efficiency is way behind ours.

In addition to drills, conveyors, shuttle cars and other mine machinery, Joy makes drilling machinery for oil wells, air compressors, fans, scrapers and hoists —plus replacement parts for all of these. Royalties from overseas manufacture, under Joy patents, are becoming an increasing income factor. Foreign business is significant, delivering above 20% of net sales.

Earning power seems definitely on the up-grade. Per share (on present stock) for the 1955 fiscal year was $3.18 against $2.12 in 1954; and sales this year are running at the highest rate in history. Latest quarterly earnings were $1.27 per share giving promise of $5 or better for the full year. On that basis, Joy common at 50 is selling at 10 times earnings, with a $1.60 dividend that can very easily be jogged upward.

Capitalization consists of 1,787,908 common shares, listed NYSE, and $20 million in 3⅝% sinking fund debentures due March 1, 1975. The present stock is the result of a 100% stock dividend last December. Cash position is excellent, with a current ratio of about 4.7 to 1. Joy is the basic company in mine machinery, with an expanding outlook for this year from coal industry sales (which deliver 40% of total), foreign business, and the excellent current results reported from its oil equipment division.

Goodman Manufacturing Co.

Goodman Manufacturing Co. has been a somewhat more uneven performer than Joy. It operates in the same general area serving principally the coal industry, and the mining of salt, gypsum and potash as well. It makes mine locomotives and has developed a broad assortment of mining machines including cutters, loaders, haulers and conveyors. Its most dramatic items are (1) its Continuous Borer which can, in a single operation, dig and load up to eight tons of coal per minute from a solid seam; (2) its No. 965 loader which can gather as much as 10 tons a minute in free coal and deliver it to the shuttle car; and (3) its Rope Belt Conveyor, which can be swiftly installed, and supports linked idler rollers, with wire ropes instead of the customary rigid frame structure. This latter mentioned conveyor has many advantages. It is cheaper than others, conforms to variations in the size and weight of material handled, and cuts down jolting, breakage and spillage. It may even be possible for this extensible type conveyor to turn corners.

Goodman machinery is being most favorably received by the coal industry, and the backlog of orders on hand Jan. 1, 1956 was twice as large as a year earlier. Net sales for 1955 totaled $14,140,002. This figure is expected to be moved up substantially this year. Goodman, while small in comparison to Joy, may well be undervalued at its present market price (American Stock Exchange) of 73. There is over $75 a share in working capital, a current balance sheet ratio of 6.4 to 1 and a book value of $112 a share. Capitalization couldn't be simpler, merely 120,000 shares of common which earned $4.30 last year and might conceivably double that result this year. Current indicated dividend is $3. Consider, too, that Goodman, although serving a historically cyclical industry, has paid uninterrupted dividends since 1901. That argues pretty well for sustained good management, which, in recent years, has placed great stress on research.

If you accept the thesis that soft coal is definitely on the upgrade, then consider the prospects of the two enterprises we've just outlined. 95% of the industry is yet to be mechanized, and $1.5 billion must be spent to keep production on target for the next decade. Joy and Goodman offer the stepped up automation that makes the "Sixteen Tons" of the popular song (traditionally fabulous output per day for a single coal miner) look puny. Coal is picking up; it will no doubt continue to do so with mechanized picks.

Join Columbia Secs.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Robert E. Alaska, Forrest S. Arnove, Jackson A. Brown, Darvin M. Curtis, Peter J. Giambalvo, LeRoy Green, Jack A. Makes, Alfred Miller, Milton C. Miller, Jr., William C. Philipson, William I. Rosen, Clarence R. Shuey and Charles E. Todd have been added to the staff of Columbia Securities Company, Inc., of California, 225 South Beverly Drive.

The Inflationary Threat and Need for Increased Savings

By W. RANDOLPH BURGESS*

Under Secretary of the Treasury

Treasury official calls for higher savings rate to permit economic growth without inflationary financing, and attributes the threat of inflation to the disparity between greater demand for than supply of capital with bank credit sustaining the spending gap. Points up the inflation antidotes in the areas of savings, Federal budget-spending-tax and public debt policies, and harmonious relationship between the banks and Federal Reserve. Mr. Burgess states that in 1953 the Administration pledged the Federal Reserve "would be free to exercise the functions given them by law. . . ."

Economic events in the United States in the past year have made the business of your Association even more important than it was a year ago. For these events give evidence that for its long-term growth the country needs a higher rate of saving.

W. R. Burgess

What has happened is that the demand for capital has shown itself to be greater than the supply of capital. The amount of money sought to build houses, to build factories, roads, and public facilities has been greater than even the large amount of savings available for these purposes. As a result, some of the demands for this money have been met from bank credit instead of by savings, and the price of money has risen.

This is, in fact, one of the principal reasons why a threat of inflation has developed and why the Federal Reserve System has raised its discount rates from 1½% a little over a year ago to 2¾ and 3% today.

Mature Economy Disproved

For some years it was popular in this country to talk about our "mature economy." The economists who used this language said that the growth of our country was slowing down, and that we did not need as much capital as in the past. They emphasized the importance of spending rather than saving.

In recent months we have been demonstrating the very great capacity of this country for growth. We are building a better America at an exceptionally rapid rate: new houses, new production facilities, new public services. We have disproved the old theory of stagnation because of maturity.

Basis for Progress

This great progress is based on confidence in our country and in ourselves. It is based on sound government policies. It means more jobs for more people at better pay than ever before.

This prosperity of ours is shared in Western Europe and in many other parts of the world. The great recovery in these countries from the dislocations and distress of war partly reflects generous cooperative action by the United States.

One reason our own and other countries have gone forward confidently in economic progress is that we feel we have held our own in the cold war. We have increased our striking power to a point where it is a strong deterrent to aggression.

So we have good cause for satisfaction. But history teaches one lesson we must never forget: the seeds of future trouble are often sown in times of prosperity. This is the time to examine ourselves to see how we may build better and more firmly for the future, to see how we can avoid trouble.

Inflation: Major Problem

One major problem, as indicated, is the danger of inflation.

Other countries have the same problem. The Bank of England has raised its rate to 5½%; Canada has gone to 3%; Germany to 4½%. At the Istanbul meeting last autumn, of the 58 countries which are members of the International Monetary Fund and the International Bank, there was agreement by all present that inflation was a threat. Inflationary pressures have increased since then.

In this country, steps that the government has taken, with the cooperation of people like the savings bankers here today, have been and are being reasonably successful in keeping things on an even keel.

The great increase that is going on in productive capacity—to turn out more goods by more efficient methods—will, in the long run, help to keep prices stable and, at the same time, pay higher wages.

Inflation's Cause

The large savings of the American people are providing money to build this larger capacity, along with more and better homes and public facilities. It is when we rush the spending faster than the rate of savings, and do it too heavily with borrowed money, that we run the risk of inflation. We have tended to do this in the past year. Home building was a good illustration. We tried to build more homes in early 1955 than we had building materials, building workers, or money available. Therefore, the cost of building rose 4 or 5%. The steps that were taken have brought that particular situation into balance.

Some people have said that we are going into debt faster than we are saving. That is not true. Americans set aside about $17 billion of their income last year rather than spending it. As you know, almost $2 billion of this total represents increased deposits in your own institutions. Savings and loan shares rose by $5 billion, and almost $4 billion went into checking and savings accounts in commercial banks. Another $2 billion went into United States Government securities and over twice that amount into corporate stocks and bonds and the obligations of state and local governments.

In addition, individuals added $6 billion to the value of their insurance last year. They put close to $30 billion into the purchase of homes and the plant, equipment, and inventories of unincorporated businesses and farms. Even when you allow for the increases in mortgages, consumer and business debt that individuals incurred during the year, and for property depreciation which is constantly taking place, individ-

*From an address by Mr. Burgess at the 36th Annual Conference of the National Association of Mutual Savings Banks, Washington, D. C., May 8, 1956.

uals' savings still added up to about $17 billion in 1955.

Inflation Antidotes

In spite of this remarkable record of savings last year, however, individuals saved a little less than in 1954, which in turn was a little lower than 1953. Personal savings are accounting for only about 6½% of our income after taxes now, as against an average of about 8% in other recent years. This is disturbing and is a further indication that we are not saving today quite enough to finance the rapid rate of growth of which we are otherwise capable. We need to develop thrift and encourage it by attractive rewards. This is one of the objectives of the Treasury savings bonds program, which is celebrating the 15th anniversary of the E bond this month. Your institutions are enlisted in this same endeavor.

One of the ways your government is trying to keep the economy in balance—to assure the continued vigorous growth of the country without setbacks—is to bring the budget into balance.

In late 1952, Mr. Eisenhower said that his goal was to bring the budget into balance within four years. We are doing it a little faster than that. This year we shall have a balanced budget as against an inherited $9½ billion deficit in the year we took over. We shall have a balance again next year, if the citizens keep on the pressure against unnecessary spending and the world situation continues to improve.

Taxes have, as you know, already been reduced by $7½ billion as an incentive for increased enterprise and increased savings.

In the long run, if we can keep government spending under control, can keep on giving the people confidence and incentives, the continuing growth of the country should make our military burdens easier to carry and we should be able both to make reductions in the public debt and gradually to reduce taxes further.

The other proved mechanism which we have for helping to keep our economy in balance is the Federal Reserve System. This Administration is opposed to trying to manage the country by direct controls over wages and prices and commodities. One of the first things the Administration did in 1953 was to abolish the remaining wartime price and wage controls.

But we do believe in the traditional and more general influence of central banks over the supply and price of money. In 1953, we pledged that the Federal Reserve System would be free to exercise the functions given them by law to influence the credit supply in the public interest. The success of the System depends, of course, on the understanding and cooperation of the nation's financial institutions.

I know from long personal experience the problems in running a bank, whether it is a commercial bank or a savings bank, when money is tight as it is today. It is most gratifying to see the wisdom with which the banks are working in harmony with Federal Reserve policy to see that all sound and legitimate needs for credit are met while less essential demands are deferred or reduced.

It gives us grounds for confidence that we can weather this period of adjustment without serious difficulty.

We are looking to the savings institutions of America to help further the dynamic growth of our nation through the encouragement of greater individuals' savings. If individual investors in savings bonds and in all other forms of saving respond as we hope, we may look forward to financing—without inflation — the steady, sure, and rapid advance in the economic well-being of our people.

Bank Credit Assoc. To Hold Dinner Meeting

The Bank Credit Associates of New York will hold their annual election and dinner meeting May 17 at the Railroad Machinery Club.

The Nominating Committee, composed of Raymond L. Kent, Chairman, Harry S. Oliver, William D. Smith, and William M. Ellis, has submitted the following nominations:

President: Robert J. Kurau, Grace National Bank.

First Vice President: William D. Smith, Irving Trust Co.

Second Vice President: Francis D. Weeks, Jr., Marine Midland Trust Co.

Treasurer: John J. Battista, Swiss Credit Bank, New York Agency.

Secretary: Justin F. McCarthy, Industrial Bank of Commerce.

Board of Governors for Two Years: Harold R. Stein, Bank of America International; Alfred L. Brewster, Empire Trust Co.; Harry J. Loester, Franklin National Bank; Kenneth Post, First National Bank & Trust Company of Paterson; Henry Finck, Manufacturers Trust Co.; Thomas F. Mulkeen, First National City Bank of New York.

Tariff is $4.75. Reservations should be made with Robert J. Kurau, Grace National Bank.

Speaker will be Frederick H. Silence of Ruffner, McDowell & Burch, Inc., who will address the group on "Coffee—Keystone of Western Hemisphere Trade."

With E. H. Hansen Co.

(Special to The Financial Chronicle)

WHITTIER, Calif. — Albert J. Hausman, Mark H. Hawley, Howard W. Martinson, Richard M. Thornton and Robert A. Wade are now with E. H. Hansen & Co., 124 North Bright Avenue. Mr. Martinson was previously with Dempsey-Tegeler & Co.

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.

Drug Industry—Bulletin—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a bulletin on **New York Air Brake Company.**

Federal & State Stock Original Issue and Transfer Tax Rates—Booklet of current rates—Registrar and Transfer Company, 50 Church Street, New York 7, N. Y.

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

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

Oil Stocks—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

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

Oxygen—Data on producers—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

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

Utah—Business news bulletin—First Security Bank of Utah, N. A., 79 South Main Street, Salt Lake City 10, Utah.

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American Airlines, Inc.—Analysis—$2.00 per copy—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

American Steel Foundries—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Apex Uranium Mines Inc.—Study—C. E. Stoltz & Company, 25 Broad Street, New York 4, N. Y.

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

Charity Hospital of Louisiana—Bulletin—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

County Trust Company—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Denver & Rio Grande Western Railroad—Data—Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin are data on **Pittsburgh Consolidation Coal** and **Joy Manufacturing Company.**

Dominion Bridge Company Limited—Review—James Richardson & Sons, 179 Portage Avenue, East, Winnipeg, Canada and Royal Bank Building, Toronto, Canada.

Dow Chemical Co.—Memorandum—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa. Also available is a memorandum on **Newmont Mining Corp.**

Eastern Gas & Fuel Associates — Report — Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa. Also in the same bulletin are reports on **Stonega Coke & Coal Company** and **Ayrshire Collieries,** also available is a memorandum on **Keyes Fibre Co.**

Equitable Gas Company—Review—The First Boston Corporation, 100 Broadway, New York 5, N. Y. Also available is an analytical brochure on 16 **Life Insurance Stocks.**

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

Geco Mines Limited—Analysis—W. C. Pitfield & Co., Inc., 30 Broad Street, New York 4, N. Y.

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

Haskelite Manufacturing Corporation—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Juniper Oil & Mining Co.—Circular—C. D. Robbins & Co., 744 Broad Street, Newark 2, N. J.

Mississippi Glass Company—Analysis—Reinholdt & Gardner, 400 Locust Street, St. Louis 2, Mo.

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.**

National Distillers — Analysis — Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available are analyses on **G. D. Searle, Atlantic Refining, Panhandle Oil** and **Siegler Corp.,** a study of the **Department Stores** and the **Packaging Industry,** data on **International Paper, Kennecott Copper,** and three **Sulphur Companies,** and a discussion of **Railroads.**

National Tea Co.—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Northern Illinois Gas Co.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

Old Republic Life Insurance Co.—Memorandum—Albert J. Caplan & Co., 1516 Locust Street, Philadelphia 2, Pa.

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

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

Portsmouth Steel Corp.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Republic Supply Company of California—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Resort Airlines, Inc.—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

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

COMING EVENTS

In Investment Field

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.

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

June 15, 1956 (Philadelphia, Pa.)
Philadelphia Securities Association annual outing at the Aronomink Country Club, Newtown Square, Pa.

June 19, 1956 (Detroit, Mich.)
Securities Traders Association of Detroit & Michigan 21st annual summer outing at the Plum Hollow Golf Club.

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

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

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

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

Oct. 24-27, 1956 (Palm Springs Calif.)
National Security Traders Association Annual Convention at the El Mirador Hotel.

Fahnestock & Co. 75th Anniversary

The New York Stock Exchange firm of Fahnestock & Co., 65 Broadway, New York City, is today observing its 75th anniversary. Holding membership in the Exchange since the founding of the firm on May 10, 1881, it now is a member of 16 other leading security and commodity exchanges. A steady growth of the firm's investment and brokerage business has brought a corresponding expansion in its facilities. The firm now operates 28 branch offices in the United States and abroad. The home office of the company is in New York. Some of the more important branch offices are in Chicago, Philadelphia, Paris, London, Caracas, Buenos Aires and Beirut, Lebanon.

Partners of Fahnestock & Co. are: William Fahnestock, Jr.; Sherburn M. Becker, Jr.; John J. Rudolf; M. Donald Grant; Thomas B. Walton; Charles J. Doerrler; Roy R. Coffin; John V. Farnam; Allan J. McIntosh (Limited); DeForest Hulburd (Limited); Hulburd Johnston (Limited).

Arthur M. Krensky Co. Opens New York Office

Arthur M. Krensky & Company of Chicago has announced the opening of its New York City office at 39 Broadway.

Joseph H. Meyer, Vice-President, will be in charge of the New York branch. He was formerly with Franklin, Meyer & Barnett, New York City.

Salesmen in the new office include David Martin, David P. Schor, Irvin Jacwin, Alan S. Radetsky, Claire Scheiner, Jerome Judin, and David Wittman. Also on the staff are Max Mamet, Bernard Zores, Jerome Schneir, Stephen Lustig, Edward Thompson, and Joseph Costa.

Opening of the new office was previously reported in the Chronicle of Feb. 9.

Raymond McInnes Opens Firm in Miami

MIAMI, Fla. — McInnes & Co., Inc. has been formed with offices in the Huntington Medical Building to engage in the securities business. The firm holds membership in the Pittsburgh Stock Exchange. Raymond McInnes, formerly of Davis-McInnes, Inc. of Pittsburgh, is President of the new firm.

William T. Bowler Co. Midwest Exch. Member

BRADFORD, Pa.—William T. Bowler & Co., I.O.O.F. Building, announce that their firm is now a member of the Midwest Stock Exchange. The firm maintains branch offices in New York City, Olean, Johnson City, Ellicotville, Wellsville, and Lackawanna.

Bases of Economic Strength In the Business Outlook

By LEONARD K. FIRESTONE*
President, Firestone Tire & Rubber Company of California

Firestone President envisions extremely good economic outlook and cites as favorable factors: (1) rise in American households from present 47,700,700 to 51,700,000 by 1961, and disposable income jump from $269 to $350 billion in the same period; (2) scientific and technical progress furthering production and product improvement; and (3) capacity to constantly improve standard of living. Noting that upward trend is bound to dip occasionally, warns that the best way to prevent deeper, prolonged dips is by avoiding "excessive actions" by business, government labor, and individual consumers.

The topic assigned to me puts me in a double role: that of historian of the contemporary business scene and that of an oracle, with or without a crystal ball, looking into the future, divining the course of things to come.

Leonard K. Firestone

Any one of several approaches might be taken to a topic as broad as the one assigned to me. Of great interest are the changes that have been taking place within the management of industry. But of even greater and more general interest is the future of industry in terms of its ability to expand, to create new products, to improve those already on the market, and of the ability of the public to consume these products.

Managerial Revolution

There is, at the present time, going on in industry a managerial revolution. Basically, industry is becoming more efficient and better managed. And this improvement is being brought about through the use of modern devices of managerial control which facilitate the making and the execution of sound short-range and long-range plans, and more profitable operation in general. I think there are almost no large companies that are not employing devices of these types for more efficient control and management of the enterprise. And their use is now spreading to medium and smaller companies.

There is also a well-defined trend toward the realignment of functions in the broad areas of business, particularly in those functions which take place after goods are produced. This trend has given rise to what is called Marketing Management. In its simplest terms, Marketing Management means—selling. But in the complexities of modern industry, simple terms do not comprehend the full import and scope sometimes contained in a title. Marketing Management is such a title.

Heretofore, one group in management would decide what products were to be developed and produced. Another group decided the product's price. Other groups developed the promotion and advertising campaigns. And finally, the sales department stepped in and sold the product.

In other words, all these important and related functions were spread around, with the result that many un-coordinated gaps appeared between the development of a product and the sale of it.

The trend today is toward Marketing Management often with a vice-president in charge of the department, the function of which is to coordinate every activity, from the decision to develop a product to its actual sale.

Many companies are beginning to realize that only in some such fashion can they merchandise their goods with maximum creativeness and in so doing, attain their proper growth and stature.

The acceptance of the scientific tools and techniques of Marketing Management has speeded up the process of product innovation — the development and introduction of new products.

And it is one of the key elements in the present acceleration of the long process of change and growth by which distribution is slowly but surely becoming more and more scientific and less the hit-or-miss function which it has been in the past.

This, then, is the trend today in industry, toward scientific management for maximum growth and an ultimately efficient business operation.

And while this trend has been developing and gaining momentum, we have been enjoying a boom.

Present Boom

There isn't much that I can tell you about the present that all of us do not know. The United States is in the midst of an era of unprecedented prosperity. We are aware of the fact that 1955 was an outstanding year in the annals of American commerce and industry. Production, sales and profits reached record highs. Employment was at its highest peak. Home building, the purchase of automobiles and such home appliances as television sets, radios, laundry and electrical equipment were higher than ever. Personal incomes were never higher, disposable incomes were never larger.

Our whole standard of living moved another notch higher in 1955, as it has been doing since the end of the Second World War. The big question right now is: will it continue? Will we continue in our steady growth in terms of the standard of living and of business and industrial activity?

The trouble with business forecasting, as I've observed it during the last 20 years, has been this: that many predictions, when they were made, seemed almost ridiculously optimistic but turned out to be extremely conservative. Let me give you an example:

In 1940 there were nearly 30 million passenger cars registered in this country. Automotive authorities, at that time, predicted that by 1960—20 years later—there would be 40 million cars on the road. There were some who looked at this increase of 33% and shook their heads. They said: "too high"—"overly optimistic." And still, not 20 years later, but 15 years later, in 1955, there were on American highways 52 million privately owned passenger cars, 12 million more than the 40 million predicted for 1960.

Even more astounding is the increase in the number of trucks on the road, and the number of miles rolled up by intercity buses. Fifteen years ago there were 4.6 million trucks on the highways of the country. Today there are nearly 10 million. That represents an increase of well over 100% and in only 15 years. During the same period, intercity bus mileage increased from 893 million to more than 1½ billion. That represents an increase of nearly 75%.

Another index which reflects the tremendous growth of the vital automotive industry is the number of cars in the country in relation to the total population. In 1920 there were 13.1 persons for each car, and if you had predicted that in 1955 this figure would have been reduced to 3.2 persons per car, you would have been laughed at. People would have called you a balmy visionary. And still that is where the figure stood in 1955, at 3.2.

You may be interested in knowing that in Russia, with 225,000 passenger cars and a population of 193 million, the ratio is almost 1,000 persons for one car. And believe me, that is quite a load for one car!

Future Growth Prospects

But to return to the question: will we continue to grow?

I imagine that whenever that question is asked in a large group, there are some, perhaps only a few, who hear the bones of 1929 rattling in the closet. I suppose that that is quite natural. Our health as a nation depends upon the health of our business and industry.

Today we are healthy. And I believe we will continue to be healthy. Of course, we are still subject to an occasional national case of the flu, as we were in 1949 when production and business generally dropped off. But I do not think that we, as a nation, are susceptible to the killer of 1929.

In other words, I think that the economic outlook for the country is extremely good.

There are many reasons for thinking this. One of the main reasons lies in our scientific and technical knowledge. Over the last ten years we have accumulated a vast amount of such knowledge in these related fields. Out of this knowledge is bound to come, in the years ahead, many new products, the nature and character of which we cannot even visualize at this time. But it is sufficient only to know that they are coming.

For example, if we go back only a few years in the field of synthetic rubber, we find a situation which illustrates that point.

As you probably know, so-called synthetic rubber is not rubber at all. It is a plastic. But, ever since scientists started their research in this field, their ultimate goal was to produce a synthetic rubber with the properties of natural, tree-grown rubber.

Years ago our company assigned a team of scientists to this project. At the outset they were in much the same spot that the alchemists of old were in when they tried to create gold out of baser metals. But the team went to work. It took years. Finally they produced a synthetic rubber with the same molecular structural features found in natural rubber. This, I might say in passing, was a great achievement for our research scientists.

At the beginning, the cost of producing this rubber was about $100 a pound, which made commercial application of it out of the question. But since that time our development people have devised new production methods and techniques which have reduced costs considerably.

And, at this time, it appears that eventually the cost of producing this so-called "synthetic-natural" rubber will be brought into line so that it will be competitive with both natural rubber and in the general price range of the other synthetic rubbers.

I am sure that this analogy could be applied in every research and development center throughout the country. There are undoubtedly thousands of research and development projects in varying degrees of completion. There are undoubtedly hundreds of others in which the goal has been achieved and the development engineers are at work to make commercial development of the product possible. With many more scientists than we had only a decade ago working on these projects, and working with better research tools and greater knowledge, we can expect many new products to be introduced in the years ahead. We can expect increasing production and improvement of products already on the market.

Consumption Pace

With good reason, you may ask: will consumption keep pace with production, and if so, how and why?

I believe it will, for several reasons.

There is a basic reason for my belief. It is to be found in our democratic ideals and practices, particularly in our freedom to make decisions and our freedom of choice. The exercise of these freedoms in this country has resulted in a dynamic standard of consumption which has been rising steadily since the end of the Second World War.

All of us can remember the gloomy economic forecasts made after the war. The country was to go through a "recession" or a "depression," depending on the gloom of the forecaster, in mid-1946, then at the end of '46, then in mid-1947 and so on. Evidently the average American did not hear these prophecies or, if he did, he paid no attention to them. He went out and bought what he wanted. Of course, there were many shortages of consumer goods because of the war. But these were readily filled. And the American consumer went right on buying and consuming. Industry, in order to meet the then current and anticipated demand, expanded and is still expanding. Industry developed new products. It improved old ones. The result has been a constantly rising curve on the chart of production and consumption, and the greatest era of prosperity ever known.

Another reason why consumption will keep pace with production is found in the fact that the average American citizen is one who wants constantly to improve his standard of living. In this country he can do it. There is a great equality of opportunity here, both in terms of the opportunity to get ahead and the fact that the better or more desirable consumer goods, or the so-called

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*An address by Mr. Firestone before the Pacific Northwest Conference of the Purchasing Agents Association of Washington, Seattle, Wash., April 27, 1956.

Has the Bond Market Hit Bottom?

By ROBERT VAN CLEAVE*

Vice-President, C. F. Childs and Company

C. F. Childs' Vice-President expects the near economic outlook to be favorable—based as it is upon capital spending. On weighing long-run outlook, reviews bullish and bearish arguments and sees, in the shorter run, possibility of being a little more optimistic on the bond market. Believes few concerns, at this time, possess the funds to take advantage of the attractive yields of governments.

The listener's major interest in a talk like this about the bond market and interest rates is, quite naturally, in the outlook. Where, they want to know, are we going? So I'm prepared to give you some guesses about that—if you will allow me first to lay a groundwork by sketching a picture of where we've been and where we are now.

We have been in a new era since March, 1951. The change which took place then was a change in policy in a much deeper sense than that involved in a Federal Reserve decision to buy or sell a few million bills. In brief, it was a declaration that thereafter Federal Reserve operations would be guided by economic considerations affecting the good of the whole nation, and not primarily by an exaggerated regard for the convenience of the Treasury. Its significance was that rigidity of interest rates at low levels was to be replaced by flexibility.

For a long time many people were unable fully to accept this idea of a new order of things. They continued to believe that the Federal Reserve System could and did act almost arbitrarily—that is, as an independent causal factor forcing interest rates to move upward in perverse fashion.

The truth is, of course, that the System does not act in this way. Its actions are dictated by economic conditions, and they are one of the factors modifying those conditions.

Flexibility Really Exists

Experience since 1951 has shown clearly that flexibility in Federal Reserve operations, and in money rates and bond yields, really exists. The discount rate again has become an active tool. It has been raised no less than five times since April, 1955, and it could be just as easily and expeditiously lowered.

Now this is more clearly understood. Those bullishly disposed on the market—and who of us is not?—anxiously watch for symptoms of weakness in the economic situation, confident that almost anything pointing in that direction may be taken as a signal for an instant turn toward easy money policies. Unfortunately, this carries with it a tendency to exaggerate weaknesses, and an eagerness to anticipate a change from restraint to ease. This sometimes produces upward price movements unsupported by real facts, and subsequent losses. For example, there was the rise in government bonds from August to November last year, and again in January this year.

Present Outlook

This present situation, as far as available statistics allow us to judge, is one of continued high-level prosperity. Gross national product in the first quarter was nearly $2 billion above the fourth quarter rate. Housing starts have recovered somewhat from last year's low, and appear to have stabilized at or slightly below a 1.2 million annual rate. Unemployment still is slightly less than 3 million, despite the cutback in auto production. Business inventories rose a little in the first quarter, but the rate of growth slowed somewhat.

Capital investment expenditures by business, in this second quarter, are at nearly the maximum rates projected for this year, but no signs of cutting back have appeared. Consumers, according to the latest survey of their attitudes and intentions, are optimistic and disposed to continue spending. If last year's business rise was mainly due to consumption spending, this year certainly should be well sustained by capital spending.

The demand for bank loans continues terrific, and rates for business and securities loans have been advanced to new highs for recent years. At the same time, the volume of new corporate debt issues has been above most expectations.

Also on the bullish side in the business outlook should be listed the latest rise in the Federal Reserve discount rate. It clearly implies, it seems to me, that the expert analysts advising the directors of the several Reserve banks held a very confident view at the time the decision was made.

All this was contrary to a very great number of economic forecasts made just before the turn of the year. The better than expected business level, accompanied by a larger than expected demand for funds both long-term and short-term, produced the decline in bond prices and the rise in interest rates which we have witnessed since February as a consequence.

Future Outlook

Now, what guesses can we make about the future? I should warn you that for the long run my outlook is for a gradually rising trend of interest rates and of bond yields. This view rests upon the idea that there is an inflationary bias in the economy, mainly related to the concepts embodied in the Employment Act of 1946. That law was originally titled "full" employment act, and though the adjective was finally removed, most people and nearly all politicians still act and talk as if it were still there. Minimum wage rates, annual increases in negotiated wage rates, nearly full employment, the unceasing demand for the building of more houses, larger spending by government for more and more different purposes, the official determination that no recession must be permitted even to get started — all these things are factors.

Based largely upon them are the long-range capital spending plans of business firms, and the confidence and willingness to spend of consumers. They imply a demand for money which at most times will exceed savings.

Bond Market in Shorter Run

But for the shorter run it is possible to be a little more optimistic on the bond market. This view at present rests more upon intangibles—the psychological attitudes and expectations of investors and of professional market people—than upon a belief that we are headed for a recession which will make money a drug on the market.

Nevertheless, later this year those bullishly disposed will be able to find a lot of arguments supporting their views, and to make out a pretty good case for higher bond prices. Moreover, I will not deny the possibility that something describable as recession may follow, so that a movement based on psychology may later find a foundation in facts. What are some of these arguments?

Recession Arguments

Business inventories seem likely to rise more slowly in the second quarter. In the third, there may be some liquidation, related mainly to dealers' stocks of autos and to steel. Steel production is more than likely to fall below the first half rate. Finance companies will require less money to finance automobiles in dealers' hands, and this type of loan is likely to slide off. There is likely to be more funding of short-term bank debt by corporations. Total bank loans therefore may rise less rapidly. Reflecting these factors, production and gross national product factor figures in the third quarter may show only small gains, or even slight declines.

There will be the argument that boom must be followed by recession eventually, and certainly it is true the upward leg of the cycle now is becoming a fairly long one. So thoughts will begin to turn to 1957, and preliminary forecasts will be put together which probably will have a rather bearish tinge.

It is conceivable that these and similar items may be enough to frighten the Federal Reserve System into positive action toward easing the money market, although right now I personally doubt that strongly.

But we can count upon a steamed-up discussion of monetary policy, nevertheless. It again will be argued that the System has gone so far with its restrictive policy and forced the cost of money so high that it will not dare do anything more in that direction. Those pinched by tight money already are screaming for relief and predicting dire consequences. Moreover, it still is an election year, and although this fact has had no visible influence upon the System so far, the idea that it must bring about an easy money policy simply will not down.

Altogether, it seems to me, the bulls will have a sufficiently plausible case to intrigue people who are hungry for profits after a protracted market decline. How far the rise may go, and how long it may last, I cannot say. It may be no more than that of last year, when prices rose 1½ or 2 points during a space of three months. Or, if those who long have entertained forebodings about the future of the economy are proved right, it may go considerably further and last longer.

At this moment few concerns actually have funds available with which to buy governments, even though yields appear extremely attractive. They are attractive, of course, precisely for that reason.

Nevertheless, I should not be surprised to see an outbreak of the sort of discussion and argument I have outlined fairly soon —perhaps within a few weeks. A rise in quotations will accompany it, and whether that rise will be supported by fundamentals then will be the big question. These turning points are ticklish things, and close attention to developments is more than ever required.

*From a talk by Mr. Van Cleave delivered before the Nashville Security Traders Association, Nashville, Tenn., May 1, 1956.

Ellis Greenberg Branch

LUBBOCK, Tex.—Ellis Greenberg Company of Brooklyn, N. Y., have opened a branch office at 4204 B-35th Street, under the direction of Herbert Greenberg.

From Washington Ahead of the News

By CARLISLE BARGERON

Carlisle Bargeron

A rash of Republican books is appearing on the stands, indicative of the tremendous publicity that is to accompany the Republicans in their forthcoming campaign. Two books, friendly, on the Eisenhower Administration, one by Merlo J. Pusey, Pulitzer prize winner for his two volumes on the late Chief Justice Charles Evans Hughes, and Bob Donovan of the New York "Herald Tribune," have come out in the last two weeks. Two others have appeared, friendly, on Vice-President Nixon. There are others undoubtedly in the making. The production is not yet up to the flow that attended Franklin D. Roosevelt's earlier days in office.

To add to the production, I might say that I am now engaged in the research for a book on Ezra T. Benson and his family, and what makes him tick. Production plans call for its publication in mid-August. However, this is not to give an advanced plug to the book, but to say that the politicians in Congress, I am sure, don't realize the type of man they are up against in trying to force a farm bill on him that he doesn't want, that he doesn't think is good for the country.

A study of the man's life which I am having the opportunity to make, reveals a man such as we have seldom ever had here in Washington. Now in his fourth year as Secretary of Agriculture, he has been embattled with Congress most of the time. In 1954 there were widely published reports that political demands for his scalp were to be yielded to. This year there have been those same demands and the same widely published reports.

But what the Congress is up against is that such attacks against Mr. Benson leave him with a complete serenity and inner satisfaction that he is right and has done his job well.

He heard demands for his scalp at a very early age, when he was about 20 years of age, as a matter of fact. At the time he was serving his period as a missionary for the Mormon Church, a sacrifice which all good Mormons make. He was serving in the hard-boiled coal mining community of Newcastle, England. On one occasion as he was making his "soap box" talk and passing out pamphlets, an unruly crowd gathered and soon there were demands, "Let's take him off his feet." The crowd moved in. He and a companion stood back-to-back. He resorted to a practice taught him from birth and which he has practiced ever since. He prayed.

Suddenly, a big burly fellow at the far edge of the crowd, began moving through toward him. "I've heard every word you've said," he shouted, "and I am for you."

This sought to check the mob until policemen arrived. He is a devout believer in prayer. In his household he opens the day with prayer. He closes it with prayer and it is difficult to find a happier family of six children anywhere in the world.

He introduced prayer into the White House Cabinet meetings. In his struggles now with Congress he will frequently bow his head in prayer and ask if he is doing right. Reassured, nothing on earth seems to disturb him. It is a faith, a determination which the politicians on Capitol Hill don't seem to be able to cope with.

Benson has become a symbol in a tremendous struggle in this country. The New Deal introduced the "gimme" concept of Government. Men in all ranks of life had been broken. They had been reared in the private enterprise system but the depression had reduced them, all too many of them, to dependence upon the Government, to any outstretched hand that "promised." It is all very well for industrialists now to sit around and complain about farm price supports. All too many of them have come to look to the Government for their support.

The farmer, once cur greatest individualist, too has come to feel the warmth of Government protection, not realizing that it is like taking "happiness" drug pills which are bound to create an awful hangover.

Benson gets his philosophy from the doctrine that "the Lord helps those who help themselves."

He doesn't want the Government to step out from under the farmers with one drastic move. He wants the farmers to be gradually restored to their feet, to as near their former individualism as it is possible to get. He is quite firm in this determination, a very personable man of whom there is nothing like the common conception of a ministerial man.

His battle is one of the most important being waged politically in this country, and my prediction is that although he may have to give and take, he will win in the end.

Anderson Strudwick To Be NYSE Member

RICHMOND, Va.—Edward C. Anderson on May 17 will acquire a membership in the New York Stock Exchange, and the firm will become members of the Exchange. Partners are Mr. Anderson, Edmund Strudwick, Jr. and George Wayne Anderson. The firm is a member of the Richmond Stock Exchange.

Eastman, Dillon Co. To Admit 3 Partners

LOS ANGELES, Calif.—On May 17, Dwight C. Baum, John W. Mackey and Elbert J. Evans will be admitted to partnership in Eastman, Dillon & Co., members of the New York Stock Exchange. Mr. Evans is Chairman of the Board and Mr. Baum is a Vice-President of First California Co., Inc., with which Mr. Mackey is also associated.

Brazil's Investment Opportunities

By J. PETER GRACE*

President, W. R. Grace & Co., New York

Mr. Grace reviews the rapidly changing investment developments already undertaken, and the massive growth potentials "unmatched in the world," in advancing the assertion that Brazil offers a unique opportuunity for American private capital with much of her economic potential yet to be developed. States the Brazilian investment climate is good; foreign investors are eagerly sought for the long pull to help her industrial and economic development; and despite revolutions, political unrest, exchange difficulties and inflation, American business has done exceedingly well in Brazil, as illustrated by the remarkable expansion of such firms as American Home Products, Sears Roebuck, Lone Star Cement Company, and Ford Motor Company.

Although W. R. Grace & Co. has more recently become known primarily as a United States chemical company, it has its roots deep in Latin America, and the lessons we have learned in more than a century in that rapidly developing part of the world will always remain a basic part of our business philosophy.

J. Peter Grace, Jr.

On various occasions in the past I have referred to the importance of Peru, where our company was founded more than a century ago, and of the vital role of Chile, Venezuela, Columbia, Mexico, and other Latin American countries in the history which is being written in our time.

Today I should like to discuss with you the significance of a Latin American country which is perhaps more vital to the future of our western world than any other. I refer to Brazil.

This vast and dynamic nation is now within striking distance of its manifest destiny of economic and political greatness, and I should like to discuss it from the point of view of a businessman. But before going any further, I should emphasize that 20 years of training in the Grace organization have taught me that no North American should think of a Latin American country purely as a business proposition. Latin America has a vital part in our present and a much more important role in our future. The point is that we can engage in business there, earning a profit for our stockholders, and at the same time contribute to the future security of the Western Hemisphere.

Brazil's Unmatched Opportunities

Although our main Latin American interests have been concentrated in the West Coast countries of South America, still the Grace organization has been active in Brazil for more than a half century in trade and commerce. From our long experience in Latin America we are convinced that, for massive growth potential, the opportunities in Brazil are unmatched in the world. I hasten to state that our own knowledge of the industrial field in Brazil is by no means as profound as that of many American concerns whose headquarters are here in Chicago. In fact, Chicago is a really great center of knowledge in this country regarding Brazilian and other foreign business.

When this country needed an Assistant Secretary of State for international economic affairs, it turned to the First National Bank of Chicago to select Herbert Prochnow. A Chicago firm, International Packers, in partnership with the Kleberg family of the King Ranch, is revolutionizing the cattle raising industry in central Brazil by introducing the Santa Gertrudis breed. This has enabled an English beef type of cattle for the first time to resist the local ravages of hoof and mouth disease and climate. In addition to highly efficient management of its 40,000 head of cattle and 155,000 acres of land, this company has also won the praise of Brazilians for its modern techniques of land clearing and development.

To those who would regard Chicago as something less than internationally minded, I would like to mention International Harvester, Sears Roebuck, Fairbanks Morse, Armour, Swift, Wilson, Abbott Laboratories, Quaker Oats, Pullman Standard—just to name a few of the many great Chicago companies doing business in Brazil. Despite the already great economic stake we have in Brazil, I am sure that all of you will agree with me that we have not even begun to begin the job of developing the United States-Brazilian economic relationship to the fullest. This I think is one of the most important elements in our economic foreign policy for the second half of the 20th century.

Today we have already made a good start in this direction. Total U. S. direct private investment in Brazil at the end of 1954 amounted to $1.1 billion. Excluding the $1 billion of U. S. capital invested in the petroleum industry in Venezuela, Brazil has more U.S. direct private investment than any other Latin American country. Equally impressive is the fact that, during the eight years from 1946 to 1954, total U. S. direct private investment in Brazil increased 225% and manufacturing investments, where our best opportunities lie, at an even greater rate—325%.

Soviet Offer to Latin America

Soviet Premier Bulganin's recent economic manifesto to Latin America indicates that there is danger of a vacuum in economic leadership in the Western Hemisphere. The United States must assert that leadership, and to do so it must work particularly closely with Brazil.

The challenge as it pertains to Brazil is not one of political cultivation, for our countries have been friends for generations, even before Brazil declared herself a republic and adopted a constitution modelled after our own. Rather, the challenge is an economic one.

You will all recall that Brazil's dynamic new President Kubitschek made a special trip to the United States just before his inauguration last January. He invited American businessmen to bring their talents and their experience to his country. The question now, therefore, is whether American private capital is going to increase substantially its investment in Brazil, working with Brazilians in developing their tremendous natural resources and their huge industrial potential.

To start off with, I would like to give you a few highlights on Brazil. First of all, Brazil is big—both in area and in population.

Brazilian Highlights

In area Brazil accounts for half of South America. To make an even more pointed comparison—and I hope that some of my Texas friends may hear this one—Brazil is bigger than Texas! As a matter of fact, it is bigger than Texas plus all the rest of the United States, including Texas—and that is big in anybody's book.

Brazil's population presently stands at 58 million people, which is just under one-half of South America's total of about 122 million. This country's vitality can be further appreciated by the fact that its population is increasing at the amazing rate of 2.4% a year—or at a 30% faster rate than in the United States.

To put it another way, Brazil's present population is greater than the United Kingdom, and four times that of Canada. By the end of 1980, its population is estimated to equal over 105 million, or 60% of the present population of the United States.

Equally impressive as the vitality of the Brazilian people, is their quality and character—one of the nation's greatest assets. They are by nature a kindly, pleasant, cooperative people. They have unusual patience and sense of humor blended with quick intelligence and great common sense. They are working with missionary zeal to develop their country to take advantage of the opportunities now opening up for them and their children to get ahead. The street cleaner sees his son go into factory work earning good wages. The mechanic's assistant today opens a one-man repair shop tomorrow. The small businessman firmly expects to make a million before he quits.

We know this exciting story very well because this is the way the United States grew in economic strength. A strong middle class with increasing purchasing power is rapidly developing in Brazil. This opens up promising new economic vistas in an area which is big, in a market that is growing and in a country that wants American capital.

In the lifetime of many of us here, Brazil has turned itself from an agricultural country which imported just about everything, including ice, to the most highly industrialized nation in Latin America. In the 10-year period from 1940 to 1950 alone, Brazil almost doubled the number of her industrial establishments from 49,000 to 89,000 and they are estimated at 115,000 today.

Today Brazil is manufacturing an increasingly substantial part of its own needs including railway equipment, radios, refrigerators, machine tools, precision instruments, diesel motors and many other products.

In 1938, Brazil's crude steel production amounted to only 101,000 tons. By 1954, its production had risen to 1,292,000 tons, an increase of 1,200%. During the same period, crude steel production in the United States rose from 32 million tons to 88 million tons, or by 175%.

Brazil produced 109,000 tons of paper other than newsprint in 1938 and, by 1954, 298,000 tons, an increase of 175%. In the United States, the production of paper excluding newsprint increased from 5.4 million tons to 11.8 million tons—120%.

In the 1920's Brazil had only one cement plant. Today it has 31 and the industry is planning to spend $50 million in expansion to meet demand. Since 1938, Brazil's cement production has risen from 681,000 tons to 2.7 million tons, or by 290%—about twice as fast as the 150% increase in the United States during this period.

In 1946 electric refrigerators were mostly imported and were only for the wealthy. Today Brazil produces 100,000 units a year and production is scheduled to be doubled within the next two years. Before the war all window glass installed in Brazil was imported. Today four large modern plants are supplying the ever-growing market.

Undoubtedly, the greatest symbol of Brazil's economic growth is the dynamic area of Sao Paulo. Fifteen years ago the Sao Paulo area was important principally as a coffee, cotton and textile center. Brazil accounts for 51% of the total cotton spindles in all of Latin America, 45% of which are located in Sao Paulo. Exports of cotton and coffee from this area account for 46% of all of Brazil's exports. Furthermore, the Sao Paulo district today represents the largest concentration of industrial strength and potential in Latin America and accounts for the following:

- 40% of Brazil's total industrial establishments.
- 45% of the installed electric capacity.
- 35% of the railway mileage.
- 65% of the petroleum refining capacity.
- 25% of the steel and laminated products output.

At the end of 1954 it is estimated that about $600 million of United States direct private investment—60% of the total for Brazil—was concentrated in the Sao Paulo area. This amount is greater than for any of the other Latin American republics with the exception of Venezuela, Cuba and Chile.

A visitor to Sao Paulo today can practically see this growth taking place with his own eyes. Back in 1949, he would have seen only three skyscrapers being constructed. Last year he would have seen 47 new skyscrapers being added to Sao Paulo's rising skyline. In the urban area of Sao Paulo, new buildings are being started on the average of one every 18 minutes. As a further indicator of the tempo of activity, there are approximately 40 round trip flights daily, excluding international flights, between Sao Paulo and Rio. Excluding in-transit passengers, air traffic through Sao Paulo has increased from a total of 264,000 passengers in and out during the year 1946 to 997,000 passengers in 1955, an increase of some 277%.

Belo Horizonte is another example of a Brazilian boom town. Fifty-eight years ago it was staked out for a population of 200,000 as a capital for the mineral-rich state of Minas Gerais and laid out like Washington and Paris. Today it has over twice that many people—440,000. An industrial area outside the city limits has been filled and a new one is being planned. A German firm has set up a 96,000-ton rolling mill. RCA is building an assembly plant for tubes and electronic parts. Some 12 other plants are either being built or already in operation. Population is increasing at the yearly rate of 5.4%, or over twice the rate of the entire country. Fifty-five flights a day are handled by the city airport. Belo Horizonte, in short, has all the sounds and sights of a first-class industrial boom town.

Specific Industries

In specific industries the names that lead the industrial fields throughout the world are far from strangers in Brazil—

In chemicals you will find du Pont, Solvay of Belgium, Kop-

Continued on page 31

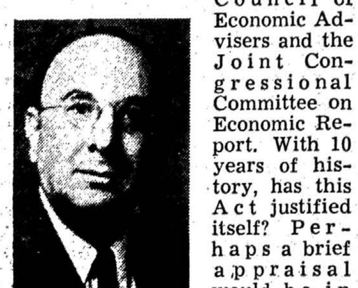
*An address by Mr. Grace before the Executives' Club of Chicago, April 20, 1956.

Full Employment and Free Markets

By DR. EMERSON P. SCHMIDT*
Director, Economic Research Department
Chamber of Commerce of the United States

U. S. Chamber of Commerce Economist reviews the President's 1956 Economic Report and states an agency like the Council of Economic Advisers would have appeared if the Employment Act of 1946 had not passed. Dr. Schmidt questions the Report on: depressed area aid, minimum wage fixing, merger curbing, catastrophic illness reinsurance, and Government's contribution to money market complexity. Commends the Report for: recommending fewer transportation controls, customs valuation and administration simplification, emphasizing free enterprise, budget balancing and debt cut intentions, and stressing price level stability. The Report is cited to substantiate troubles caused by free market pricing interferences, and Dr. Schmidt suggests Council analyze this and, also, inventory annually changes in free market expansion and construction.

February marked the 10th anniversary of the passage of the Employment Act of 1946 which provided for the President's Council of Economic Advisers and the Joint Congressional Committee on Economic Report. With 10 years of history, has this Act justified itself? Perhaps a brief appraisal would be in order.



Dr. E. P. Schmidt

A minority of individuals and organizations are still skeptical. In part, this skepticism is a carry-over from the original version of the bill as introduced in 1945. At that time, the growth and progress of our economy were not foreseen and some people in Washington were still struck by the "mature economy" thesis and the view that our economic system was stagnant and unresponsive to human needs. Some felt that the bill of 1945 would have created a superplanning bureau, paving the way for over-all tight economic planning and control from Washington.

Even if the law had not been passed, some such agency as the Council of Economic Advisers would probably have come into being. Today, the United States central government is a $75 billion industry." While the White House and the weekly Cabinet meetings provide some coordination of decision- and policy-making, obviously something more was needed. Each Cabinet member's primary concern is with his own particular jurisdiction. The same is true of the heads of independent agencies and bureaus. With the central government collecting some $75 billion annually, spending a similar amount (about $65 billion net) and, at the same time, having to manage a debt of over $275 billion and concern itself with credit and monetary policy and with multibillion dollar lending and loan-guaranteeing activities, the impact of all these upon our economy is, inevitably, of enormous proportions.

The Council of Economic Advisers, in theory at least, is nonpolitical and is a nonoperating agency. Its study, research and advice as concerned with the government's own "housekeeping" is its great value. Correct policies may help foster conditions favorable to private economic growth and the stability of the value of our money and of the economy, as the U. S. Chamber pointed out in its study "Can We Depression-Proof Our Economy?"

In 1953, President Eisenhower recommended a reorganization of the Council and the establishment of an Advisory Board on Economic Growth and Stability. Ten divisions of the government now have Cabinet or other high-level officials on this Board, including the Council; Agriculture; Commerce; Health, Education and Welfare; Labor; State; Treasury; Federal Reserve System; Bureau of the Budget and the White House. Interagency staff groups are on call by the Board. Possibly some of the other lending and loan-guaranteeing agencies should be represented on this Board since they deal in billions of dollars. The Board meets weekly. It publishes no minutes and issues no releases. This has helped to keep it out of politics.

This Board provides an official agency which attempts to get the benefit of the experience and thinking of key government departments and bureaus within the Administration. It provides checks and balances. Prior to the establishment of the Board, the Council was viewed, at times, as a stepchild or an interloper. But the establishment of the Board has helped to give the Council more prestige. This has added weight to its recommendations and better internal responsiveness.

Over the 10-year period, the Council of Economic Advisers has had some rough going. Not only did different members of the Council have rather divergent views on proper economic policy, but considerable diversity in views existed concerning the proper public function of members of the Council. Some wanted to be in the thick of the political battle. Others felt that the members of the Council ought to be objective analysts and exercise a passion for anonymity.

Obviously, the President must have advisers in whom he has confidence. These advisers must be in reasonable sympathy with the President's general economic and political outlook, but at the same time avoid being yes-men. "Speak out boldly within the halls of the Executive, but prudently elsewhere," expresses this well. Above all, if they are to be of most influence and use, they must not lose the respect of their colleagues in the academic and business world. Therefore, they must avoid the crash of political battles. This does not mean that they must be recluses. They can participate in public discussions of technical questions, make speeches and publish professional articles of analytical character. But they should not publicly become partisan party hacks if their work is to command the respect of both political parties and the public.

The Joint Committee

The Joint Congressional Committee on the President's Economic Report is required by law to evaluate the annual report. Many individuals who supported the bill as finally passed, or favor it now and see a place for the Joint Committee, feel that it ought to be nonpolitical and should serve the members of the House and Senate in an objective way on a limited number of problems dealing in general with economic growth and stability.

The Joint Committee has held hearings each year on the Economic Report and on a wide variety of subjects—stimulated perhaps in part by the vast array of issues covered in the Economic Report. These hearings have added a considerable volume of useful literature. Whether the Joint Committee findings and recommendations receive the attention which they deserve from other committees of the Senate and House is difficult to judge.

Within the United States we have today less fundamental political and economic divisiveness than in any other major country. Americans are widely agreed on a number of key essentials, such as high-level employment, the sanctity of private property, free competitive enterprise, the importance of the profit system and sharing the benefits broadly through the natural workings of that system among all groups within our economy. Growth and stability are on the tongue of all students of our society. Conflict between means and ends, although present, is less rampant here than it is abroad.

But here we have a few essentials on which all or nearly all of us can agree. If the Joint Committee adheres to these essentials in its hearings, releases and studies, it could, over a period of time, deepen the prestige and influence of its findings with the other members of the House and Senate.

Means

The emphasive which the Economic Report places on freedom of enterprise, initiative, innovation, venture capital and profit motive is admirable — although there are a number of deviations from these basic concepts.

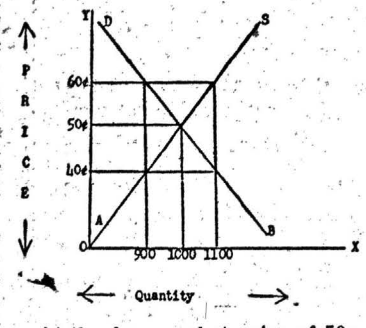
The social importance of the free market, while recognized, is taken too much for granted without the explicit elucidation it deserves. For this reason, we would like to stress the importance of explaining the nature of the free market, its function and its social usefulness.

The threat of market interference and price control are ever present in any democracy; sometimes the threat is general, sometimes piece-meal, step by step. The Province of Quebec, for example, has just adopted an involved scheme of newsprint price control. Some of the Latin American countries have taken similar action with other commodities. General price rollbacks are being discussed by several legislatures throughout the world. Thus, in parts of the world, symptoms are treated instead of causes. A high official of the International Monetary Fund recently stated that much of the rest of the world takes cues from the United States in these policy areas.

Within our own country there is a disposition at times to resort to government price control as an easy way out. Agriculture is not the only example. Just last year a labor leader urged the Joint Committee to investigate prices on a broad front right after he had secured "the largest wage package increase in history." Government lending and loan-insurance programs frequently specify some predetermined interest rate—a form of price fixing.

Price controls and artificial price supports are likely to lead to shortages and gluts, respectively, and a host of legislative and administrative headaches. No doubt the members of this Committee are aware of this, but perhaps the danger of displacing the free market can be made more vivid by an illustration.

Let us suppose that the number of pounds of copper demanded and supplied in a local market are shown in the figure, along the horizontal axis — OX. The price is represented along the vertical axis—OY. DB represents the demand at various prices and SA the supply:



At the free market price of 50c per pound, 1,000 pounds are sold in this market each day. This is the equilibrium free market price. At very high prices demand would be relatively low. At low prices, say below 40c a pound, the demand exceeds 1,100 pounds in this market each day.

If by law a ceiling or maximum price of 40c per pound is fixed in this market, trouble starts:

(a) At the price of 40c, the supply offered by sellers will be only 900 pounds.

(b) But at this new low price consumers will demand 1,100 pounds as can be seen by noting where the demand curve crosses the 40c price level.

Obviously, the price tag fixed by government is not bringing about an equilibrium price. Demand exceeds supply.

Producers, furthermore, at this depressed price may reduce extraction and refining. High cost producers may drop out. And since every producer is marginal in part of his output, all producers in time will tend to reduce their output. Then their losses may be minimized. That is, each company tends to expand production until the last dollar expended on production just brings in another dollar of receipts. At the artificially depressed price it now finds that losses occur, so output is reduced. Shortages then arise. Scarcities become almost inevitable. Fabricators and manufacturers, now figuring that copper is a bargain, will study ways to substitute it for other metals and materials.

This shows why price ceilings, rent control and other interferences with the important equilibrating functions of the free pricing system may cause more troubles than they solve, although shifts in supply and purchases are not instantaneous, taking time to come about.

On the other hand, let us suppose that for political or other reasons the government decides to put prices 10c above the free market level, to 60c per pound. The demand line, DB, crosses the 60c price line at 900 pounds per day.

But the producers at this higher price are encouraged to offer more product, 1,100 pounds, as shown by the supply line, SA. Production, fabrication and scrap metal collection under a higher price is now more profitable. Output will tend to expand.

But demand at this higher price is less than supply. So, the government, if it wants to make the artificial price stick, must do something to stimulate demand for copper by "foreign aid," by putting copper in storage, or it may have to set up a bureaucracy to establish and enforce "copper production," and "copper marketing" quotas. Perhaps higher tariffs or even import quotas will be suggested.

In a free market, the free market price is the only equilibrium price—where supply and demand are equal. Rationing in the case of ceiling-price fixing may be attempted in what amounts to an effort to establish an equilibrium price, or in the case of artificial price lifting, attempts may be made to invent or create new demand or to cut out some production — but whose? Under what conditions? What of the compliance and enforcement problems?

But such action drives producer and consumer groups into politics, generates feelings of unfairness depending on whose ox is gored, and finally may drive a citizenry into hostile, opposing camps warring against each other.

Prices must be controlling rather than controlled if productive resources are to be used in the way consumers desire and our human and other resources are to be employed most constructively.

The plight of agriculture illustrates clearly what happens when the free market is displaced as the guide to production. The accumulation of unmanageable surpluses, the decline in agricultural exports and the drastic decline of prices of farm products and the income of farmers, while due to many factors, is heavily conditioned by the fact that we have done so much to prevent the price system from allocating resources and guiding production.

For example, while we had a billion bushels of wheat in storage, we have actually been short of certain types of high-grade milling wheat. A "New York Times" story headlined "Paradox Plagues Coffee Industry," went on to say "Although an over-all surplus is indicated, mild types are in tight supply." (Feb. 12, 1956.)

High-support prices reduce the incentive to reallocate resources. In the search for solutions, some people suggest a two-price system for cotton and grain under which we would charge domestic consumers one price and ship surpluses abroad at a lower price. The State Department opposes this for fear of alienating further the agriculture producers in other lands. The Economic Report points out that in 1954-55 over 40% of our cotton exports were moved under special programs, including the Export-Import Bank loans. And in the case of tobacco, "increasing proportions are moved under special export programs" (page 57). Again the Report points out, "The moderate rise in our total agricultural exports from the low of 1952-53 is more than accounted for by subsidized sales, sales for foreign currencies, sacrifice sales, and donations."

Again we are told, "Increasing proportions of gross and net farm income have come from the public Treasury. In spite of this, farm income has declined and many farmers have continued to be subject to tight restrictions." (Page 58.)

The Report says that in considerable part, "These are consequences of price supports that are out of line with market conditions and of production restraints that do not work well."

Even under the proposed soil bank program, the Report points out that in order to insure that "the increased acreage in protective uses will not lead to expansion of forage-consuming livestock, it has been recommended that grazing be prohibited on the land put into the Acreage Reserve and, for a specified period, on land retired from crop production under the Conservation Reserve Program." (Page 60.)

While the President is to be commended for putting these forthright comments into the Economic Report, advantage in general is not taken of the timeliness in spelling out the lesson which such market interference teaches. The colossal problems of administering all the market interference farm programs are over-

Continued on page 33

*Text of testimony by Dr. Schmidt before the Joint Committee on the Economic Report, Washington, D. C.

Prospects for Atomic Energy— As a Power Utility Sees It

By HOWARD D. PHILIPP*
Mechanical Engineer, Niagara Mohawk Power Corporation
Syracuse, New York
On Loan to Atomic Power Development Associates, Inc., Detroit, Michigan

Six N. Y. State electric utilities are actively furthering atom electric generation to meet the challenge of increased operating costs and reduced future availability of energy resources according to Mr. Philipp in citing the atom as a possible economical and plentiful fuel which utilities cannot afford to overlook. Mr. Philipp reports: (1) Consolidated Edison proposes to build the country's largest atomic power plant; (2) there are nine other proposals to build and operate in next one to six years; (3) $7.2 million spent on research and development by 1955 and $5.2 million to be spent by 1956; and (4) immediate fuel and building cost savings are not expected but starts are being made to determine commercial competitiveness.

The generation of electricity by the use of atomic energy is of major concern to the New York State electric companies. We believe our efforts in this work would be of interest to you and we would, therefore, like to present our views on atomic energy —as a power utility sees it.

At least six of the New York State electric companies are very active in furthering the development of the atom for the generation of electricity. They are:

(1) Long Island Lighting Co.

(2) Consolidated Edison Company of New York, Inc.

(3) Central Hudson Gas & Electric Corporation.

(4) New York State Electric & Gas Corporation.

(5) Rochester Gas & Electric Corporation.

(6) Niagara Mohawk Power Corporation.

During my presentation, I will be referring to the activities of these six companies.

Electric Power in New York State

Seventy-four years ago, in September, 1882, Thomas Alva Edison placed in operation the first steam-electric plant — the Pearl Street Station in New York City. This plant had a generating capacity of 900 kilowatts and reportedly served 59 customers on its first day.

Today, the New York electric power utilities serve more than 5 million customers with a total generating capacity in excess of 8 million kw.[1] This amounts to almost 8% of the total generating capacity in the country. In our business, we are all well aware that an abundant and low cost supply of electric power is a major factor in the continued economic growth of our great state. In assuming this responsibility, we have been confronted with many problems — all of which have been carefully resolved to the best of our abilities.

But today, we are faced with an altogether different type of problem—one, which you might say, we have accepted as a special challenge. It is principally a two-fold problem dealing with increased operating costs and the availability of our energy resources. Both of these are directly related to maintaining an abundant and low cost supply of electric power and are of prime importance in operating existing plants and in planning for future steam generating capacity in our system.

Fuel Costs

Increased operating costs, the first part of our two-fold problem, is something we have been faced with for some time now. On my first slide, I would like to show you just what has happened to the cost of fuel over the past 25 years. It reflects data obtained from Niagara Mohawk Power Corporation, but the trends shown are typical of all companies within the state.

Since 1930, the cost of delivered coal has risen from less than $3.50 a ton to the 1955 level of $8.00 a ton. Other types of fuel have increased in cost in a similar manner.

Most all utilities are large consumers of coal. As an example, Niagara Mohawk Power Corporation—even with almost 40% of its total energy generated by hydro power in 1955—spent well over $27½ million for coal alone.

It is interesting to note that, in the face of rising costs such as this, we have been able to effect other economies which have, in general, resulted in a decrease in the selling price of our product—the kilowatthour. This is typical of the power industry today—a record for which we are proud.

However, we can foresee increasing difficulty in combatting these rising costs. We believe that fuel costs will continue to rise because of the:

(a) more difficult mining due to the increased movement of fuel from the mines as deeper operations are required,

(b) higher costs of transportation, and

(c) increased labor costs.

We also believe that we are approaching the maximum thermal efficiencies which can be obtained in coal fired plants.

Availability of Fuels

The second part of our two-fold problem deals with availability of our present energy resources.

We have been dependent upon two main sources of energy to produce electricity:

(1) The hydraulic energy of falling water, and

(2) The thermal or heat energy released by the burning of the conventional fuels—coal, oil, and gas.

These, the world uses in great quantities.

A few years ago, the United States Atomic Energy Commission made a worldwide survey to determine the available reserves of natural fuels. The results were quite surprising.

The types of conventional fuels are coal, oil, and gas—and the so-called nuclear fuels. The energy of falling water, of course, is not taken into account here.

The total heat energy reserve of the conventional fuels is 80 billion Btu. It is estimated that, at the present rate of usage, this supply will last the world approximately 650 years.

However, over the past 40 years, heat energy consumption in the world has doubled every 10 years. Thus, it is conceivable that if this trend continues, the estimated 650-year supply would be considerably reduced.

It is no wonder then, that we, and that means all of us, should be definitely concerned about the future of our energy resources.

Note that the known heat energy reserves of the atomic fuels are approximately 23 times that of our conventional fuels.

Availability of Hydraulic Energy

Insofar as the use of hydraulic energy from falling water is concerned, there appears to be a belief among some people in New York State, as well as throughout the world, that an endless supply of this source of energy exists.

This is not true. In our state, for example, the desirable hydro sites either under construction or not yet developed, would add only approximately 1½ million kw of firm electrical generating capacity. At the predicted rate of growth for the electric power industries in New York State, this additional supply would be absorbed with two years after installation.

This means that future system growth must be met largely by new fuel-burning plants.

The Atom vs. Coal

From my remarks, you can see why the two-fold problem of increased operating costs and availability of our energy resources are of prime concern to us today.

Recognizing this fact, we see in the **atom** what may become an economical and plentiful fuel. Let me show you our basic reasoning for this.

I have brought with me a box containing two kinds of fuel—one conventional, one nuclear.

This piece of coal weighs 2¼ pounds. From it, we can generate 3 kilowatthours of electric energy in modern steam power plants such as those installed by the New York State electric companies.

In the year 1882, when the Pearl Street generating plant went into operation, it required **10 pounds** of coal to produce one kilowatthour of electricity. Because of the increased thermal efficiencies obtained in fuel-fired plants today, we can now produce the same energy from only **three-quarters of a pound** of coal—a 13-fold improvement in our use of fuel.

In contrast here is the new kind of fuel—nuclear fuel. This is a bar of uranium weighing the same as the piece of coal — 2¼ pounds. It has sufficient potential energy to generate approximately 8 million kilowatthours of electrical energy as compared to only 3 kilowatthours from an equal weight of coal. In other words, we can say that a pound of uranium is equivalent to about 1,300 tons of coal.

We, in the electric utilities, cannot afford to overlook this great new potential source of energy. To those of us who are very close to the subject, we firmly believe that it will be **the fuel** which will supplement and compete with our existing fuel supplies; thereby, solving our problem of increased fuel costs and availability of our energy resources.

Furthermore, because nuclear fuels are so concentrated, and so easily transported, we can visualize increased economy by the use of atomic heat sources in remote areas where small conventional fuel-fired generating facilities are not feasible.

Industry Receives the Challenge

But we have gone much further than just "visualizing" these possibilities for the use of nuclear fuels.

In 1950, industry was invited to engage in design and economic studies in power reactor technology; and, during 1954, the Atomic Energy Commission initiated a five-year program to develop five major reactor types which seemed most likely to achieve economic power at the earliest date. Subsequently, Congress passed the Atomic Energy Act of 1954, under which private industry for the first time could own and operate nuclear reactors for peaceful commercial purposes. That was only a little over one year ago.

Since 1950—when the AEC invited industry to engage in power reactor studies—a number of industrial study groups have been carrying on their own development efforts under agreement with the Commission. At the present time, more than 16 such groups are active. Manufacturers of power equipment, chemical firms, electric power companies, engineering and construction organizations, and many others comprise these different groups.

Atomic Power Development Associates, Inc. (APDA)

The Atomic Power Development Associates, Inc., is just one of these many industrial study groups who are actively engaged in nuclear research and development work. It happens to be the one study group with which I am most familiar since I have been assigned full time to this project in Detroit for the past three years. Six of the New York State electric utilities which I mentioned earlier are among the 43 companies working together in this one project.

The Atomic Power Development Associates, Inc., which had its beginning in 1950, was incorporated under the laws of the State of New York as a non-profit research and development organization, and, today, it is the largest organization of its type in the country. Over one-third of the electric power facilities of the United States are represented in this project. In addition, many large industrial or engineering firms are members, such as: The Babcock & Wilcox Company; Vitro Corporation of America; Allis - Chalmers Manufacturing Company; United Engineers & Constructors Inc.; Ford Motor Company, and others.

The main objective of the project has been—and is—to develop a breeder type reactor that can be used to produce electric power on a commercially competitive basis. Many of you are acquainted with this type of reactor in that it produces more new nuclear fuel than it burns up. This quantity of excess fuel may then be used in other reactors. We are pursuing what we believe to be one practical approach to the commercial use of atomic energy for power generation. Other study groups or individual corporations follow different paths in their development studies. As a result, the United States should have a full working knowledge with valuable experience of many types of power reactors by the end of ten years. Thus, our coun-

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*An address by Mr. Philipp before the Atomic Energy Conference sponsored by N. Y. State Department of Commerce and Rensselaer Polytechnic Institute, Troy, N. Y., April 4, 1956.

1 1954 Data: 5,133,846 Customers; 8,113,000 Kilowatts (Generating Capacity).

A Challenging Period For Consumer Credit

By CHARLES P. FISKE*
Executive Vice-President
General Motors Acceptance Corporation

GMAC Executive defends credit policy and points that rise in auto credit last year was no larger, and even smaller percentagewise, than was the case in 1952-3. Mr. Fiske lists six reasons supporting non-excessive auto credit finding and, also, points out: (1) data's inconclusiveness prevents objective evaluation; (2) total individual debt to savings does show a far lower ratio than in 1929; (3) average monthly repayments have been $80 for past four years on new cars while average disposable income has been rising; (4) banks are turning to "collateral" instead of "credit" approach; and (5) competition is based on service and not terms. Endorsing limited recourse plan with protection system limiting dealer responsibility to an agreed maximum, Mr. Fiske believes this and product competiiton helps make it unnecessary to impose credit controls

I am approaching the subject carefully since never before to my knowledge has consumer credit been in the spotlight as much as it is today. Everywhere one turns a challenge exists on one point or another. Is the quantity of consumer credit outstanding too high? Has the rate of increase in outstandings been too rapid in the past 12 months? Are down payments too low and terms too long? Are too liberal extensions borrowing from future sales? Is the consumer being overcharged for his accommodation? Is the seller, when he participates in the risk, assuming a potential loss burden which may cause him trouble eventually? Should the Federal Government control the terms of instalment sales? You can probably think of others but these are enough to illustrate my point.


Charles P. Fiske

I should like to give you the GMAC point of view on some of these interesting questions and, at times, to make one or two suggestions as to what we all might do to meet some of the challenges imposed by our current situation. I shall confine my remarks largely to automotive credit.

Auto Credit

First, let's take the question of quantity of retail auto credit. The amount increased about $4 billion during 1955, from somewhat over $10 billion to somewhat over $14 billion. Few people may recall that an increase of the same amount and even greater percentage took place from the spring of 1952 to the summer of 1953. This fact does at least show that there is no novelty in the current situation.

I think that we would all agree now that this rise in 1955 was a development directly resulting from record auto sales. In the case of General Motors, sales of cars and trucks in the United States in 1955 were 36% higher than the preceding year and auto credit rose proportionately. One need only look back and put together the factors which were behind the record sales; namely, unusually attractive product, public confidence in continued prosperity, keen competition among automotive dealers resulting in most attractive prices to the buyer, and keen competition among lending agencies.

Debt-Savings Ratio

In considering whether the quantity of consumer debt outstanding is excessive, there is a shortage of the type of data required to arrive at a conclusion completely free from argument. Economists disagree on many things and this question of quantity is no exception. However, there is some helpful information available. The current nationwide ratio of total individual debt to accumulated savings is less than it was in 1940 and far less than in 1929. Annual repayment requirements on consumer instalment debt expressed as a percent of annual disposable income show only a slight increase over 1953 and 1954. The GMAC average monthly instalment on new and used cars is now a lower percentage of the monthly disposable income of the average household than for many years.

We in GMAC believe that the amount of auto credit outstanding at the end of last year was not excessive. The principal reasons for our conclusion follow:

(1) The size of the recent increase is not unusual in a period of rising disposable income, having taken place before in 1952-53.

(2) The changes in down payments and terms, which have contributed substantially to the quantity increase, have served the purpose of absorbing price increases and of keeping the amount of the monthly instalment stable.

(3) While more people have bought cars on credit, there has been more income available to liquidate the debt. The stability of the monthly instalment has, no doubt, attracted a new group of buyers whose income standards have been raised. This new group has demonstrated its capacity to pay.

(4) The amount of individual debt at the end of 1955 is only half of the aggregate savings of individuals. This ratio is much better than in 1929 and slightly better than in 1940.

(5) Annual repayment of total individual debt of all kinds calls for only 15% of annual disposable income, only a slight increase over recent years when debt repayment has been absorbed comfortably. The existence of more health and unemployment benefit plans, social security and pensions undoubtedly increases the individual's confidence in his ability to repay debts, even in times of emergency. Life insurance coverage exists on many instalment contracts and home mortgages. The bulk of instalment debt appears to be held by middle and upper income groups, particularly those with rising incomes who can look forward to a higher standard of living.

(6) Dealing with auto credit alone, its increased proportion of individual debt and its higher relation to savings and disposable income probably reflect the rising importance of a car to family living as well as the desire for the many new engineering improvements. This has largely meant

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*An address by Mr. Fiske at the National ABA Instalment Credit Conferences, St. Louis, Mo.

U. S. Steel Plans $3.25 Billion Capital Outlay

Board Chairman Blough announces 10-year expansion and modernization plans, expresses concern for seemingly endless wage spiral since 1941, and states present high earnings level cannot support or finance planned capital outlays. Calls for realistic change in depreciation laws to prevent raising prices as a last resort.

United States Steel Corporation will, at conservative estimate, have to expand its capacity by an average of 1,000,000 tons a year for the next 10 years, in order to play its full part in supplying the nation with sufficient steel for economic growth and national defense, Board Chairman Roger M. Blough reported May 7 at the Corporation's annual meeting of stockholders in Hoboken, N. J.


Roger M. Blough

"Before we can even talk about expansion, however, we must first arrange to keep our present facilities intact," Mr. Blough declared. "We must replace those that wear out and modernize those that become obsolete. And this, today, is our most difficult problem. This is where inflation has hurt us the most."

Because present depreciation law permits an enterprise to recover only the original cost of facilities—not the inflated cost of replacing them—Mr. Blough urged "a prompt and realistic revision" by Congress of depreciation statutes. He asserted that such a revision "is already long overdue."

As a concrete illustration that replacement of facilities is U. S. Steel's foremost problem, Mr. Blough reported that an open hearth plant which cost $10,000,000 to build in 1930 will cost $64,000,000 to replace at today's prices.

"Through depreciation we have recovered the original $10,000,000 that we spent on this facility," he said. "The remaining $54,000,000, however, will have to come out of our profits—our profits after taxes. But in order to earn $54,000,000 in profits after taxes, we have to earn $112,500,000 before taxes. And, last year, it took the profit on 600,000,000 of the dollars we received from our customers—about one-seventh of our total sales—to pay for that one open hearth plant. So every penny of profit we made on one-seventh of our total sales will be wiped out in replacing this open hearth. . . . The new open hearth I have just described will produce about one-third more steel than the present one does. But taking this into full account, it will still cost 4½ times as much, per ton of capacity, as the original facility did."

Mr. Blough said that, according to the most careful estimates U. S. Steel engineers could make the cost of replacing plant and equipment as it wears out or becomes obsolete will average $350,000,000 a year for the next five years at present construction prices.

In reporting that U. S. Steel would need to add an average of 1,000,000 tons a year to its capacity during the next decade, the Corporation chairman said this would cost $150,000,000 annually "by the most conservative estimates."

U. S. Steel is now moving forward with a program designed to accomplish 2,500,000 tons of the projected expansion in the next two and one-half to three years.

"Despite the rapid expansion of our steelmaking capacity in recent years, we still cannot meet all the demands of our customers," Mr. Blough said. "And since this same condition prevails throughout the industry, there are presently and prospectively painful shortages of certain steel products in America today."

Mr. Blough declared that, while 1955 was the most prosperous year for U. S. Steel since 1940, the fact is that "our profits, at their present level, could neither support nor finance the heavy capital expenditures that we must make in future years if we are to play our full part in providing the steel that this nation will need."

Mr. Blough added that United States Steel will also be confronted this month with "wage demands which, if granted even in part, would—in the absence of a compensating price increase—seriously reduce our present profit level, and would thus compound the financial problem we must face in the future."

There are only two possible solutions to that problem, which stems from past inflation and the possibility of continued inflation, even if at a decelerated rate, Mr. Blough said.

He asserted that the best and most logical solution could be achieved through prompt and realistic revision of the depreciation laws.

"But that can only be done by government," he said, "for the root of the difficulty lies in the inadequacy of normal depreciation provisions of the law. The time has come, I think, when Congress should face up squarely to the fact that these depreciation provisions no longer serve the purpose for which they were intended. It is time to reappraise the law and to revise it realistically."

If that course of attack on industry's financial problem is unavailing, the "only other possible solution" is to increase the profit margin substantially, Mr. Blough asserted.

The first of two ways in which that can be accomplished is "by increased efficiency of operations and consequent cost reduction," Mr. Blough said. He told U. S. Steel stockholders that the Corporation was constantly making great strides in that direction, but that there were "rigid limits" on the rapidity with which economies could be effectuated and on the total savings possible by this method.

"The sole remaining method—the last resort—is by raising prices from time to time in this highly competitive industry, as circumstances require and permit," Mr. Blough said. "In the absence of a more realistic treatment of depreciation, there is simply no other course. . . . To keep the nation's supply of steel intact and supply it with the steel capacity it needs for its economic growth and military protection in this continuing inflationary economy means higher steel prices in the future.

"But higher steel prices, along with higher prices for other industrial commodities we have all been experiencing, is simply further evidence of the inflation of which I have been speaking," Mr. Blough continued.

"Inflation is not in the public interest. But an ample supply of steel is. Where, then does our responsibility lie? And as a corollary to that question, I would pose you another: Which condition is likely to produce the lowest steel prices in the end—a plentiful supply of the commodity or a critical shortage of it? Our friends, the farmers, should be able to give us the answer to that one.

"But when we talk of inflation, there are other conflicting responsibilities to be reckoned with also. For while our labor friends who are here today may differ, many informed people in this country believe that continually larger annual rounds of wage increases have become a major cause of inflation."

Since labor accounts for 75% to 85% of the non-tax cost of the average product, from raw material to finished product, "it would seem logical and inevitable that repeated increases in wages must naturally exert a strongly inflationary influence upon prices generally," Mr. Blough asserted. "And our own financial records over the years will clearly support that fact."

Mr. Blough said that, while U. S. Steel recognized "a definite responsibility" to keep annual wage changes within bounds, it also had the responsibility "to meet, to the best of our ability, the proper needs and aspirations of our employees. And to the nation as a whole we have a further responsibility to avoid, if possible, a strike that would choke off the supply of steel and bring serious financial hardships to workers and owners in hundreds of plants that depend on that supply of steel."

Earlier in his talk to the annual meeting of stockholders, the U. S. Steel Board Chairman said that "many thoughtful people—in government and elsewhere—are already gravely concerned by the seemingly-endless wage-price spiral since the beginning of World War II. These people feel, and I share their feeling, that we cannot go on forever paying more and more each year for the same article—whether it be a bottle of milk, a loaf of bread, or a pound of steel."

After analyzing for the Corporation's stockholders at the meeting the previously-announced results of U. S. Steel's operations during 1955 and the first quarter of 1956, Mr. Blough said the second quarter of this year presently promises "to be the most active in our history."

Sylvan Coleman Dir.

Sylvan C. Coleman, a partner in the investment firm of E. F. Hutton & Company, New York City, has been named a director of General Dynamics Corporation, John Jay Hopkins, Chairman and President of Dynamics, announced.


Sylvan C. Coleman

Mr. Coleman, who is Chairman of the Board of United Carbon Company and a director of several other firms, will also serve as a member of Dynamics' Executive Board and as a member of the Retirement Committee, Mr. Hopkins said.

He was the recipient of the Meritorious Civilian Award for his work during World War II in the office of the Undersecretary of the Navy.

Two Join Staff of M. S. Wien & Co.

JERSEY CITY, N. J.—Robert S. Wien and Stephen Wien have been added to the staff of M. S. Wien & Co., 1 Exchange Place.

Key to Progress: The Uncommon Man

By CRAWFORD H. GREENEWALT*
President, E. I. du Pont de Nemours & Company

Mr. Greenewalt expresses plea in behalf of the "uncommon man" threatened by a growing emphasis on group action and conformity which stifles the creative individual by "submerging him into the common denominator." Finds evidence of this trend in: (1) the growth of our organizations; (2) dependence upon teamwork in science, production and administration; (3) trade and labor unions, and (4) taxing methods. To achieve future developments as startling as those in the past 50 years, Mr. Greenewalt urges everyone—management, public education, government, church and press—to recognize and encourage individual development. Sees at stake preserving the productive source of progress and insuring to each individual the human dignity which is his birthrate.

Today, the emphasis has passed from colorful, personable, and somewhat rugged individuals to the relatively quiet anonymity of the group. Standard Oil has become a large company managed by many people. The large newspaper now sees itself as an institution, no longer engaged in the rough-and-tumble of personal journalism. Universities have become large-scale purveyors of education. Developments in science are only rarely attributable to one person, and come into commercial being through the synthesis of a great number of individual contributions.

C. H. Greenewalt

Individual Replaced by Group

What has been happening for the last 50 years has been a gradual replacement of the individual by the group. This is a natural, even an inevitable development as our economy and its component parts have grown in size and stature. Only what we now call small businesses can be encompassed and directed by a single mind. As our enterprises grow, delegation of authority becomes more and more essential to successful operation, with the result that there remain very few large-scale activities that can be clearly identified with a single individual.

In spite of all this, we seem to continue the practice of substituting for the individual a kind of stereotype in caricature associated with any given vocation. There is, for example, the absent-minded professor, with the implication that academic life attracts absent-minded people or causes people to become absent-minded. We have, if you will forgive me, the inebriated reporter, the libelous inference being that newspaper work holds a lure for alcoholics, or that there is something about newspaper work that drives men to drink. The long-haired musician or scientist, the bluff and hearty salesman are types that I am sure you will recognize.

The businessman, according to this dictionary of typical specimens, is materialistic, selfish, irritable with his employees, indifferent to his wife, contemptuous of the fine arts, and insatiable in his pursuit of money. To businessmen as individuals, this type-casting is, at worst, irritating and, at best, wryly amusing. But I am afraid, nevertheless, that it has made its mark and has created in the minds of the average person the myth that the public welfare is in some way in danger, that society needs protection from these businessmen in caricature.

If I can insert here a personal note, I might record the fact that I started by career many years ago as a scientist—hence, at that time, was presumably long-haired, and doubly so since I was also an amateur musician. Imagine how disconcerting it was, some years after having made the transition from the laboratory to the business office, to find myself characterized by no less an agency than the Department of Justice as a "monopolist by marriage," and by the "Daily Worker" as a bloodless capitalist. "Time, Inc.," was kinder — calling me merely "graying, hawk-nosed," a term my children adopted with some glee.

The fact is, of course, that any generalization about the practitioners of business or of any other profession is utter nonsense. Business, as an institution, recruits its people from the same melting pot which supplies the human raw material for any other trade or vocation. You would be as hard pressed to find a typical businessman as you would a typical sports writer, professor, or musician. Business, like all other professions, is made up of people with all kinds of backgrounds, all kinds of motivations, all kinds of habits of behavior.

Business, in short, does not attract a particular type, neither the morally weak, nor the wickedly inclined, nor the knights in shining armor. It is, on the other hand, comprised of perfectly normal, reasonable human beings, subject to whatever frailties and limitations characterize man on this earth. They represent a cross-section of society—the brilliant and the dull, the generous and the grasping, the expansive and the petty, the good and the bad. Here are ordinary human beings grouped together in organizations designed to complement the weakness of one with the strength of the other, to temper the exuberance of the young with the maturity and wisdom of the old. Whatever individual dispositions may be present, it is the average, the composite, that governs.

So, if we can concede that people in the main have decent and honorable instincts, I believe it must necessarily follow that those in the business world will average out at about the same moral level.

Business, unfortunately, is too often judged in black and white. Errors have been made by businessmen in the past and, in an imperfect world, will certainly continue to be made in the future. Such errors must, of course, be identified and corrected promptly. But emphasis on things which are wrong must not be allowed to obscure the things which are right. For it is an unassailable fact that economic progress of the most monumental kind has come about through the business process.

Businessmen as Kindly Poodles

Much has been said in recent years of the "new type of businessman," as if, by some process of sexless eugenics, the bull terriers and bloodhounds of the business past had been crossbred to produce a race of intelligent and kindly poodles. I have never been able to accept this concept. It seems to me that men will always reflect the society in which they live, will respond to its pressures, its ideals, and its customs. As society as a whole develops and grows both spiritually and materially, the individuals comprising it will, on the average, grow and develop with it. In business endeavor, there is an added pressure for conformity to the public interest, arising simply out of the numbers of people involved in any given management decision.

The change over the years from the responsible individual to the responsible group has greatly increased emphasis on continuity of a given enterprise. Fifty years ago, a man disposed to look upon his business as ending with his lifetime, and his policy decisions were, accordingly, geared to a relatively short span of years. Today, business enterprises have accumulated, so to speak, a life span of their own, starting in some cases in the remote past and going on into the unforeseeable future. Its managers have become torchbearers, accepting the responsibility passed on to them by their predecessors and aspiring to pass on a healthy and dynamic entity to their successors.

The Du Pont Company is an outstanding example of the point I wish to make. We are an old enterprise, and have what I think is a proud record of fruitful contribution to the American scene over a period of more than 150 years. I can assure you that the traditions of the past, the ethics and high performance of the many men who have participated in our enterprise have become an almost palpable force in their influence on those of us who, for a brief span, have the responsibility for carrying the enterprise forward.

It seems to me almost axiomatic that, over the long stretch of corporate life, no business can prosper unless it serves the public interest in all of its many facets. And, as a business develops and its policy-making decisions are delegated, to an ever-increasing number of people, business conduct will in itself reflect the public interest as it may exist in a particular setting and at a particular time.

Increasing Size off Business and Talent

The question of the size of our business enterprises is frequently mentioned with concern. Of course, there is no doubt that the size of the industrial units essential to a strong economy has increased very substantially in the past 50 years and will increase even more substantially in the future. The reason for this growth is too well known and too well accepted to be open to debate. Business units, whether concerned with nylon or news, must be large enough to support the scale of activity to which they are dedicated, and that scale is never static, but increases continually with technological growth and improved living standards.

Modern society, leaning so heavily on technology, simply cannot exist without many large units. As our technological horizons broaden and increase in complexity, the demand will be for increasing rather than decreasing aggregations of talent, manpower, and resources.

I view this with satisfaction, not with alarm, for the pressures of society will inevitably produce their own controls and stabilizers. These pressures for the preservation of a particular moral code are great indeed, particularly in the area that has been called "obedience to the unenforceable"—the things we do, not because they are required, but because they are right. This strength is much more potent and compelling than the law. The law is essentially negative and prohibitive. Ethical principles are vibrantly and affirmatively alive. The segment of humanity concerned with business will be no less responsive to these pressures than any other group.

This averaging process can have its bad side, of course, as well as its good. If the organization of modern society can hold a scoundrel in check, we run the risk, at the same time, that it can stifle the creative individual by submerging him into the common denominator. Society, indeed, sometimes seems intent upon inclining us in that direction. We see the constellation rather than the star; we applaud the ensemble rather than the brilliant soloist.

The trend can be seen, as I have indicated, in the inevitable and quite essential growth of our organizations. Science and production and administration have become necessarily dependent upon team effort. Our trade and labor unions almost by definition are dedicated to the sublimation of the individual to the general level. Our taxing methods have the present effect of leveling the rewards of individual performance and, for the future, the often frightening prospect of curbing the will toward individual accomplishment.

Even the folklore admonishes us with pious phrases to put our trust in mass rather than man, as in the tired, old doctrine that no man is indispensable. It seems to me that this country and the world have been enriched and invigorated most conspicuously by indispensable men, for the right man with the right idea at the right vortex of history has always been the indispensable man. Think of Newton, Lavoisier, Franklin, Archimedes, Gutenberg, and a host of others. Certainly the world could ill afford to dispense with their discoveries.

Future Developments

Despite these trends, we seem thus far to have gotten by; it is the future about which we must think. Future developments may be expected in the next generation that will, in my opinion, prove at least as startling as those of the past 50 years. I am afraid I shall have to disappoint the pie-in-the-sky department by noting that I have nothing to offer as to the exact nature of these developments. If you would take note of the form book on past prophets—even the intelligent ones—you will find that they have always missed out by falling far short of the actuality. The reason is a simple one. The future invariably takes its specific form from new principles that cannot be visualized by the forecaster. In 1800, no one could have guessed at the revolution in transportation and its effect on human affairs. In 1850, no one could have foreseen the universal use of electricity and the uplift it gave to the public weal. In 1900, flight was something restricted to angels and birds. In 1925, the atom was only an unlocked Pandora's box. In every age, there have been new principles just around the corner and that corner is still ahead of us today. The future in bright—of that we may be sure. What difference to us does it make now what the precise source of its brilliance may be?

Just when we will realize this promise of the future and how far the new developments will take us depends on how well we are able to recognize and encourage individual achievement. We cannot move very rapidly if we shut the door on our ablest people by absorbing them in the lifeless tomb of mediocrity.

If I were faced with a choice between a society that sublimated the good with the bad, I think I would rather take my chances with the scoundrels than risk losing the creative force represented by the gifted individual, or what we might call the uncommon man. I am sure the country's long-term balance would sustain me here. To play Mark Antony in reverse, it seems to me that the evil that man can do survives them only a short time, whereas the good, far from being interred with their bones, goes on and on forever. And the good that all men accomplish can be no more than the sum of their individual accomplishments.

Try as we will, we can create no synthetic genius, no composite leader. Men are not interchangeable parts like so many pinion gears or carburetors; genius, as John Adams said, is bestowed "imperiously" by nature upon an individual. And behind every advance of the human race is a germ of creation growing in the mind of some lone individual, an individual whose dreams waken him in the night while others lie contentedly asleep.

We need those dreams, for today's dreams represent tomorrow's realities. Yet, in the very nature of our mass effort, there lies this grave danger—not that the individual may circumvent the public will, but that he will himself be conformed and shaped to the general pattern, with the loss of his unique, original contributions. The group nature of business enterprise itself will provide adequate safeguards against public affront. The great problem, the great question, is to develop within the framework of the group the creative genius of the individual.

It is a problem for management, for public education, for government, for the church, for the press—for everyone. The stake is both the material one of preserving our most productive source of progress and the spiritual one of insuring to each individual the human dignity which is his birthright.

I know of no problem so pressing, of no issue so vital. For unless we can guarantee the encouragement and fruitfulness of the uncommon man, the future will lose for all men its virtue, its brightness, and its promise.

*An address by Mr. Greenewalt before the 43rd Anniversary Dinner of the Bureau of Advertising, American Newspaper Publishers Association, New York City, April 26, 1956.

Shearson, Hammill Opens Third New York Office

Shearson, Hammill & Co., members of the New York and American Stock Exchanges, have announced the opening of their third office in New York City, at 115 Broadway. The office will be fully equipped to handle all brokerage transactions.

At the same time, it was announced that, to handle the growing volume of business transacted by telephone, the number of lines available has been greatly increased through the installation of a completely new telephone system. Effective May 7, there will be a new telephone number, REctor 2-6000, serving both the firm's main office at 14 Wall Street and the new 115 Broadway office.

With Guss Securities

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo.—Edward C. Jones and Margaret K. Jones have joined the staff of Guss Securities Company, of Salt Lake City. Mr. Jones was previously with Filosa Securities Co.; Mrs. Jones was with Columbia Securities Company of Denver.

THE MARKET . . . AND YOU

By WALLACE STREETE

Another period of desultory price action was chalked up by the stock market this week with the railroad average continuing to work higher to its best posting since 1929 while the industrial average, exchanging roles with the rail index of the last dozen months, was the laggard one rather stubbornly refusing to make any serious bid for a new all-time top. There were few signs of broad scale distribution apparent, however, so that market opinion by and large was constructive.

* * *

For all of April and so far into May the market has been building up something of a weekly pattern of easiness early in the week with strong but inconclusive windups in each week's trading. The overall indication was a consolidating phase with some of the market spectators anticipating a rather prolonged rest of this nature for some time to come, barring any sudden news developments.

* * *

Among the more decisive actions was profit-taking in the oils that, at least temporarily, killed off their run-up which was among the better recent group actions. Royal Dutch, in particular, was something of a regular in posting about as many successive new highs as any other issue around. But it was clipped back somewhat sharply in mid-week. Amerada, which had ignored the bull market ever since 1952 until it finally posted a new high this year, was also given to some realizing pressure.

Interest in Roadbuilding Equipments

There was still some culling going on among the issues that stand to benefit from any Federal highway program, including the firms that will supply the bulk of the roadbuilding equipment now that the original play in the cement shares seems to have petered out, at least temporarily. One such that seems somewhat neglected, when measured against others in the group, is Gamewell which has been turning in unspectacular but steady increases in quarterly income. While other roadbuilding shares are selling at around 15 times earnings, Gamewell is available at about half of that figure with an above-average yield. The stock is somewhat scarce if there should be any surge in demand, about a quarter of the 357,000 shares locked up in the portfolio of one organization, Business Statistics. Its business is concentrated more in the highway traffic control area which, however, would be a necessary part of any massive highway program.

* * *

Another of the public improvement groups that have had a placid and, up to now, largely uneventful time of it are the issues that must necessarily benefit from the high and growing requirements for new schools. American Seating and Brunswick-Balke-Collender are the prime examples because they must, first of all, provide the classroom furniture before the makers of laboratory equipment, pencils, etc., start to feel the impact of the vast schoolbuilding needs.

* * *

Another group that is linked to the large school needs in part and also has been benefiting importantly from the entire construction boom is the ceramic tile field which has been showing consistent improvement with another 25% gain in sales projected for this year. Last year the industry finally became a $100 million one. The top two in the field are Gladding McBean and American Encaustic Tile.

A Prosperous Rail Laggard

The superior action of the rail average, naturally, concentrated a bit of attention on some of the issues in this group. Denver & Rio Grande Western generally is considered something of a laggard in the group. Earnings expectations for this year should cover the dividend payment twice over, but despite this fact the issue has sold recently in a 6% class. A not-too-common prop in this case is the road's continuing plan to reacquire and retire its own stock, some 120,000 shares being acquired last year and some more this year so far. On a more routine plane, industrial expansion has been helping the road boost its revenues and its operating performance looms among the better in the field.

* * *

General Railway Signal, while it has had a good market run, is still generally regarded as capable of further gains particularly in view of a jump of 2½ times in profit in the first quarter over last year, although the first quarter is normally the slow one. The stock, like that of Gamewell, is also limited, a scant 333,587 shares outstanding. The issue, among other things, is also a split candidate.

Burroughs in the office equipment field has been able to shrug off dour market periods rather prominently, in part due to the dawning realization that the office equipment field has emerged as one of the fastest growing segments of the electronic industry. This industry also reached the $100 million sales line last year, but some of the more optimistic estimates indicate a 10-fold increase to the billion dollar level in the next four to six years. Burroughs' achievement is one of the highest research budgets in the industry running around 5% of sales. Its newer products, consequently, have been increasing rapidly giving rise to a belief that its gross will double even before the industry reaches the billion dollar mark.

Joyous Joy News

Some evidence that the coal industry is finally about to snap out of its doldrums has made Joy Mfg. something of a favorite in several quarters. The company is the leading producer of machinery for underground mining which has come into its own as producers strove mightily to trim their high labor costs and increase productivity to the competitive level. The company, moreover, has not been unmindful of the benefits of diversification and has built up other lines that finally account for a shade over half of gross with a good portion of the revenues derived from parts and service business with its inherent stability. The company's profit for the fiscal year is being figured at around $6 which leaves the stock selling at less than nine times earnings which, despite its recent strength, is still a conservative price tag by present market standards.

* * *

Koppers Co., like Joy, has steadily lessened its dependence on the coal and steel lines and stepped up its chemical activities, including a new plan to construct a large chemical plant to turn out a new plastic. Earnings have been increasing steadily and have come close to doubling the previous figures not only last year but for this year's first quarter as well. Chemicals are now up to around a quarter of sales making it of growing importance in that field, the premier growth industry of them all.

Outstanding Drug Issue

As far as the drugs are concerned, Bristol-Myers stands out as one that sold for about twice the present level in the 1946 bull market, which pretty well ignores the vast growth in wonder drugs since that time, in which Bristol participates importantly. The company was held back a bit by an enforced dividend trim in 1953, but the company has just restored the old 40-cent quarterly rate again.

[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.]

With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward F. Bentley, Ernest S. Camelio, Jr., Jerome A. Praino, Walter D. Sellers and Thomas J. Shire have been aded to the staff of Investors Planning Corporation of New England, Inc., 68 Devonshire St.

CORRECTION

In the "Financial Chronicle" of May 3 it was reported that E. & M. Klauber had been formed in New York City. We are informed that this is in error. Murray Klauber & Co., members of the New York Stock Exchange, will continue in business from offices at 120 Broadway, New York City. Edward Klauber, also a member of the Exchange, has retired from active business. They were formerly associated in E. & M. Klauber.

Joins Nelson Burbank

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Nathaniel D. Ryder is now with Nelson S. Burbank Company, 80 Federal St.

NSTA Notes

SECURITIES TRADERS ASSOCIATION OF DETROIT, MICHIGAN

Twenty-first annual summer outing of the Securities Traders Association of Detroit and Michigan, at Plum Hollow Golf Club, will be held June 19, 1956.

SECURITY DEALERS OF NASHVILLE

The Security Dealers of Nashville will hold their annual party May 17th and 18th. A cocktail party and dinner will be held at the Hillwood Country Club on Thursday, May 17. On Friday, May 18, a full day of golf and other outdoor activities, followed by a party and dinner that evening, will be at the Richland Country Club. Tariff $25. Reservations should be made with Jack Zeitler, Third National Bank, Nashville, Tenn.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League Standing as of May 3, 1956 is as follows:

Team:	Points:
Serlen (Capt.), Gold, Krumholz, Wechsler, Gersten	48½
Bradley (Capt.), C. Murphy, Voccolli, Picon, Hunter	45
Kaiser (Capt.), Kullman, Werkmeister, O'Connor, Strauss	43
Barker (Capt.), Bernberg, H. Murphy, Whiting, McGovan	42
Leinhardt (Capt.), Bies, Pollock, Kuehner, Fredericks	41½
Donadio (Capt.), Brown, Rappa, Shaw, Demaye	38
Krisam (Capt.), Farrell, Clemence, Gronick, Flanagan	38
Groney (Capt.), Define, Alexander, Montanye, Weseman	34½
Meyer (Capt.), Corby, A. Frankel, Swenson, Dawson Smith	33½
Manson (Capt.), Jacobs, Barrett, Siegel, Yunker	33
Leone (Capt.), Gavin, Fitzpatrick, Valentine, Greenberg	27½
Topol (Capt.), Eiger, Neiman, Weissman, Forbes	25½

5 Point Club

Hank Serlen

200 Point Club

Hank Serlen	217
Jack Manson	211
Will Krisam	211

NSTA CONVENTION

The National Security Traders Association announces the following plans in connection with the 23rd Annual Convention at El Mirador Hotel, Palm Springs, California, October 24-27th.

Wednesday the opening day will be largely taken up with registrations, renewing old acquaintances and enjoying the recreational facilities that are available at El Mirador. The National Committee Meetings, Forums and Business Meetings will be held on Thursday and Saturday. Friday will be a day for Sports and general relaxation. Cocktails will be served at the Pool each evening with Dinner and Dancing following.

A special Train will leave Chicago, Monday morning October 22 at 8:30 a.m. Special cars leaving New York and Philadelphia, Sunday afternoon, October 21 will connect with the Special Train leaving Chicago.

The train will arrive at Las Vegas, Nevada, Tuesday afternoon where the group will visit Hoover Dam. Cocktails and dinner have been arranged at the Riviera Hotel where we will enjoy one of the Floor Shows for which Las Vegas is famous. Following dinner there will be time to visit some of the other hotels and attend one of the Midnight Floor Shows. The Special Train which will be parked for occupancy at Las Vegas will leave early Wednesday morning with arrival at El Mirador shortly before luncheon.

Following the Convention the Special Train group will visit Los Angeles for two days leaving Tuesday evening October 30 for San Francisco. Leaving San Francisco Friday afternoon November 2nd the train will arrive in Chicago Sunday morning. The cars for the East will arrive in Philadelphia and New York, Monday morning November 5.

The cost of the All Expense Trip which includes Round Trip Rail and Pullman from Chicago, all meals on the train, four nights at El Mirador, American Plan, two nights at Hotel Statler, Los Angeles and Mark Hopkins, San Francisco will be approximately $425 per person from Chicago in a Roomette or sharing a Compartment and $550 from New York. The cost for your wife on the family plan will be about $60 less.

For Special Train Reservations or Information, communicate with Edgar A. Christian, Stroud & Co., Incorporated, Philadelphia, Pa.; Glenn W. Hyett, Asst. Gen. Agent, Milwaukee Road, Union Station, Chicago, Illinois; or John F. McLaughlin, McLaughlin, Cryan & Co., New York, N. Y.

UNION PACIFIC RAILROAD COMPANY

FIFTY-NINTH ANNUAL REPORT — YEAR ENDED DECEMBER 31, 1955

REPORT OF THE BOARD OF DIRECTORS

New York, N. Y., April 26, 1956

TO STOCKHOLDERS OF UNION PACIFIC RAILROAD COMPANY:

The Board of Directors submits the following report for the Union Pacific Railroad Company, including its Leased Lines,* for the year ended Dec. 31, 1955.

CONDENSED STATEMENT OF INCOME

	1955	1954
Operating revenues	$509,362,476	$481,786,451
Operating expenses	$370,526,330	$365,858,880
Taxes (including taxes on income from oil and gas operations and other non-transportation sources)	72,517,848	63,686,778
Equipment and joint facility rents—net charge	22,578,806	22,679,243
Net income from transportation operations	$ 43,739,492	$ 29,561,550
Net income from oil and gas operations (excluding income taxes)	28,075,475	33,743,135
All other income	13,207,325	12,133,390
Total income	$ 85,022,292	$ 75,438,075
Fixed and other charges	5,795,036	5,815,410
Net income from all sources	$ 79,227,256	$ 69,622,665

Net income from all sources, before dividends on preferred and common stocks of Union Pacific Railroad Company, represented a return for the year of 7.90 per cent on the average equity (par value of capital stock plus surplus) of Union Pacific Stockholders, compared with a return of 7.23 per cent in 1954. Net earnings per share of common stock, after preferred dividends, amounted to $16.93, or $2.17 more per share than in 1954. However, if wage increases granted to employes during 1955 had been in effect for the entire year, operating expenses would have been increased by approximately $16 million, which after allowing for a consequent decrease in Federal income taxes, would have reduced net earnings per share of common stock in 1955 by about $1.73.

It should also be noted, as explained under "Taxes," that about $2.68 of the net income per share arose from the deferment of Federal income taxes resulting from the rapid write-off, for income tax purposes, of the cost of certain improvements.

OPERATING REVENUES

The increase in **Freight revenue** was largely a reflection of the nation-wide improvement in business activity and general prosperity in 1955. Ton-miles of revenue freight were 8.7 per cent greater than in 1954 and represented the largest volume of freight traffic hauled by the Union Pacific in any year since the World War II year of 1945. There was a drop of 1.6 per cent in average revenue per ton-mile, which can be ascribed partly to an increase of .7 per cent in average distance hauled per ton and partly to fluctuations in relative quantities of the many different commodities carried. The general level of freight rates in 1955 was unchanged from 1954; however, the temporary increase in rates effective May 2, 1952, which was to have expired December 31, 1955, was made permanent by the Interstate Commerce Commission.

The largest *increases* in revenue were in: *automobiles and parts,* as the result of the record-breaking output and sales by manufacturers in 1955; *iron and steel products, bituminous coal,* and *iron ore,* chiefly because of expanded operations of steel plants; *lumber* (during first nine months of the year) and *plywood,* reflecting increased construction activity; *canned and packaged food products,* resulting from greater eastbound movement from Pacific Coast points in response to increased consumer demand; *less than carload freight,* due to improved business conditions, a strike of truckers in Pacific Coast and other Western areas for a short period in the late spring, and recapture of some traffic from highway carriers; *machinery and parts,* with more shipments of machines both for industrial purposes and for household use; *soda products,* resulting principally from continued expansion of production at Westvaco, Wyoming; and *forwarder traffic* (consolidated shipments tendered by freight forwarders for movement in carload service), as the result of the increase in business volume and the strike of truckers mentioned above.

The most substantial *decreases* in revenue were in: *ammunition and explosives,* attributable to reduced Government traffic; *wheat,* due to decline in shipments to Pacific Northwest ports for export and a greater proportion of the current year's crop having been stored locally under Government loans; *sugar,* resulting primarily from smaller sugar beet crops; *hay,* because of less movement to supply farms in Missouri, Arkansas, and Texas, which suffered from drought in 1954; and *corn,* chiefly because of smaller crops and reduced requirements in Pacific Coast areas for livestock and poultry feed.

The decrease in **Passenger revenue** was occasioned by less rail travel generally, fewer movements of military personnel, and continuation of the trend toward greater use of coach service at low fares. However, passenger revenue per train mile increased 22 per cent because of a reduction of 21.6 per cent in unprofitable passenger-train miles.

The decrease in **Mail revenue** resulted from inclusion in 1954 of credit representing retroactive 10 per cent increase in compensation for handling and transporting mail for the last quarter of 1953, and reduction in volume of mail handled because of diversion to other forms of transportation.

The increase in **Express revenue** was due to a general increase in movement of rail express traffic.

The increase in **Other revenue** was principally in switching and demurrage, because of the expanded volume of freight traffic.

OPERATING EXPENSES

The decrease in the "operating ratio" from 75.94 in 1954 to 72.74 in 1955 (the lowest since 1950) resulted from an increase of 5.7 per cent in operating revenues, with an increase in operating expenses of only 1.3 per cent, notwithstanding the considerably greater volume of freight traffic moved in 1955, and increases in expenses caused by higher wage rates and other employe benefits. Success in thus holding down operating expenses may be attributed chiefly to the increased proportion of trains hauled by diesel and gas-turbine locomotives as the result of acquisitions in 1954 and 1955, with consequent savings in cost of locomotive fuel, enginehouse expenses, etc.; sharp reductions in mileage of unprofitable passenger trains and in number of dining cars and Pullman sleeping cars operated over the Company's lines; reduced charges for personal injuries and for freight loss and damage; more sales of scrap material (credited to operating expenses); less new rails laid in renewals; and economies achieved through various additions and betterments to road property and rolling stock.

The principal increases in expenses, other than those primarily attributable to increased freight traffic or higher wages, were in cost of ties laid in renewals, expense of removal of snow and ice from tracks, charges representing value of non-depreciable road property retired, and depreciation charges.

Quantities of rails, ties, and ballast used in main track renewals were as follows:

	1955	Increase (+) or Decrease (—) vs. 1954
New rails (track miles)	237.73	— 11.87
Second-hand rails (track miles)	94.95	+ 11.93
Total rails (track miles)	332.68	+ .06
Ties (number)	832,568	+243,242
Ballast (cubic yards)	454,823	+184,173

The most important of the increases in wage rates referred to above were 10½ cents per hour starting October 1, 1955, granted to operating employes (such as conductors, engineers, brakemen, firemen, and switchmen) and 14½ cents per hour starting December 1, 1955, granted to nonoperating employes (such as shop, maintenance, clerical, and telegraph employes). Since these increases were granted late in the year, their effect on operating expenses will naturally be much more pronounced in 1956, as indicated by the fact that if they had been in effect for the entire year, operating expenses in 1955 would have been greater by approximately $16 million. In addition to the wage increase granted to nonoperating employes, they were also granted, effective February 1, 1955, a monthly allowance representing one half of the cost of a plan to cover medical and hospitalization expenses (effective March 1, 1956, such allowance will be increased to cover the entire cost of the plan).

TAXES

State and county taxes were greater primarily because of sharp increases in rates of ad valorem taxes.

The increase in **Federal income taxes** resulted principally from increased taxable income in 1955, but was also due partly to the accruals in 1954 having been reduced by a credit adjustment for over-accruals in 1953. In determining income taxes in recent years, taxable income has been reduced by substantial amounts representing excess of (a) deductions for amortization, on a 5-year basis, of portions of the cost of equipment and other improvements certified by the Office of Defense Mobilization to be necessary in the interest of national defense, over (b) annual charges against income, under Interstate Commerce Commission regulations, for depreciation based on the estimated total lives of such improvements. The approximate amounts involved for 1955 compared with 1954 were as follows:

	1955	Increase over 1954
Amortization deductions	$28,659,788	$6,427,143
Excess of amortization over depreciation	22,934,114	5,183,470
Reduction in income taxes	11,925,739	2,695,404
Betterment in net income per share of common stock	$2.68	$.60

The reduction in income taxes resulting from this situation is more in the nature of a tax deferment than a true tax saving, because in future years, after the cost of the improvements has been amortized, income taxes will be greater than if the accelerated amortization had not been allowable.

The increases in **Federal unemployment insurance taxes** and **Federal retirement taxes** were due to larger payrolls and to an increase from $300 to $350 per month in the maximum amount of compensation per employe subject to the taxes beginning July 1, 1954.

Total taxes for 1955 were equivalent to 14.2 per cent of total operating revenues and to $1,457.82 per employe. Total taxes were also equivalent to $16.31 per share of common stock, or only 62 cents less than the Common Stockholders' equity ($16.93 per share) in net earnings.

OIL AND GAS OPERATIONS

	1955	1954	Increase	Decrease	Per Cent
Receipts from sale of oil, gas, and other products	$44,929,079	$48,069,619	....	$3,140,540	6.5
Production expenses (including depreciation)	$8,326,066	$6,760,469	$1,565,597	....	23.2
Taxes (other than income taxes)*	3,281,629	3,186,885	94,744	....	3.0
Intangible drilling and development costs†	5,245,909	4,379,130	866,779	....	19.8
Total charges against receipts	$16,853,604	$14,326,484	$2,527,120	....	17.6
Net income from oil and gas operations	$28,075,475	$33,743,135	....	$5,667,660	16.8
Drilling and development costs not charged against receipts	$2,218,111	$2,603,736	....	$385,625	14.8

* Federal taxes on income from oil and gas operations, of approximately $8,372,100 in 1955 and $10,719,000 in 1954, are included in "Taxes" under "Transportation Operations."

† Represents costs such as labor, fuel, repairs and hauling in connection with drilling, geological work, clearing ground, building roads, and certain materials with no salvage value.

The decrease in receipts was due primarily to reduced oil production in the Wilmington field, partially offset by increased production in the Rangely field and other areas. The increase in production expenses was caused chiefly by higher wages and material prices, more extensive redrilling and well stimulation measures, and increased expense for maintenance of dikes protecting the Wilmington field. Greater drilling activity in various areas, coupled with higher wage and material costs, caused the increase in intangible expenditures.

* Leased Lines are: Oregon Short Line R.R. Co., Oregon-Washington R.R. & Navigation Co., Los Angeles & Salt Lake R.R. Co., and The St. Joseph and Grand Island Ry. Co. Figures in the Income Account are stated on a consolidated basis, excluding offsetting accounts between companies.

Britain's Automation Strike Augurs Precarious Future

By PAUL EINZIG

Dr. Einzig believes Britain must automate or perish, and finds the answer is dependent upon British workers' realization of elementary truths, in commenting upon the first instance of unofficial but active resistance to automation. Views gravely: (1) lack of effort to enlighten the worker; (2) shifting of bargaining power to labor which prompts British employers' lack of progressiveness, and (3) vicious circle of labor's full employment and non-stop wage rise demand causing—price rise, Government's disinflationary measures, cost cutting with automation and—dismissal of workers.

Dr. Paul Einzig

LONDON, Eng. — The controversy over automation, to which repeated reference was made recently in these notes, has now developed into an acute industrial conflict. At the time of writing Britain is experiencing its first strike against automation. It came about as a result of the decision of the Standard Motor Company to dismiss a number of workers who are about to become superfluous when the installation of automatic transfer machines in the tractor works is completed. Although the strike is unofficial, it is certain to receive the blessing of the Trade Unions concerned. What is even more significant, the firm of contractors engaged in the installation of the automatic equipment had to suspend its work because its own workers refused to carry on the task.

Automate or Perish

Industrial labor in Britain has thus embarked upon active resistance to automation. This attitude is viewed with grave concern not only by the Government and by employers in industry, but also by the more intelligent and responsible Trade Union leaders who realize that British industries must automate or perish in face of competition by their more progressive rivals overseas. These Union leaders are, however, helpless in face of the very effective Communist agitation against automation. The reason why this agitation is so effective is that the arguments appeal to the workers who are only interested in their immediate position. In any case, no adequate effort has been made either by the Government or by employers to enlighten the workers about the advantages of automation.

What dominates the minds of workers is the determination that dismissals through redundancy must be prevented at all costs. It is true, during 1955 some two million employees changed jobs of their own free will. Those who would be dismissed through redundancy will experience no difficulty in finding alternative employment amidst the prevailing conditions of labor shortage. The workers take the line, however, that it is for them to decide when to relinquish their posts. They want to be at liberty to walk out of their jobs whenever they feel like having a change, but they want to be safeguarded against being compelled to change their employment.

British Employer Progressiveness

In all fairness it must be admitted that in the present instance the fault lies not exclusively on one side. Although the Standard Motor Company claims to have warned the Unions that there would soon be redundancy dismissals the actual notice given to the men was just over a fortnight. There has been no suggestion of any severance pay or any other form of compensation arising from their dismissal. It is true, it may be reasonably assumed that the men could find new jobs almost immediately. Even so, their dismissal entails a certain amount of hardship or inconvenience. In many instance the men will have to accept lower-paid jobs in which their specialized skill would be wasted. In other instances they may have to change their residence or they may have to incur additional travelling costs.

British employers, in their attitude towards social aspects of automation, are distinctly less progressive than their American opposite numbers. The difference may be explained by the fact that in Britain the balance of power has shifted to a much greater extent in favor of organized labor than in the United States. During the postwar years British employers had to put up with a great deal of interference with the management of their works, and collective agreements with the Unions on wages and working conditions have been the result of hard bargaining in which the Unions were usually in a decidedly stronger position. It is not surprising therefore, that employers should feel that, having been forced to agree to certain terms, they are under no moral obligation to pay a penny beyond the amounts prescribed in the contracts.

In any case the strike did not arise out of compensation claims but on the fundamental principle whether the managements are entitled to make use of labor-saving equipment for the purpose of saving labor. The attitude of the workers is based on the ideological conception that factories should be run for the sole benefit of those who work in it. The present strike is a clash between fundamental principles and its outcome is liable to affect Britain's entire industrial future. Should the workers have their way, Britain's prospects would have to be viewed with the utmost pessimism.

Vicious Circle

The workers fail to realize that the present situation has been brought about by their own excessive wages demands. Had it not been for the inflationary rise in their wages, the Government would not have felt impelled to resort to disinflationary measures. The trend would be as expansionary as it had been before the adoption of these measures, even though a more moderate increase of consumer purchasing power would have moderated the rate of expansion. When some 18 months ago the Austin Motor Company installed automatic transfer machines it did not dismiss any of its workers, because, amidst the then prevailing expansionary conditions, it was possible to employ them for the purpose of increasing the output.

Meanwhile, the expansionary trend has been halted. Consequently automation can no longer be used for expanding the output because of the fall in demand. In existing circumstances automation must aim not at increasing the output with the aid of an unchanged manpower, but at maintaining the output with the aid of a reduced manpower.

Perhaps it is not unreasonable to hope that the lessons of this experience may be beneficial in the long run. Up to now it was generally assumed that workers can have both full employment and the non-stop rise in wages. If only they could be made to realize that excessive wages demands can only be satisfied at the cost of dismissals, they might adopt a more reasonable attitude in the future. For the moment they are convinced that they can have it both ways, judging by the recent resolution of the Amalgamated Engineering Union demanding a complete ban on redundancy dismissals and also wages increases and additional overtime earnings totalling some £270 million a year. They seem to ignore the fact that should their wages claim be accepted the Government would be forced to intensify greatly its disinflationary effort, in order to counteract the inflationary effect of this addition to consumer purchasing power. The intensified disinflationary drive would necessarily mean a reduction in employment. Britain's future depends largely on whether the workers can be made to realize such elementary truths.

National Petroleum, Calgary Oil Company, Enlarges Directorate

National Petroleum Corporation, Limited, of Calgary, Alberta, the well known Canadian independent oil company, which has recently perfected a patented new Automation method for perforation and completing oil wells, announces the election of new directors to its Board.

Webster D. Corlett, President and Director of Standard Screw Co., and also President of its wholly owned subsidiary, Chicago Screw Company, which manufactures the patented magnesium permeator for National Petroleum.

L. L. G. Bentley, well known Canadian industrialist and President of Canadian Forest Products, Ltd.

Gus D. Welch, Partner in the Kansas City banking firm of H. O. Peet & Co.

George Harris, financier of Calgary, Alberta.

S. Myron Zandmer, President of National Petroleum.

Mr. Corlett, Mr. Bentley and Mr. Welch are newcomers to the Board of National Petroleum. Their presence on the directorate reflects the expanding international importance of the company.

Join Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Oliver R. Dibblee, Lincoln Leong, Louis L. Martin, Clarence Petersen, James A. Petrella and Harry C. Sackett have joined the staff of Mutual Fund Associates Incorporated, 506 Montgomery Street.

Three With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

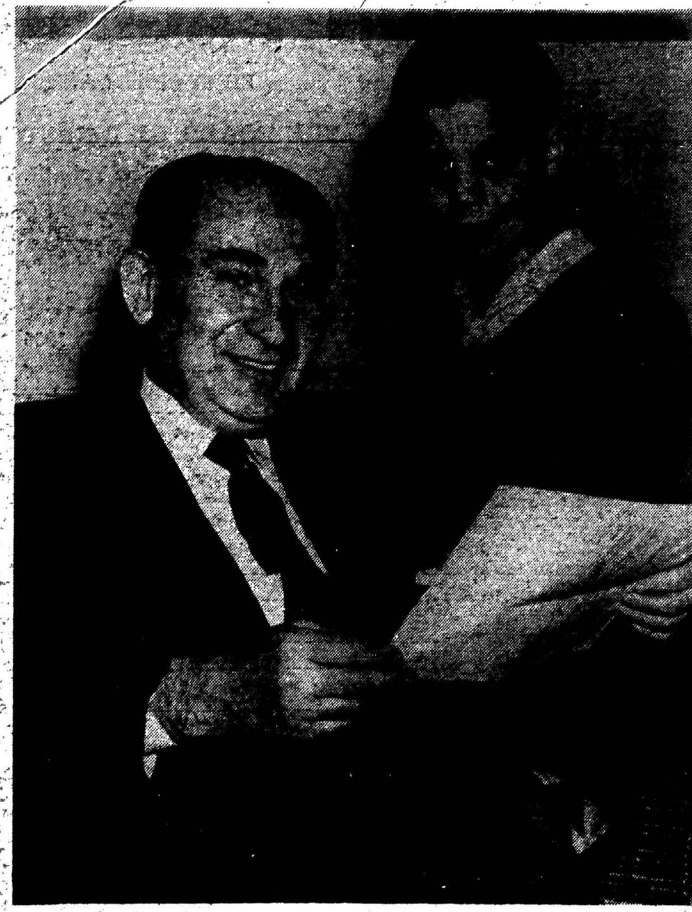
BEVERLY HILLS, Calif. — M. Donald Romine, Alfred Libby and Laurence L. Doty have become connected with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

Two With Reynolds Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Guy A. Q. Jossey-Bass and Bruce A. Merickel are now with Reynolds & Co., 425 Montgomery Street.

Market Whiz Looks Gift Horse in Mouth



Shown here are John A. Kaye, President of Stanwood Oil Corporation, and Lenny Ross, 10-year-old stock market whiz, who recently won the $100,000 jackpot as an authority on Wall Street and stock market operations on NBC-TV's "The Big Surprise." When Mr. Kaye awarded Lenny a $2,500 scholarship to his own alma mater, the Wharton School of Finance at the University of Pennsylvania, Lenny said he could only accept it if he were allowed to go to Harvard, the college of his choice. Mr. Kaye gladly agreed.

Rise in Prices and Industrial Activity Noted

N.A.P.A. Business Survey Committee April report confirms the consensus made previously in March of rolling adjustment taking place within high industrial activity level. Finds unabated rising prices, particularly in raw materials, non-ferrous metals and electrical equipment.

Composite opinion of the purchasing agents comprising the National Association of Purchasing Agents Business Survey Committee latest report issued by Marshall Pease, Assistant Manager of Purchases, the Detroit Edison Co., Detroit, Mich., states that the April business survey clearly reflect the rolling adjustments taking place within the high level of industrial activity. When contrasted with March, the varying percentages emphasize that condition. For instance, in the April returns 37% reported increased production compared with 33% in March, while 49% reported April production remained the same, as against 57% so reporting in March. Declining production in April was reported by 14% of those participating, compared with only 10% who reported declines in March. In the category of new orders, 36% reported improvement in April; 45% said no change, and 19% reported reduced volume of incoming orders. By comparison, those percentages in the March reporting were 33%, 50% and 17%, respectively.

The Business Survey Committee members indicate there was no moderation in the rapidly rising price structure, with the emphasis noted on raw materials, nonferrous metals and electrical equipment. With the settlement of local strikes, employment is reportedly holding at high levels, and the Committee members still find a shortage of engineers and skilled personnel. Buying policy remains essentially unchanged, and the inventory position confirms the condition of rolling adjustments noted in production and new orders.

Expectations have been exceeded, say 58% who answered the following special question: "Are demands on industrial production in general greater, the same or lower than you expected they would be as we enter the second quarter?" That industrial output is, at least, as high as was estimated is reported by 31% of the Committee members, and only 11% found April production below anticipated levels.

Commodity Prices

The rising prices reflected in the March reports of Committee members continued unabated. Not since last September have so many felt the advancing price pressures. In April, those reporting price increases rose to 76%, from 68% in March. While 31% reported prices the same in March, only 21% were in this category in April. Lower prices were indicated by 3%, compared to 1% the previous month.

Inventories

Where inventories of purchased materials are reported increased, it is generally attributed to good business and protection against price advances or strikes. Thirty-four percent of the Committee say inventories are higher, compared with 32% in March. The same inventory is reported by 50%, against 57% last month, and 16%

say inventories are lower, compared with 11% in March.

Employment

Higher employment was reported for April by 26%, against 23% for March. There were 60%, compared with 66% the previous month, who said employment was the same, and 14% showed less employment compared with 11% in March. In the manufacturing areas especially, skilled people are much in demand.

Buying Policy

Buying for production materials remains predominantly in the 30-to-90 days' range. The breakdown shows 24% in the 30-day range; 36% in the 60-day bracket, and 26% covering for 90 days. There are still 14% who report that they must cover for 120 days or more.

On MRO supplies, there is little change from last month. Only 1% report a need for 120 days' lead time, with 17% in the 90-day range; 26% in the 60-day range; 39% at 30 days, and 17% ordering as needed.

For capital expenditures, 61% report a need for a lead of 120 days to one year; 18% require 90 days; 11%, 60 days, and 10%, 30 days or less.

Specific Commodity Changes

Corrugated paper products and aluminum had the greatest number reporting price increases.

On the up side are. Aluminum, brass, some copper products, nickel, some steel items, tin, pig iron, oxygen, acetylene, alcohol, paper, corrugated cartons, lumber, coal, lubricants, electric motors, electrical equipment, linseed oil and tin cans.

On the down side are: Copper, rubber, burlap and nylon yarns.

In short supply are: Aluminum, copper, nickel, steel (stainless, alloy, pipe, plates, shapes, structural, sheets), selenium, titanium dioxide, monel, paper, corrugated papers, cellophane, lumber, and cement.

L. A. Inv. Cashiers To Hear Wendell

LOS ANGELES, Calif. — Harlan L. P. Wendell of the du Pont Company will speak on "Progress Must Be Created" when he addresses the members of the Association of Investment House Cashiers Tuesday night, May 15, at the Blarney Castle Restaurant, 623 South Western Avenue. Mr. Wendell will document the story of American progress and stress the factors which create progress. The speaker will also give examples of how Americans have "unlocked the door to production."

With the du Pont Company since 1948 as an assistant editor of the company employee publication, and head of the information division, Wendell received a leave in 1953 to serve as a public relations advisor to Mrs. Oveta Culp Hobby, Secretary of Health, Education, and Welfare in the Eisenhower cabinet.

Also on the agenda for that evening is the annual election of officers, according to Russell J. Hendrickson, of Oscar F. Kraft & Company, President of the Cashiers Association.

Joins Reynolds Staff

(Special to The Financial Chronicle)

OAKLAND, Calif. — Ernest E. Borel has been added to the staff of Reynolds & Co., 2150 Franklin Street.

Reynolds Adds to Staff

(Special to The Financial Chronicle)

STOCKTON, Calif.—Daniel E. Train is now connected with Reynolds & Co., 301 East Weber Avenue.

Bank of America Group Markets $11 Million Pasadena Bond Issue

Bank of America N.T. & S.A. heads an underwriting syndicate offering $11,000,000 City of Pasadena, Calif., 3¼%, 2½% and 2¼% Municipal Improvement Bonds, due June 1, 1958 to 1971, inclusive. The bonds are priced to yield from 2% to 2.50%, according to maturity.

Other members of the offering group are—The Chase Manhattan Bank; Security-First National Bank of Los Angeles; The First Boston Corporation; Blyth & Co Inc.; Harris Trust and Savings Bank; Smith, Barney & Co.; The Northern Trust Company; C. J. Devine & Co.; Merrill Lynch, Pierce, Fenner & Beane; American Trust Company, San Francisco; Weeden & Co.; Dean Witter & Co. R. H. Moulton & Company; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co.; The Philadelphia National Bank; Laidlaw & Co.; William R. Staats & Co.; Heller, Bruce & Co.; Brown Brothers Harriman & Co.; Taylor and Company; Roosevelt & Cross Incorporated; E. F. Hutton & Company; Schwabacher & Co.

Third National Bank in Nashville; Ginther, Johnston & Co.; A. G. Edwards & Sons; Lawson, Levy & Williams; H. E. Work & Co.; Stone & Youngberg; Hill Richards & Co.; Kalman & Company, Inc.; Irving Lundborg & Co.; Shuman, Agnew & Co.; Kenower, MacArthur & Co.; Redfield & Co.; Stern, Frank, Meyer & Fox; C. N. White & Co.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates yesterday (May 9) offered $3,750,000 of New York, Chicago & St. Louis RR. 3⅜% serial equipment trust certificates, maturing semi-annually Dec. 1, 1956 to June 1, 1971, inclusive. The certificates are being offered to yield 3.375%.

Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by 500 box cars estimated to cost $4,728,355.

Associated in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Freeman & Co.; The Illinois Co. Inc.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co.; and McMaster Hutchinson & Co.

Willard Emerson Dir.

Willard I. Emerson has been elected a Director of Therm Electric Meters Co., Inc., of Ithaca, N. Y., it was announced.

Mr. Emerson is the Manager of the Ithaca office of Hemphill, Noyes & Co., investment bankers and members of the New York Stock Exchange, and was formerly a general partner of the firm, and Vice-President for development of Cornell University. He is also a Director of Norfolk Southern Railway, and a member of the Cornell University Council.

Worry as Depression Cause

By ROGER W. BABSON

Forecasting the next depression may come from worry, Mr. Babson presents an insight into fear and how it can interfere with correct decision-making.

Continually I am being asked: "What could cause the next Business Depression?" It could be overbuilding, too much instalment buying, stock market speculation, or the unreasonable demands of union labor; but I forecast the next depression, with its unemployment, may come from worry, fear, and exhaustion.

Real Causes of Unemployment

Already worry is causing executives to have heart attacks, causing wage-workers to demand pension security, causing housewives to get divorces, and causing almost everyone to seek more entertainment in order to forget their troubles. If too many people get scared and stop buying, this will surely bring on bad business and unemployment.

Roger W. Babson

Most of us hesitate to discuss our personal religion for fear of being called "hypocrites." But at the risk of being so-called myself, I will this week make a confession:—My education as a statistician taught me to seek the truth. Hence, when I became a Church Member, I naturally sought to learn what Jesus taught Among other things, I found that He taught us not to worry. One of His most emphatic teachings was to avoid "being anxious about tomorrow." I, therefore, have never allowed myself to worry.

What the Birds Teach Us

When Jesus held up the birds as an example for us to follow (Matthew, 6th Chapter, Verses 26 to 29), He realized that the birds are obliged to hunt their own food. God does not throw food in their nests for them, God even compels the birds to build their own nests. Unlike most young people today, the birds build their "houses" and pay for them before "getting married" and raising little birds! Jesus never told us not to THINK about tomorrow, or not to PREPARE for tomorrow. Read His parable of the Ten Virgins in the 25th Chapter of Matthew, Verses 1 to 13. It was WORRY which Jesus condemned.

Therefore, I have constantly fought worry and conquered it when it faced me: First, when I had an attack of tuberculosis and was "given up for dead"; then, during the Great Depression when my many clients got scared and left me; and always when some personal misunderstanding arose with some relative, or friend, or businessman. Two things I have learned to avoid — worry and liquor — one often leads to the other.

Debt to My Wife

Furthermore, I do not give any credit to psychiatrists, or to pills, or to reading books. I give the credit to my Religion and to Mrs. Babson who, until her recent passing, was my companion and counselor for half a century. I feel that those readers who worry are ignoring Jesus' teachings. They, moreover, must realize that worry is a vice which will harm them like any other vice or drug.

Mrs. Babson, more than anyone else, helped me to avoid worry by never talking grief to me after our evening meals. Neither of us ever "carried our troubles upstairs," so to speak. We never discussed anything after going to bed. If ever we had trouble getting to sleep, instead of "counting sheep," we counted our blessings and the many things for which we have to be thankful. Moreover, we have both tried to live naturally, pray sensibly, avoid keeping up with the Joneses, and have kept out of debt!

Importance of Correct Decisions

Let me guess as to why Jesus believed that worry is so dangerous. I believe it was because worry prevents a person from making correct decisions. Our health, our jobs, our income and our happiness all depend primarily upon making correct decisions —saying "No," or "Yes," at the right times. Our present and our future depend upon making correct decisions, and we cannot make them unless we are free from worry.

One final thought: I make my important decisions only when I am "alone with God." I may be alone in an "Open Church"; I may be quietly in my home garden; or in the N. H. woods; or by the seashore at Gloucester. But to get the cobwebs of worry from my old brain, I surely must be away from a telephone and from other people! Forgive these personal words of confession and warning. I would not give my column this week to such a subject except for the real possibility that "too much worry" could be the cause of the next business depression.

Savings Bank Public Relations Forum

May 11 is the closing date for registration for the Annual Meeting of the Public Relations Forum, to be held at the Hotel Statler, Buffalo, May 17 and 18. Checks for $15 per person should be made payable to William J. Cunningham, Secretary-Treasurer, and mailed to: William J. Cunningham, Jr., The Bronx Savings Bank, 429 East Tremont Avenue, New York 57, New York.

This fee covers the luncheon, dinner, and receptions on Thursday.

A special car will leave New York at 5:00 p.m. (DST) Wednesday, May 16, reservations should be made with Charles J. Andrews, New York Central Passenger Representative, Room 1218, 466 Lexington Avenue, New York 17 (MUrray Hill 9-5400). The tariff is $26.64 per person, including taxes and the rate increase effective May 1.

Hotel reservations should be made by contacting the Hotel Statler direct.

Join Shelley, Roberts

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Milton R. Aronson, Jack M. Caplin, Jack W. Erlich, Douglass M. Hodson, Mary L. Huie, Willard Leabman, Walter W. Patty, Eugene H. Perry, Lester C. Worden and Clarence F. Wurdig have become affiliated with Shelley, Roberts & Co., 9486 Santa Monica Boulevard.

Pearlstone Opens

NEWARK, N. J. — Michael M. Pearlstone is engaging in a securities business from offices at 16 Johnson Avenue.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Robert L. Hatcher, Jr., and John L. Taylor have been appointed Vice-Presidents of **The Chase Manhattan Bank of New York.** Mr. Hatcher, who previously was Assistant Vice-President in the bond department, will be associated with the New York City district. Mr. Taylor will head the bank's Fifth Avenue and 44th Street branch, succeeding J. Stewart Baker, Jr., Vice-President, who is moving to the main office at 18 Pine Street to take charge of the bank's business in several mid-western states.

* * *

H. Mansfield Horner, President of United Aircraft Corp. has been appointed a Director of the **First National City Bank of New York.** Mr. Horner also is a Director of the Southern New England Telephone Co., Travelers Insurance Co. and The Hartford National Bank & Trust Co.

* * *

The First National City Bank of New York announced on May 9 the appointment of Daniel J. Walsh as an Assistant Vice-President. Mr. Walsh is in the bank's Overseas Division, Caribbean District.

* * *

Irving Trust Company of New York announced on May 7 the election of Donald C. Power to its Board of Directors. Mr. Power is President of General Telephone Corporation, which is the largest of the independent (non-Bell) telephone companies in the United States and has substantial foreign operations. Mr. Power, a lawyer by profession, was named President in 1951 and is also a Director of several General Telephone subsidiaries.

* * *

Louis S. Hughes, formerly Assistant Vice-President of the **Industrial Bank of Commerce of New York** has been promoted to Vice-President, and Elmer H. Worthington, has been elected a Vice-President, it is announced by Walter E. Kolb, President of the Bank. Mr. Hughes joined the Industrial Bank of Commerce in 1952. Mr. Worthington was formerly with the Bankers Trust Company and Public National Bank. Both men are assigned to the Commercial Division of the Industrial Bank of Commerce.

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Promotion of Richard M. Wilcox to be Vice-President of **Guaranty Trust Company of New York** is announced by the company. He continues with the company's Investment Department, with which he has been identified during most of his 30 years' assocaition with the bank. Mr. Wilcox was graduated from DePauw University in 1925 and joined the Guaranty Trust Company that year.

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The Dime Savings Bank of Brooklyn, N. Y. has commissioned Halsey, McCormack & Helmer, architectural firm which specializes in bank design, to plan two sidewalk tellers windows. Adolf Lancken Muller, President of the firm said the windows will be built on the portico of the bank entrance on the corner of Flatbush and Dekalb Avenues. The windows will be built between two outside columns, leaving the passage free from between the two center columns as the entrance to the bank.

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Effective May 1st the **Long Island Trust Company of Garden City, L. I., N. Y.** announced it would pay 2½% interest on individual accounts from $10 to $25,000. The 2½% rate will also apply to joint accounts up to $50,000 it was indicated by Fred Hainfeld, Jr., President, of the trust company.

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The First National Bank in Yonkers, N. Y. recently opened a new branch office at 1 Buena Vista Avenue, in the Yonkers passenger station of the New York Central RR.

* * *

The Sullivan County National Bank of Liberty, N. Y. has increased its capital from $150,000 to $350,000 as of April 23. The increase in capital resulted from a stock dividend of $100,000, and the sale of $100,000 of new stock.

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Plans to increase the capital of the **Steuben Trust Company of Hornell, New York,** from $250,000, consisting of 5,000 shares, par $50 each, to $400,000, in 8,000 shares of the same par value have been approved as of April 30, by the New York State Banking Department.

* * *

The sale of additional stock of the **Connecticut National Bank of Bridgeport, Conn.** to the amount of $1,045,000 has increased the bank's capital, effective May 1, from $3,135,000 to $4,180,000. Reference to the plans of the bank to enlarge its capital appeared in our April 5, issue, page 1690.

* * *

Stockholders of **Linares & Rescigno Bank of Paterson, N. J.** will meet on May 21 to vote on a proposal to sell the assets of the bank to the **First National Bank and Trust Company of Paterson.** A letter from Peter J. Rescigno, President, outlining the offer, has been sent to the stockholders of Linares & Rescigno. Under the proposed agreement, First National Bank will assume the deposits of Linares & Rescigno Bank which, as of March 31, amounted to $4,557,000. The present office of that bank located at 208 Market Street will continue in operation, at least for the present, and present officers of the bank, Salvatore C., Emanuel C. and John C. Linares, and all staff members will become a part of the First National organization. Peter J. Resigno will become Vice-President of First National Bank and manager of the office at 208 Market Street. Linares & Rescigno Bank had its inception as a private bank in 1920. Since 1933 it has operated under a state bank charter. Commenting on the proposed plan, Mr. Rescigno indicated that for many years there has been a close relationship between the two banks. He added that "since some of my associates are desirous of reducing their active business tasks and are looking toward eventual retirement, it was only natural that we would turn to First National Bank and suggest that they assume the responsibility for continuing to provide our customers with the banking services we have supplied in the past." Subject to approval of the proposal on May 21, it is planned that the consolidation will take place as of the close of business June 1.

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The plans for the merger of the **Irvington Trust Co. of Irvington, N. J.,** with the **National State Bank of Newark** were approved by the stockholders of both banks on May 1. The plans were given in detail in our issue of April 5, page 1690. In its May 1 issue the Newark "Evening News" said:

"At the meeting of the National State stockholders, approval was given to a 2-for-1 split of the bank's 180,000 outstanding shares of stock, with par value changed from $25 to $12.50. The stockholders also approved issuance of 32,000 additional shares of stock at the new par value, with this extra stock to be exchanged for the 12,000 shares of Irvington Trust stock now outstanding. The approval of the National State stockholders means the number of new shares outstanding will total 392,000, with bank capitalization up $400,000 to $4,900,000. National State directors intend to incorporate a 20 cent extra dividend voted last year into the regular dividend, thereby placing the new stock on a 55-cent quarterly basis as against a comparable 50 cents quarterly last year.

* * *

Edwin E. Spoerl, Vice-President of the **First National Bank of Jersey City, N. J.,** died on May 1. In advices from a staff correspondent at Jersey City, the Newark "Evening News" reports that Mr. Spoerl entered the banking business with the Title Guarantee & Trust Co. in 1915. He later managed the Jackson Trust Co., and joined **First National** in 1927. Until his illness, he had been Vice-President in charge of new business and loans and directed the West New York and Hoboken branches of the First National of New Jersey. At his death Mr. Spoerl was 59 years old.

* * *

Following recommendations of the directors of the **Rutherford Trust Co. of Rutherford, N. J.,** the stockholders of the bank have been notified of a special meeting to be held May 17 to vote on plans whereby the capital will be doubled, the plans providing for the issuance of a stock dividend and the sale of 15,000 additional shares of stock. Under the proposals it is announced the capital will be increased from $250,000 to $500,000, and surplus from one million dollars to $1,125,000. Indicating that the increase will be accomplished by three steps, Rutherford advices to the Newark "Evening News" said:

"First, the 10,000 shares of stock now outstanding (with par value at $25 a share) will be reclassified into 25,000 shares of stock, with par value at $10 a share. This will give each shareholder 2½ shares of new stock for each share of old stock held.

"Secondly, a stock dividend of 10,000 shares of new $10 par value stock will be declared, each stockholder getting one share of the new stock for each old share held.

"Thirdly, 15,000 shares of the new stock will be sold at a price of $25 a share, with present stockholders given the right to buy 1½ shares of new stock for each share of old stock held. Stockholders are expected to exercise this right, since the old stock is now quoted at 90 bid, and even under the split the net cost will be less than the market price."

Sale of the 15,000 shares at $25 a share will raise $375,000 of which $125,000 will be paid into the surplus account, while the balance of $250,000 will go toward capital account to pay for the 25,000 new shares of $10 stock being issued.

It is added that directors propose to declare a dividend rate of 80 cents a share on the new stock, equivalent to $2.80 a share on the old stock, against the $2.50 a share paid during the last two years, including extra dividends. The changes are expected to become effective by July 13.

Adams & Hinckley, Newark securities dealers, are underwriters of the new issue.

* * *

Advices to the effect that the **National State Bank of Newark, N. J.,** and the **First National Bank of Millburn, N. J.,** have reached general agreement on merger terms were contained in the Newark "Evening News" of April 26, which said that a detailed plan will be submitted for approval by the directors of the Newark bank at their next regular meeting May 10.

* * *

A capital of $300,000 is reported effective May 1 by the **First National Bank of Sault Ste Marie, Mich.,** compared with $150,000 previously. Both a stock dividend of $100,000 and the sale of $50,000 of new stock served to enlarge the bank's capital.

* * *

The death of Ralph D. Griffin, banker of St. Louis, Mo., occurred at Palm Beach, Fla., on April 30. As to Mr. Griffin's banking connections the St. Louis "Globe Democrat" of St. Louis said: "From 1934 until his retirement two years ago he had been an executive, first with the **Mercantile Commerce Bank and Trust Company, now the** Mercantile Trust Company, and later with the Mercantile Commerce National Bank in St. Louis. At the time of his death he was a director of the latter bank, the Bank of Edwardsville, Ill., and the Hunter Packing Company. At his death Mr. Griffin was 77 years of age."

* * *

Under the title of the **Corpus Christi State National Bank,** a consolidation was effected as of April 20 of two National Banks of Corpus Christi, Texas. The two banks which have thus become united are the **Corpus Christi National Bank,** with common stock of $750,000, and the **State National Bank of Corpus Christi,** with common stock of $500,000. The newly created Corpus Christi State National Bank, which operates under the Charter of the Corpus Christi National Bank, has a capital stock of $2,500,000, in 100,000 shares of common stock, par $25 each, surplus of $2,500,000 and undivided profits, including capital reserves, of not less than $1,369,885.

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A charter was issued as of April 13 by the office of the U. S. Comptroller of the Currency for the **Harlingen National Bank of Harlingen, Texas.** The new bank, which opened for business on April 16, represents a conversion of the Harlingen State Bank of Harlingen. The newly formed bank has a capital of $300,000 and surplus of $219,422.60. D. B. Dunkin is President and James L. Mayer is Cashier.

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Lewis A. Wilton, Comptroller of **The Bank of California, N. A. of San Francisco,** retired on April 30 under the bank's retirement program, after 40 years of service. Mr. Wilton joined the bank on Aug. 20, 1917. He became auditor in 1929 and Comptroller in 1948. Mr. Wilton's duties as Comptroller will be assumed by Sam R. Cox, who for the past four years has served as Auditor. Prior to that he occupied a similar position at the bank's Seattle, Wash. office. Mr. Cox has been a member of the staff of The Bank of California for nearly 30 years. Louis Arlie, Assistant Cashier, advances to the position of Auditor of the Bank of California. He is a veteran of over 35 years service, 27 years of which were spent as a staff member in the General Ledger and Auditing departments.

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Shareholders and directors of both **First Western Bank and Trust Company of San Francisco** and the **First National Bank in Orosi, Cal.,** have approved the merger of the two banks, it was announced on May 4 by T. P. Coats, Chairman of the Board of First Western and R. H. Biggs, Vice-President of the Orosi bank. The last named bank, located in the San Joaquin Valley about 35 miles southeast of Fresno, became the Orosi office of First Western on May 7. It is staffed and managed by its own personnel, who retain their seniority after joining First Western. The only bank in its community, the Orosi bank was founded in 1930 and has deposits of about $3,500,000. With the Orosi acquisition, First Western now has 77 offices serving 60 communities throughout California. Its assets on Dec. 31, 1955, totaled $877 million.

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P. C. Hale, Chairman of the Board of Broadway-Hale Stores, Inc., has been appointed to a seat on the board of directors of **Bank of America,** it has been announced in San Francisco. Mr. Hale has served as a member of the bank's Advisory Council to the Board of directors since 1945. Mr. Hale's father, P. C. Hale, Sr., founder of Hale Brothers Stores, Inc., was a close associate of A. P. Giannini and served as a member of the board of directors of Bank of America from 1913 until his death in 1936.

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The capital of the **Virgin Islands National Bank at Charlotte Amalie, St. Thomas, V. I. (United States)** has been increased from $150,000 to $200,000. The addition, effective April 25, was brought about by a stock dividend of $25,000 and the sale of $25,000 of new stock.

New Makris Branch

BUFFALO, N. Y.—Makris Investment Bankers and Company of Miami, Fla., have opened a branch office in the Rand Building under the direction of George Argeros.

Lehman Bros. Arranges Fruehauf Unit Credit

Credit accommodations aggregating $235,000,000 for Fruehauf Trailer Finance Co., wholly-owned subsidiary of Fruehauf Trailer Co., were announced on May 8 by Roy Fruehauf, President of the trailer manufacturing concern. The funds will be provided in the form of $100,000,000 4% notes due 1976; $23,000,000 4⅛% notes due 1976; $100,000,000 bank loans due 1957 to 1962 and $12,000,000 senior subordinated notes due 1964.

Lehman Brothers assisted the company in negotiations with financial institutions.

Of the aggregate amount $95,000,000 represents new financing since the company's fiscal year-end Dec. 31, 1955, and the balance a refunding and recasting of previous loans.

"These credit accommodations available to our finance subsidiary," said Mr. Fruehauf, "are in addition to substantial equity which the parent company has provided in the form of stock and subordinated obligations."

The increased borrowings under the credits will be used to enable the Finance Company to acquire a greater volume of instalment paper generated by the expanding sale of Fruehauf Trailer Co., the largest manufacturer of truck trailers in the United States.

"Although only formed in 1948, the finance subsidiary has grown to rank among the nation's largest finance companies," said Mr. Fruehauf, "and its credit experience is an enviable one, more than justifying our highest expectations."

Honnold Adds Two

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Andrew J. Duncan and Ross Gregory, Jr. have been added to the staff of Honnold and Company, Inc., 524 17th Street.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Recently there was brief comment here about the relationship in leading banks' statements of condition between government bond portfolios and loans and discounts, and as the subject is beginning to have the attention of large investors in bank stocks perhaps some further observations will be in order.

A canvass of a number of the larger banks indicates that in no case is it felt that the banks have "gone overboard" in their mounting volume of loans and discounts either related to deposits or to government obligation holdings. It must be remembered that the principal historic function of a bank has been the lending of its depositors' money to business. It was only the result of the depression of the 1930's that loans were relegated to an asset of secondary importance, with high grade bond holdings constituting the mainstay of bank earnings. It was that era that gave us "100% Nichols," the bank president in the Chicago area whose assets were entirely in cash and governments.

In the present boom period the banks have been returning to the old relationship, and the vacation away from it was so extended that it is perhaps a bit difficult to get used to loan volume being so great in relation to governments.

There is, however, a feeling in some banking quarters that the trend toward greater loan volume has taken some banks so far out of governments that any further moves in that direction would begin to require close study. Of course, a "hot deposit" bank, that is, one in which the flow of deposit money moves rapidly into and out of accounts, has greater need of the stabilizing influence of an adequate amount of governments than the institution in which this is less of a factor. Some bank officers of the more conservative stripe are thinking in terms of not wanting to go beyond the present relationship, and they are seeking ways of curbing loan growth.

One means is to cut down on their brokers' and security dealers' accommodation, and, indeed, eliminating those that do not carry satisfactory deposits. After all, a bank will be subject to less criticism for lending to commercial and industrial borrowers than for lending to finance security speculation. This attitude gives little attention to the fact that historically brokers' loans are very low in volume when set alongside the totals of commercial and industrial borrowing.

Another approach at keeping a tight rein on further borrowing is to make the prime rate applicable to fewer borrowers. This not only acts as a damper, but, from the bank's point of view, it has the advantage of putting more borrowers on higher rates.

Borrowing is likely to continue strong. One of the factors affecting it is the Mills plan for accelerating Federal income tax collections. This, it will be recalled, is the Treasury's method of getting corporate taxpayers on a current basis, as individuals are. This has brought many large borrowers to the banks, and will continue to do so until the corporations have caught up and are current with their payments.

The accompanying schedule is enlightening. As between the 1954 year-end and that of 1955 the shifts from governments into loans were fairly sizable, but if we then add the March 31, 1956 ratios we get a realization of the extent to which loan volume has grown in only this year's first quarter.

	Ratio of Govts. to Deposits 12/31/54	12/31/55	3/31/56	Ratio of Loans to Deposits 12/31/54	12/31/55	3/31/56
Bankers Trust	23%	19%	19%	52%	56%	64%
Bank of New York	30	23	25	43	49	59
Chase Manhattan	28	18	18	42	52	56
Chemical Corn Exch.	32	19	19	37	45	52
First Nat. City	34	22	18	41	49	56
Guaranty Trust	38	30	25	53	55	62
Hanover Bank	37	25	23	40	46	51
Irving Trust	32	25	24	44	46	54
Manufacturers Trust	35	26	28	30	36	40
J. P. Morgan & Co.	24	20	24	48	47	51
New York Trust	35	23	24	42	52	64
Averages	31%	23%	22%	43%	47%	55%

Arthur Quick Opens

BELLINGHAM, Wash.—William A. Quick is engaging in a securities business from offices in the Bellingham National Bank Building under the name of Arthur Quick & Co.

New Moseley Branch

NEENAH, Wis.—F. S. Moseley & Co., members of the New York Stock Exchange, have opened a branch office at 104 North Commercial Street under the direction of William S. Eddy.

Now A. Trent & Co.

The firm name of Trent & Co., 39 Broadway, New York City, has been changed to A. Trent & Co.

Forms Newark Company

NEWARK, N. J.—A. J. Grayson & Co. of New Jersey, Inc., has been formed with offices at 15 Washington Street.

Wallach, Ross Named By Central National

Ira D. Wallach was elected President of Gottesman and Company, Inc., international wood pulp merchants, and of Central National Corporation, 100 Park

Ira D. Wallach   Arthur Ross

Avenue, New York City, at special meetings of directors of both companies, succeeding D. Samuel Gottesman, deceased. Arthur Ross was elected Executive Vice-President and managing director of Central National Corporation.

Mr. Wallach had served as Executive Vice-President and chief executive officer of Eastern Corporation of which he is still a director and member of the executive committee. He is a director of Rayonier, Inc., and Vice-President and a director of the D. S. and R. H. Gottesman Foundation.

Mr. Ross is a director of the Mexican Light & Power Company, Ltd. of Toronto; a director of Rayonier, Inc., New York; a director and member of the executive committee of St. Lawrence Corporation, Ltd., and a director of United North Atlantic Securities Ltd., both of Montreal.

Russell Hendrickson Returns a Benedict

LOS ANGELES, Calif. — Back from his honeymoon at Koontz Lake in Indiana is Russell J. Hendrickson who for the last 10 years has been Cashier for Oscar F. Kraft & Company, Los Angeles, Calif. His bride is the former Lorraine R. Stodolny of Walkerton, Ind. The wedding ceremony was held on April 21 in the home of the bride's parents, Mr. and Mrs. Clyde E. Ricketts, and the reception was held in the Lincoln Highway Inn, South Bend, Ind. Mr. Hendrickson will end his tenure of office as President of the Los Angeles Association of Investment House Cashiers on June 2 when a dinner-dance will be held in the Fox Hills Country Club.

Chicago Analysts to Hear

CHICAGO, Ill. — Arthur O. Dietz, President of C. I. T. Corporation, will discuss the corporation and consumer credit at the luncheon meeting of the Investment Analysts Society of Chicago to be held May 10 at 12:15 p.m. in the Adams Room of the Midland Hotel.

The Society will take a field trip to the Whiting Refinery of the Standard Oil Company, on Tuesday, May 15; busses leaving at 9:30 a.m. in front of the Midland Hotel. A luncheon will be served and Dr. R. C. Gunness will discuss the refinery's relation to the over-all company operation. Robert E. Wilson, Chairman, and David Graham, Financial Vice-President will also be present. During the afternoon there will be a tour of the Research and Engine Automotive Laboratory.

T. E. Addison Opens

CLINTON, S. C. — Thomas E. Addison is engaging in a securities business from offices at 200 Broad Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

It seems as though the feeling is growing in the money markets that the interest rate raising operations of the powers that be has reached a peak for the time being. It is also evident that the trend of loans for the next month or so will have an important influence upon what happens as far as the level of interest rates are concerned. Even though there appears to be differences of opinion as to the effects that a further tightening of interest rates would have on the economy, it is believed in many quarters that the pressure will come off very fast if business as a whole should show signs of tapering off. It is well known that there are several soft spots already appearing in the economy.

The intermediate and long-term sectors of the Government market have been able to show signs of doing better even though still thin and limited. The broad and active market in Treasuries is still confined to the short-term issues.

Mr. Sproul's Retirement

The money market appears to have taken the news of the resignation of Allan Sproul, as President of the Federal Reserve Bank of New York, pretty much in stride. There is no question in the minds of money market specialists but what we are losing the active services of one of the best and most capable "Central Bankers" in the business. Mr. Sproul has been very important to the system and has helped its development tremendously in the years that he was head of the New York Central Bank. It was reported that he is desirous of returning to his home State of California in order to spend more time with his family or to start a new career that is less demanding than being President of the Federal Reserve Bank of New York.

Disagreement on Reserve Board's Policy

On the other hand, it is evident from reports that the monetary authorities have not been seeing eye to eye as to the ways in which the policies have been carried out. As President of the Federal Reserve Bank of New York, Mr. Sproul is Vice-Chairman of the powerful Open Market Committee of the Federal Reserve System which puts into operation the credit tightening or credit relaxing policies which the powers that be have decided upon. Up to now the only way in which the money markets have been eased or tightened has been through the purchases and sales of Treasury bills by the Federal Reserve System. It is very well known that Mr. Sproul has been the leading advocate of having open market operations, not confined entirely to Treasury bills, but also to include certificates, notes and bonds when as and if this kind of action appears to be warranted.

The amount of Government securities outstanding has increased very substantially in the last 20 years and this makes matters very different than they were when the national debt was much smaller. Accordingly, it is the opinion of many money market followers that the inclusion of Government issues other than Treasury bills in open market operations would tend to give much needed stability to the Government market, while at the same time the credit loosening or credit limiting policies of the powers that be, would be carried out.

Government Agencies Help Market

The market for Government obligations continues to be as restricted as ever and, because of this thinness, it is subject to rather easy movement in both directions since it does not take very much in the way of buy or sell orders to have a marked effect upon the prices of these issues. At the present time, it seems as though the buyers are having the better of the argument, due principally to reports of active purchases of selected obligations by Government agency accounts. This is one way in which the Treasury can influence the money market and at the same time give much needed support to the Government market.

Corporates and Municipal Bonds Well Received

The better tone which has been in evidence in Government securities is attributed in no small measure also to the favorable reception which has been given to new offerings of corporates and tax-exempts. It is indicated that yields in some of the non-Treasury bonds have reached levels which were attractive to those that had funds for investment. It is also believed that the large offering of General Electric Company bonds will be very well received when it comes along.

Discount Issues in Demand

Short-term money continues to find an outlet in the most liquid Government issues, with some evidence now that maturities upon to 1961 are getting more attention than was the case recently. It is also reported that quite a number of switches are being made in the more distant Government bonds, with those selling at the largest discount getting the bulk of the reinvestment demand.

Two With Schwabacher

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — William A. Baxter and George E. Burnett are now with Schwabacher & Co., 100 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Forms Maynard Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

HAMLET, N. C.—Elbert E. Maynard, Jr., is engaging in an investment business under the firm name of Maynard Investment Company, from offices at 49 Main Street. Mr. Maynard was previously representative for McCarley & Co., Inc.

Hoppin Bros. Admit

On May 10, Hoppin Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit G. P. Pollen Jewett, Jr., Carlos H. Haughey, and O. Benedict Zeman to partnership.

Bruns, Nordeman Branches

Bruns, Nordeman & Co., members of the New York Stock Exchange, have opened a branch office in the Cotton Exchange Building, Pine Bluff, Arkansas, under the direction of Harris N. Draughon, and in Tupelo, Miss., at 301 South Spring Street, under the management of Wiley G. Beane.

Railroad Securities

By GERALD D. McKEEVER

Northern Pacific Railway

Revenues of the Northern Pacific made a new high in 1955 and earnings of $7.72 per old share, vs. $3.86 per share giving effect to the two-for-one split effective April 10, were the highest since 1950 when the road had the benefit, in the last half of the year, of large military movement of freight and personnel due to the "Korea affair." About half of last year's bulge was due to the sharply increased movement of lumber to meet the demands of the building boom and another 25% of the gain came from increased haul of manufactured goods. There was little change in revenues from the movement of agriculture products, but this component would have been higher and total revenues would have been even greater if it had not been for a nationwide shortage of box cars which, according to the road's 1955 report, was especially critical on the Northern Pacific during the period of heavy crop movement. The road has taken steps against a recurrence of the car shortage in future years by authorizing a $9½ million car building program involving 1,000 50½ foot double door box cars. Another $2¼ million is to be spent to acquire a 100-car fleet of refrigerator cars.

Whether last year's gains on the relatively greater gain for the Northern Pacific in the past five or six years represent growth or merely a cyclical phase remains to be seen. At any rate, the road's progress has been well above the average for the district and for Class I in the past two years especially. This feature is well portrayed in a chart of comparative percentage gains in the road's 1955 annual report but it is even more strikingly brought out by the following comparison of revenue indices based on 1947-49 as 100:

	Northern Pacific	Northwest District	Class I Total
1955	122	113	112
1954	114	108	104
1953	121	118	119
1952	119	117	118
1951	116	115	116
1950	111	108	106

Although revenues for the first two months this year continued in a strong upward trend with about twice as much percentage gain for the period as for the year 1955, earnings suffered a slight setback. This was due in large part to bad weather conditions but the wage increases without any offsetting freight rate increase in this period were also a factor. The latter asserted itself in March net which was $1.12 per share as against $1.08 for March, 1954. On an annual basis the freight rate increase granted March 7 should bring the road about $9 million additional revenues as against the wage increase of some $8.3 million annually. The 5% passenger rate increase effective May 1 should be worth over $350,000 annually. The 6,900 mile Northern Pacific is one of three "Northerns" extending between the Twin Cities and Great Lakes ports to the Pacific, the Northern Pacific lies between the Great Northern, which is farthest north, and the "Milwaukee." For years these three roads shared a sparsely settled territory with the Great Northern the preferred route because of a lower gradient across the Rockies. Consequently the average haul is long-over 400 miles for the Northern Pacific.

Several things have happened in the last several years, however, to build up this territory. Among these have been irrigation and the development of cheap electric power. The Grand Coulee Dam for instance, supplies nearly 2,000,000,000 kilowatts of power and will eventually irrigate a farm area larger than Rhode Island. Others, the McNary Dam and the Dallas Dam with 526,000 kw., 562,000 kw. respectively, are scheduled for completion next year, and the 500,000 kw. Noxon Rapids Dam in Montana is scheduled for completion in 1959. Still in the planning stage are the 144,000 kw. Ice Harbor Dam and the two Priest River dams with combined capacity of 1,638,000 kw. None of the foregoing has irrigation features, but the Yellowtail Dam which has been authorized will ultimately irrigate 225,000 acres as well as to supply 200,000 kw. of power.

The foregoing are important, but the most publicized development and of most direct benefit to the Northern Pacific is, of course, the Williston Basin oil and gas operations. The Northern Pacific has retained mineral rights in over three million acres in this rich oil and gas area and until about a year ago it conducted its own exploration and drilling operations. It was then decided to farm it out to various oil companies on a royalty basis and this has had good results. Oil and gas operations reached a new high last year and produced total revenues of $1,686,153 as against $1,327,019 in the previous year and $987,017 in 1953. It is expected that revenues from this source will reach $3 million this year. This gain is facilitated by the completion last November of the Butte Pipeline in which the Northern Pacific has a 10% interest but the road estimates that it will suffer the offsetting disadvantage of the loss of $1.4 million revenue from movement of oil by rail.

The potential value of the oil and gas properties is a substantial factor in the price of Northern Pacific stock. Capitalizing 1955 adjusted net per share of $3.86 at eight times and allowing for the relatively small oil factor of less than 70 cents per share before taxes, the railroad operations component in the price of Northern Pacific common would be somewhere around 25 or less than 60% of its current price of 43½. From time to time it has been wondered if the oil element might not be "spun off," but this does not appear to be feasible. The oil lands are subject to the first lien of the road's prior lien and land grant 4s of 1997 which are now callable.

The Northern Pacific and the Great Northern are making joint exploratory studies of the possible advantage of a merger of these two roads and merger at the same time with the Chicago Burlington & Quincy and Spokane Portland & Seattle, the latter two being jointly controlled by the Northern Pacific and Great Northern. These four roads together have an aggregate mileage of about 25,000 which would make the merged system by far the most extensive in the country even if substantial abandonment were effected in areas where there is duplication. These studies were begun only recently and it will be some time before any findings are disclosed.

In the meantime, the Northern Pacific is a rather high cost operation due to light density, substantial branch mileage and only partial dieselization. While main line passenger service is fully dieselized, only 53% of freight operations had been so converted as last reported. This road has been slow to move toward dieselization because of the availability of cheap coal mined by its subsidiary, the Northwestern Improvement Company. Nevertheless the road on April 29 placed a $13.3 million order for 80 additional diesels.

M. G. MacKay Opens

SYRACUSE, N. Y.—Melville G. MacKay is engaging in a securities business from offices at 1361 Teall Avenue. Mr. MacKay was formerly with Carl M. Loeb, Rhoades & Co. and Putnam Fund Distributors, Inc.

Named Corresponding Sec. Of Personnel Women

Alice Rice, of Bankers Trust Company's Personnel Administration Department, has been elected corresponding secretary of the International Association of Personnel Women, parent organization of the Wall Street Business and Professional Women's Club, of which she is president.

Miss Rice, who will serve from July of 1956 until June of 1957, has been with the company since 1929 and in personnel work since 1951. She is also a member of the Personnel Club of New York and has studied at the American Institute of Banking and at New York and Columbia Universities.

Kleiner Director

Burt Kleiner, vice-president of Cantor, Fitzgerald & Co., Inc., Beverly Hills investment bankers, has been elected to the board of directors of The Rapid Electrotype Company of Cincinnati, Ohio. The company, listed on the American Stock Exchange, manufactures printing plates of all kinds for newspapers, magazines, carton manufacturers and job printers and also produces a complete line of matrices for stereotype casting. Mr. Kleiner also will serve as a member of the executive committee.

LETTER TO THE EDITOR:

Supports Dr. Spahr's Price Views

Richard Hall of Boston disputes criticism of New York University Professor's article voiced by Dr. Ernest R. Gutmann.

Editor, Commercial and Financial Chronicle:

I take issue with Dr. Ernest R. Gutmann and agree with Dr. Walter E. Spahr in the latter's comparison of the totals of money and deposits and wholesale prices index (125) in 1920 with the totals of money and deposits and wholesale prices index ((79) in 1936. Dr. Gutmann attempts to show (article in April 26 issue) that the money supply in 1936 was less than in 1920 (because the dollar was devalued in terms of gold in 1933), even though the total of money and deposits was, in round figures, \$43 billion in 1920 and \$57½ billion in 1936.

Prices reflect the number of dollars being bid for a given quantity of commodities—not the number of ounces of gold represented by each dollar. When this latter number is decreased, as happened in 1933, more dollars come into existence, and other things being equal, prices should rise. But other things were not equal, as Dr. Spahr so well showed by the fall in the wholesale price index in 1936.

It is to the value relationships of land, labor, and capital as expressed by a sound money that we should look for our economic problems and their solution, not to the will-o'-the-wisp of money manipulation.

RICHARD T. HALL

177 St. Botolph Street
Boston 15, Mass.
May 7, 1956

LETTER TO THE EDITOR:

Reader Comments on Factors Entering Into Price Level

In taking exception to Dr. Gutmann, Richard Spitz describes several factors affecting price, and expresses the view that a sounder price level results from gold convertibility than from a debased monetary standard.

Editor, Commercial and Financial Chronicle:

It is interesting, indeed, to read the views of Dr. Ernest R. Gutmann, commenting that "monetary processes are relentlessly logical" and prove that the debasement of the currency has been twisted into such an aggravated form that gold convertibility cannot "level" with a current or future price level.

In 1934 there was a revaluation of gold, according to Dr. Gutmann. But he fails to point out that there have been many artificial price level changes that have ignored free enterprise supply and demand price level markets, and substituted the edict of governmental parities, subsidies, governmental military orders, stockpiling and purchases.

On all of this was superimposed a national debt that amounts to about \$275 billion, that runs, and runs and runs, without any present plan to find some fiscal plan of amortization and retirement over the years, which Dr. Gutmann apparently does not believe significant in his discussion of price level and sound monetary conditions. Yet, all economists must admit the inflationary impact of a national debt that is not planned for amortization and the effect of the same on the going price level.

The continuance of gold convertibility would have certainly given disciplined and comparative price level conditions better than a price level founded upon a debased monetary concept that governmental pricing edict and governmental borrowing has contributed, the remedy for which Dr. Gutmann seems to suggest is purely negative and a continuance of more of the same.

At what going price level will government bonds be paid off and in what kind of monetary standards so long as gold convertibility is not the remedy?

RICHARD SPITZ, Esq.

Fortune's Rocks
Biddeford, Maine
May 8, 1956

Can Higher Interest Rates Curb Inflation Trend?

First National Bank of Boston traces the threat of intensified inflation and explains how bank loans have expanded while bank deposits contracted. Finds a warning signal in the slower pace of disposable personal income to much faster lending rise —particularly that occurring outside of the commercial banks.

"With the economy operating near capacity, there is a threat of intensified inflation," says The First National Bank of Boston in the current issue of its "New England Letter." Continuing, the bank says, "This is indicated by a leveling off in industrial production since the end of the third quarter, while bank loans showed a gain of nearly 10% during this period.

"The chief reason for the credit squeeze is the two-pronged corporate influence on the money market. Not only was there a strong demand for bank credit to meet heavy March tax payments and record outlays for plant and equipment, but also at the same time firms withdrew bank balances and invested the proceeds in Treasury, state, and municipal short-term obligations. The net consequence was an expansion in bank loans and a contraction in bank deposits.

"The demand for credit has become so strong that, in order to avoid inflationary pressure, discount rates have been raised for the fifth time within a year, and all other interest rates are being scaled upward. In general, the cost of business borrowing is now the highest since the early 1930s.

Higher Interest Rate's Effectiveness

"It is a question, however, whether a higher interest rate in itself will constitute an important deterrent to the application for loans since it represents but a relatively small proportion of the total cost of doing business. Moreover, interest charges are a tax deductible expense so that, for firms with profits and a 52% levy, an increase of 1% in interest charges, for instance, would represent a net cost of less than one-half of one percent. While the higher cost of borrowing may not have much of an immediate effect, the Federal Reserve banks can exercise a restraining influence at the discount window—the most sensitive source for borrowing by member banks. It is here that restrictions can be imposed on marginal credit.

"To be really effective, however, the discount mechanism must be coupled with open market operations—Federal Reserve banks' sale of Government securities. This has the effect of reducing reserve balances and forcing the member banks to become more dependent upon borrowing. The Federal Reserve has a still more powerful weapon at its command—the raising of reserve requirements. But this instrument, since it is so blunt and inflexible, would cause disruption in the banking system and for that reason will not likely be used except in an emergency.

The money managers have a difficult task in trying to bring about a proper balance between inflation and deflation. Curbing a boom by means of monetary policy is a delicate operation that calls for great skill, as untimely and to vigorous action could bring about a recession, but an unchecked boom could lead to serious inflationary developments.

"Then, too, there is a broad field of lending outside of commercial banking, over which the Federal Reserve authorities have no direct jurisdiction. Commercial banks, which account for about 42% of the total, showed a gain of 166% in the last decade, while all other institutions in the aggregate increased from around \$29 billion to over \$114 billion, or by nearly 300%. To aggravate the situation, the largest gains have been made by some of the new institutions with a comparatively short lending experience. On the other hand, disposable personal income advanced by only 68% during this period. This sharp and growing gap between the gain in debt and income is a warning signal that must be heeded or the day of reckoning will surely come.

Employment Act of 1946

"The curbing of inflation, however, extends beyond that of credit expansion. The Employment Act of 1946 prescribes that the national policy, with which monetary and credit policies must conform, is to provide maximum employment and at the same time maintain a relatively stable dollar. But when plants are operating at capacity, with growing shortages of manpower and materials, there is automatically generated inflationary developments that unless checked result in the depreciation of the purchasing power of the dollar.

"Furthermore, public psychology has in the past played a decisive role in bringing a boom to a dramatic end. As C. Canby Balderston, Vice-Chairman of the Board of Directors of the Federal Reserve System, has recently warned: 'Financial history records boom after boom that burst because men "chased the fast buck" at the sacrifice of prudence . . . neither monetary control nor fiscal policy . . . can maintain economic stability if group psychology runs rampant.'

"The American record has demonstrated our prodigious capacity for spectacular economic achievement. But that is not enough. We must also be able to demonstrate our ability to avoid over-expansion by means of excessive borrowing that can lead to dangerous consequences. The key to controlling business cycles lies in keeping expansion within reasonable bounds, and the valiant efforts of the monetary authorities toward this end should have the unstinted support of the American people."

Applauds Reserve Board's Credit Policy

"Guaranty Survey" interprets recent rediscount rate advance as indicative of Federal Reserve's courage, independence, and devotion to the cause of stable money, and as signifying increasing concern over inflationary, not recessionary, threat. Maintains current rate is not too high.

The recent rise in Federal Reserve discount rates showed that the nation's central banking authorities regard inflation, not recession, as the main threat to economic stability, according to the May issue of "The Guaranty Survey," monthly review of the Guaranty Trust Co. of New York.

"This revelation was of exceptional interest and importance," the "Survey" adds, "because it came after an interval of five months during which the economic weather signs had been strangely mixed and the Federal Reserve had given little indication of its attitude. Many observers expected the monetary authorities to maintain a 'wait-and-see' policy until the business situation had taken a decisive turn one way or the other. Whether the developments of recent weeks constituted such a turn is a question on which opinions will differ. It must be agreed, however, that the rate advance reflected the independence, courage, and devotion to the cause of stable money which have characterized Federal Reserve policy since the "accord" with the Treasury five years ago.

"In weighing the significance of the Federal Reserve's action, it has been repeatedly stressed that the rate advance was the fifth within a year, indicating a continuing and presumably increasing concern over the strong expansionary tendencies that have prevailed since the recovery from the 1953-54 recession. These five advances have carried the rate at New York and most other Reserve centers from 1½ to 2¾%—3% at Minneapolis and San Francisco. The sharper advance at these two centers, combined with the fact that the Treasury bill rate promptly rose above the new discount rate, raised the question whether still another increase might not be in prospect. In the past, a rise of the Treasury bill rate above the discount rate has often heralded an advance in the latter.

"Even more has been made of the fact that the advance carried the prevailing rate to the highest level in 23 years. Not since May, 1933, had the New York rate been above 2½%. Nowhere in the system had the rate been above that level since January, 1935.

"What most commentators do not mention is that the present rates, viewed in a longer perspective, are not high but low. Not until 1930 did any Federal Reserve discout rate go below 3%. The great depression of the 1930's ushered in an era of low money rates that has continued up to the present. Only by comparison with conditions during and since the depression are current rates high.

"Aside from the outright inflationists, those disposed to criticize the rate advance may be expected to base their argument on two main grounds. One is that for the last six or seven months business has tended to move in a sidewise direction, with little change of level. Another is that money rates in the open market had tended to rise for several weeks prior to the advance in discount rates. Why, it may be asked, should the Federal Reserve take an action that certainly did not counter the upward trend and perhaps served to intensify it?

"The obvious answer to this last question is that monetary authorities who believe that a relatively free money market, like other free markets, has an important role to play in maintaining equilibrium in a free economy will, in general, tend to follow the market instead of attempting to control it. Unless the market is allowed to behave much as a completely free market would behave, it cannot be expected to exert its normal stabilizing effects. A rise in money rates usually indicates an increasing utilization of available credit resources and a corresponding need for restraint. Under such conditions, a refusal to follow the market would amount to positive intervention on the side of easy money, overexpansion of credit, and inflation.

"As for the sidewise business movement, this also can be interpreted as an indication of the stresses and distortions that arise during a period of swift expansion, and a reflection of the consequent need for corrective braking action. Markets for some raw materials, especially metals, show signs of strain. In the face of these signs, businesses report sharply increased plans for new investment in plant and equipment, consumers are still in a spending mood, and construction is well sustained, if not actually turning upward."

New York State Creates Mtge. Facilities Corp.

New agency to issue stock and obligations, according to George Mooney, Superintendent of Banks

The following statement by George A. Mooney, New York State Superintendent of Banks, was sent April 24 to all New York State-chartered banks and trust companies, savings banks and savings and loan associations:

George A. Mooney

"On Friday, April 13, 1956, Governor Harriman signed the Watson-Abrams bill creating the Mortgage Facilities Corporation. The purpose of this Corporation is to promote, encourage and stimulate the development and rehabilitation of blighted areas by making first mortgage loans in such areas on a sound economic basis.

"The bill is a result of consultation among leaders of the financial industry and a committee of commissioners established by the Governor. The Banking Department has given the matter careful study, and is confident that sufficient safeguards exist so that the activities of the Corporation will be financially sound and economically desirable.

"It is suggested that your Board be made aware of the investment opportunities in the stock and obligations to be issued by the Mortgage Facilities Corporation. You may also inform your Board that the Banking Department wholeheartedly supports the objectives of this legislation."

Form Lakewood Secs. Corp.

LAKEWOOD, Ohio—Lakewood Securities Corp. has been formed with offices at 14714 Detroit Avenue to conduct a securities business. Officers are James C. McCollum, President; Theodore Male, Vice-President; Christa Lerch, Secretary, and Joyce J. Perrymore, Treasurer. Mr. McCollum and Mr. Male were previously with Brew-Jenkins & Co.

Continued from page 4

Retooling for the Atomic Age and Increased Foreign Spending

money and we must adopt a re-examined policy of lending more freely to other nations.

Even in the face of Russia's infiltration into less-developed countries, as well as into France, Italy, Finland and Latin America, our economic aid to other nations has averaged less than 2% of our national income. The amount of private lending and investment is also low. With only 7% of the world's population, we enjoy about 37% of the world's consumption. Surely we should be able to multiply our loans two or three times for the sake of world stability. That would be a small price to pay.

We Americans are setting a fast pace of industrial progress. We need to keep up that pace. Our record, if clearly understood, should inspire every unprejudiced observer with the conviction that a free economy, properly nurtured, can outperform centrally planned socialistic and communistic economies. If we make it evident that we want to help by sharing our know-how and our substance, we can spur what is left of the Free World into enlarging its margin of productivity over the communist-led part of the world.

Is Our Story Convincing

Yes, our record should inspire vast areas to follow our methods. But are we telling our story in the right way? Are we convincing enough in our offers of aid? Does the aid we offer require military concessions? Do other nations believe we are sincere when we say we want to help them strengthen their economies so they can help themselves? Remember, the communist world is spending over $3 billion a year merely to spread their doctrine. How much are we spending to explain the doctrine of freedom?

Russia has built up her military strength in air power and atomic weapons so that she feels relatively secure. At the same time, she has built her industrial machine and made economic progress. Now she is able or perhaps finds its necessary to use economic devices to further her aims abroad and expand her pattern of trade.

She has served notice that she is extending the cold war to the economic front. To prove it, she made a deal with Egypt to supply arms from Czechoslovakia — in essence an incursion into Africa and the Middle East. She offered aid to Egypt in building a huge dam on the Nile, agreed to build a steel mill in India, promised to take surplus rice from Burma in exchange for industrial equipment, and will assist Afghanistan to build factories and oil facilities. Furthermore, she will exchange technicians with India, and has invited the countries of the Middle East and Southeastern Asia to request technical help when they need it. She also speaks openly of financial assistance to the less-developed countries to help them raise their standards of living. Communist aid to Egypt, India, Afghanistan, Yugoslavia, Indonesia, Syria, Burma, and a number of other nations is estimated to total about $500 million during 1955 and the first few months of 1956.

This communistic challenge on the economic front may be very effective. It may turn many less-developed countries toward the East and away from the West. Call it evil, political, packed with lies, but let us not be lulled into security by our feeling of moral superiority. It would be suicidal for us to underestimate its political and economic potentials.

Of course, we have been trying to promote economic development in those areas which are now dealing with Russia. We have programs of government loans and grants; we have made an effort to stimulate private investment in foreign countries. Yes, we have a technical assistance program.

Less-developed Nations Need Capital

But let's face it. Capital investment funds from the United States and other countries into less-developed areas is at the rate of a little more than $1 billion a year. Most of that has gone to Latin America. The less-developed nations, many of them new, which today are so vital in the fierce struggle between the Free World and Russia, could use twice as much as that. In self-defense we must dig deeper into our pockets.

Our foreign aid is small as compared with our military expenditures. We are increasingly dependent upon the rest of the world for raw materials and it makes sense to invest capital in less-developed areas in order to assure ourselves of sources of supply.

We should give sharp thought to supplying more investment capital to these wobbly nations. Private capital would be best, in my opinion. Public money should take the form of long-term loans at low interest rates, rather than grants. Our public funds should be used mainly for power, transportation, communications and irrigation projects essential to stabilizing these governments. We might also use our agricultural surpluses to promote economic development, if that can be done without disrupting international markets.

Re-Examine Our Program

Oh yes, I know, we have spent billions of dollars on foreign aid. Perhaps some of it was not wisely spent. Perhaps there has been mismanagement in spots. Not always has it worked in favor of the Free World. We must now vigorously re-examine our programs in light of today's threats and junk old methods once highly cherished. All this will plunge many of us into political name-calling, which of course is something every politician hopes to avoid during an election year. But the urgency cuts across party lines and sectional interests.

I spoke earlier of intelligent, fully-realized fear. I was trying to point out its value as a dynamic force needed to blast a throughway to national unity in our fight against Russian economic and political penetration—penetration into areas the Western world must hold. Such a wholesome fear in the face of danger can dissolve opposition of isolationist groups. It might hold in check deep-seated prejudices against some of the less-developed nations because of their ancient cultures and religions, both often difficult for Americans to comprehend and tolerate. That fear could also serve to make certain that industrial interests face the galloping need for expanded foreign aid even though their narrower self-interest might be a little hurt.

Conclusion

We are in an economic cold war of the atomic age. Our best offensive is to spread our technological and managerial skills to help industrially backward countries, to help them put more food in their national bellies and more dollars into uncontrolled trade with the West. If we fail to do this, regardless of the money we might save, we will be creating and economic and sociological vacuum. Into that vacuum, Soviet Russia will be quick to pour her ideologies and offers of economic aid.

It is the normal fear of such a vacuum which may strengthen our national will to prevent it. It can bring unified economic effort. It can awaken every American from a dream of fruitful security.

But we should not permit fear to stampede us into unwise action. We have an economy of abundance. We have the economic strength that can meet any reasonable competition. Why should this nation fear economic competition? It has demonstrated its leadership in industrial production and its technology. Why should it not be willing to meet the challenge in exactly the fields where it is best equipped?

For the most part, trade is unemotional and seeks only the best advantage. That is precisely why certain borderline nations have eagerly accepted the Russian overtures. The enticement of material reward took precedence over whatever objections of idealism were present. In fact, whether we like it or not, we might just as well be resigned to the fact that political orientation of nations like Japan and Indonesia will follow the routes of trade. These two nations, for example, are simply obliged to trade if they are to survive. In facing up to this fact realistically, we should consider the very real possibility that before too long we shall have to engage in trade between ourselves and certain Iron Curtain countries. By gaining markets, we might be able to weaken their ties with Russia. Our products speak louder than political jabber from the Soviets. In fact, American goods might be the best propaganda device at our disposal to weaken the Soviet position.

America can face the Atomic Age with confidence and with optimism provided it does not shirk its responsibilities. The price of freedom has always been dear. Our nation's founders bought it with their blood, their fortunes, their families, and their all. We have an opportunity to pledge a certain part of our standard of living to its continuation. Quite frankly, we have got to inconvenience ourselves for freedom; to go out of our way to lay some extra money on the line to see that it is preserved. Once we set our course to pay whatever price is necessary to win the economic war, we will have broadened the mantle of freedom to cover the less-developed nations that are now counted borderline or behind the Iron Curtain. Only then will these nations know the newness, the freshness, the dignity and the rewards of the American system of democratic self-government. Only then, will they recognize the Soviet system for the slavery that it is—the oldest and most depraved institution in human history.

Max Kaufmann Opens

Max Kaufmann is engaging in a securities business from offices at 839 West 179th Street, N. Y. City.

Form Fund Analysis Corp.

Fund Analysis Corp. is engaging in a securities business from offices at 545 Fifth Avenue, New York City. Officers are Samuel M. Gilbert, President; H. Louis Press, Secretary, and Carl Turk, Vice-President. Mr. Gilbert was formerly with First Investors Corporation.

Public Utility Securities

By OWEN ELY

Electric Utilities in Iowa

The Iowa electric utilities offer attractive yields to the investor. Following are some recent yields and price-earnings ratios:

	Recent Price About	Div. Rate	Current Yield	Recent Share Earnings	Price Earns. Ratio	Div. Pay-Out	Com. Stock Equity
Iowa Elec. L. & P.	29	$1.50	5.2%	$2.18	13.4	69%	31%
Iowa-Ill. G. & E.	32	1.80	5.6	2.39	13.4	75	40
Iowa Power & Lt.	27	1.40	5.2	1.99	13.6	70	35
Iowa Pub. Service	16	0.80	5.0	1.06	15.1	75	33
Iowa Southern Util.	23	1.20	5.2	1.71	13.4	70	36

Iowa Electric Light & Power has had the best earnings record of any of the group since 1951, when it earned only $1.47 compared with the recent $2.18. This year the dividend rate has twice been raised to the present $1.50 rate. The company made an excellent first quarter showing.

The Presidents of the two largest companies, Iowa Power & Light and Iowa-Illinois G. & E., recently gave talks before the New York Society of Security Analysts, which may be summarized briefly, as follows:

Iowa P. & L.'s plant increased from $70 million in 1950 to $125 million in 1955, a gain of 79%, although revenues during the period increased only 63%. This discrepancy is explained by the fact that the company had practically no electric reserve in 1950 and has now built up the reserve to nearly 20%. The gas supply has also been vastly improved in recent years from the standpoint of security and adequacy of service.

In order to take care of additional space-heating requirements the company installed a propane gas peak-shaving plant last year, and capacity has been further increased this year. The company needs additional firm gas and is interested in the development of underground storage projects by Northern Natural Gas and Natural Gas Pipe Line. Saturation of residential house-heating is 68% in the Des Moines area, compared with a possible maximum of 85%.

In addition to the uncertainties regarding additional gas supply, Iowa Power & Light has been plagued by delays in obtaining rate increases, and by the lag between pipeline gate-rate filings, applications under bond, and final FPC decisions. The company has no escalator clauses in residential or commercial gas and electric rates.

Regarding industrial development in the area, President Gussett remarked "progress in Iowa is most gratifying—intense promotional efforts are being made by the utilities, the Iowa Development Commission and numerous cities," and he presented the Analysts with some brochures to prove his point. As to possible Federal competition from big new projects on the Missouri River, he stated that the firm hydro power being developed will be but a small part of the 1.5 million kw connected power pool capacity and that it would be absorbed largely in the Dakotas, Minnesota and Nebraska, without serious dislocation of utility plants.

Earnings of Illinois P. & L. have not shown much change since 1951 although the $1.99 in 1955 was the best figure. The dividend rate has remained unchanged at $1.40. After allowance for the 226,000 new shares, to be issued soon, 1956 common earnings are expected to remain in the $1.90-$2.00 range.

Iowa-Illinois Gas & Electric's President, Charles H. Whitmore, described that company's eastern area as mainly the "Quad-Cities" with a metropolitan area population of about 225,000. Other important cities served are Cedar Rapids, Iowa City, Ottumwa, and Fort Dodge. He remarked: "Industry is strong and growing in our service area. The active and thriving Quad-Cities industrial community includes farm machinery plants of International Harvester Company, Deere & Company, J. I. Case Company and others; the huge new rolling mill of Aluminum Company of America, which once again is expanding; plants of Dewey Portland Cement Company, Oscar Mayer Packing Company, and Bendix Aviation." Other firms in the area include Quaker Oats, Pennick & Ford, Collins Radio, Allis-Chalmers, Square D, U. S. Gypsum, National Gypsum, Certain-teed Products, Celotex, Morrell Packing, etc.

The company's electric plant has increased 160% in the past decade and the gas plant 155%, after retiring its gas manufacturing facilities. The present electric reserve capacity is about 23% and the company will probably not have to complete any new generating units until 1960, since an interconnection with Illinois Power will permit purchasing firm power from that company.

Iowa-Illinois faces the same gas problems as its neighbor, Iowa Power & Light. Saturation of house-heating in the Fort Dodge district is 93% but in the five eastern districts only about 73%. Mr. Whitmore is hopeful of getting an increased supply of gas for the eastern areas in 1957-8.

The company maintains an unusually strong financial setup—48-12-40%. Permanent financing will not be required until next year or 1958. The share earnings record has admittedly been rather drab with the latest figure at $2.37, compared with $2.66 in 1950. In earlier years the return on the rate base was quite high, and hence it was necessary for several years to absorb increasing costs. Eventually, rate increases were obtained in Illinois but greater difficulties have been encountered in Iowa where there is no statewide commission and some of the municipalities have been a little difficult to deal with. Recently a court decision was obtained establishing the principle of fair value for the rate base, and it is hoped that this will improve the general rate situation in Iowa.

Continued from page 9

Bases of Economic Strength In the Business Outlook

luxuries are within his reach, and he, therefore, may buy them if he wishes to.

Because we are a classless society, the average American citizen may entertain ambitions to live as his better-off neighbors live and to have the things they possess. And as his income increases he may and frequently does just that.

Recently we were making an estimate of passenger car production five years hence. That, as you can readily realize, is a rather important figure for anyone in the tire business. In order to arrive at that figure several other estimates had to be made first.

In passing, it may be of interest to you that we estimated this year's production at at least 6,700,000 cars, and that by 1961 the figure could very well be 9,150,000.

However, it was two sets of the other figures which I found to be of equal, if not greater, interest to a person looking into the broad future of American business and industry.

One set concerned the increase in the number of American households by 1961. Today, there are approximately 47,700,000. By 1961 there will be 51,700,000, an increase of 4,000,000. Think what that will mean if only to the construction industry and the home appliance industry, 4,000,000 additional households by 1961.

Disposable Income

The other set was on the disposable income for these families. Today's families have about $269 billion in total disposable, personal income. This will increase $81 billion to $350 billion by 1961. The disposable personal income per family should increase from an average of $5,647 to $6,774.

Of course, growth in population, of itself, does not always mean corresponding growth in production and consumption. If it did, some of the unfortunate countries of the Far East would be the greatest producers and consumers in the world.

In this country, however, the growth in our population is a stimulant to increased demand and consumption and industrial and business expansion. And for that reason, the growth in our population will have a profound effect on our economy.

There are many other indicators of the shape of things to come.

If you were merely to make a simple projection on a chart of our increasing production and consumption since 1946, the line would go upward, and its height would be limited only by the width of the paper on which you were making the projection.

There is also a vast area of supporting evidence, ranging from our annual 2½% increase in per capita productivity since 1940, to the ever-increasing number of persons with high school and college educations, and the effect of such education on their desire for a higher standard of living.

Our future can be judged on the basis of the present and the past. In my opinion, we can look ahead with great confidence to greater productivity on a stable basis, to a rise in demand for the products of industry, and to a constantly rising standard of living.

Rising Trend Line

This will not, of course, be represented by a steadily rising line on a chart. That line is bound to dip occasionally. But its trend will be upward, and the dips of a minor nature provided we, as individuals, and as members of particular groups, realize that our economy is a complicated and delicate m e c h a n i s m, and act accordingly. Any excessive action on the part of business itself, on the part of government, on the part of labor, even on the part of ourselves as individuals, could mean trouble. It could mean a deeper and more prolonged dip in the line on the chart.

As businessmen, even though we look forward to increasing demand for our products and are building the facilities today which will take care of the demand of tomorrow, we must guard against overbuilding. The same holds true with inventories, which should, at all times, be adequate, but not more than that. We must avoid excesses in our pricing policies and in the methods we use to compete.

Government, local, State and Federal, should avoid excesses in the taxes it imposes, in the number and character of the rules and regulations it makes. There is a very real danger in excessively restrictive and ill-advised regulatory attempts by governmental agencies which would retard and perhaps cripple the growth process.

Labor must hold within reason its demands upon business and industry. It must, if we are to advance, look more favorably upon an advancing technology which increases production and cuts unit costs and which, in turn, increases employment because of a greater consumption of goods.

While consumers are not overextended at the present time, they could adversely affect the economy by overextending themselves while buying on credit. They should not allow their understandable desires to dictate to their good sense.

There is finally one thing which all of us should realize as clearly and as strongly as we can. I feel that I do not have to emphasize this point with this audience. But, on the other hand, the point is so important, in my opinion, I cannot ignore it.

It is this: there must be no tampering with our system of free enterprise either by the subtle, subversive forces that are at work throughout the world, or by native visionaries whose intentions may not be entirely selfish, but whose methods would ultimately destroy the freedom and liberty under which this country has become the greatest nation in the world.

The free enterprise system is the source of America's strength. It is the foundation of our entire economic structure. Under our system of free enterprise, every person may follow his ambitions, his plans, his dreams as far as his will and his ability permit.

Any impairment, however small, of the structure of our economic system, whether it be under the promise of greater personal security or pious promises of national progress, must be resisted. For if one small nick in the structure is followed by another and still another, inevitably the structure becomes weakened and finally destroyed.

Defend Free Enterprise

As businessmen we know this to be so. And we must, therefore, be constantly vigilant to defend our economic system of free enterprise against the attacks that are, in various ways, made against it.

A word about the American character is in order at this point. It is basic with the American people to forever seek improvements—in their lives and the lives of their children, in their jobs and their incomes, in their communities, in their government. This extremely worthwhile characteristic has led us into becoming the progressive and successful nation that we are. But it is just this restless spirit, this national striving for improvement, that is appealed to by the enemies of free enterprise. They say, "We will make changes and, therefore, improve the lot of everyone. We will do things differently from the manner in which we have been doing them, and, therefore, everyone will benefit!"

The fallacy contained in that statement, that change is necessarily followed by improvement, is not, unfortunately, immediately apparent to everybody. There are some who do not question the source of such promises. They are evidently not aware of the fact that various other economic systems have been tried out in various countries, and have failed miserably.

There is, however, another side to this picture. Mr. and Mrs. Average American, particularly during the last ten years, have become more astute in matters of politics and economics. This is purely my own opinion. I do not know exactly how to prove it. But I think I can give you a very good reason why this is so, assuming that it is, of course.

Since the end of the Second World War, the standard of living of the average American has been steadily rising. He has become a person of some substance. He owns property. He owns stocks. He has a bank account. He is living in an economy of plenty, not an economy of need. And of the utmost importance, he is reasonably certain of his future.

Because of that, and his native good sense, he is going to look closely at any idea or proposal which might affect his present status, or jeopardize his future.

It is for this reason, and the others I mentioned, that I believe the years ahead mean substantial growth throughout the entire economy and a constantly rising standard of living that will have its effect on every level of American society.

Paul Soule V.-P. of Selected Investments

CHICAGO, Ill.—Harry L. Sebel, President of Selected Investments Company, national distributor of Selected American Shares, Inc., has announced the election of Paul R. Soule's as a Vice-President of that firm.

Mr. Soule has been in the securities business since 1919, the last 10 years of which he has spent wholesaling mutual funds. He will service dealers in the Chicago metropolitan area, as well as dealers in the states of Indiana, Iowa, Minnesota, North and South Dakota, and Wisconsin.

F. T. Garner Opens

DENVER, Colo.—Fred T. Garner is conducting a securities business from offices at 1407 West Alaska Place.

W. H. Little Opens

ROANOKE, Va. — William H. Little has opened offices in the Colonial-American National Bank Building to engage in a securities business.

Joins Boettcher Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Bernard C. Cowsert has joined the staff of Boettcher & Co., 828 Seventeenth Street, members of the New York Stock Exchange. He was formerly with L. A. Huey Co.

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Canadian Oil Development And Its Importance to America

Alberta and I predict it will net the Government between $25 and $30 million.

Certainly, if the natural gas picture clarifies and Trans-Canada gets started, it will set off a new boom in lands adjacent to the pipeline, not only in Alberta, but in any prospective area along its route.

In addition, new gas processing plants are being built at Jumping Pound, Pincher Creek, and at Redwater. In southeastern Alberta an $11 million chemical plant is being erected by Northwest Nitro-Chemicals. Canadian Hydrocarbons Ltd. has signified its intention of building a products line from the Edmonton area to Winnipeg. This would be utilized mainly for the transporation of liquid propane gas and kindred products.

All that has been accomplished, and what remains to be accomplished in the future, is the result and end product of big thinking. Into this thinking goes vision, determination, technical skill and a vast amount of enterprise. Fortunately in Canada and the United States we have the systems of government under which these qualities have the freedom and scope for unshackled development.

The big thinking, of course, is not confined to big men and big corporations. The smaller independents in Canada have played a vital part in the growth of the industry and will continue to do so.

Canadian Royal Commission

The Canadian Government is currently taking a careful look at the economic and industrial future of the country. To this end it set up a Royal Commission. A Royal Commission is a fact-finding body appointed by the Government and usually given wide terms of reference. It is made up of experts in the field intended to be covered and is usually headed by a member of the judiciary.

The Royal Commission on Canada's E c o n o m i c Prospects is charged with looking 25 years into the future. Its findings will enable the Government to plan intelligently for what lies ahead.

The petroleum industry was asked for its views and forecasts, and I would like to summarize the general outlook as seen by the leaders of the industry in Canada. Their views are certainly "big thinking", and they are the result of exhaustive study and careful consideration of all factors upon which their forecasts are based.

For this purpose I have chosen the submissions of the Canadian Petroleum Association, and those of the presidents of three major companies which have made a vital contribution to the growth of the petroleum industry and the economic and cultural well-being of Canada as a nation.

The company submissions were made by J. R. White, President of Imperial Oil Limited; M. S. Beringer, President of The British American Oil Company Limited and A. V. M. Ash, President of Shell Oil Company of Canada Ltd.

Woven through all these submissions are the golden threads of success and prosperity. These are visible from the facts. It was not their intention to present the rosiest picture obtainable, but to draw reasonable conclusions from known factors and from minute study of basic trends.

Phenomenal Growth

The consensus is that Canada will see phenomenal growth of liquid hydrocarbon reserves, in demand for petroleum products, in pipelining and in refining and gas processing capacity. Expenditures for exploration and development and for capital construction will soar to great heights.

I would like to deal first with the submission of the Canadian Petroleum Association, presented by Paul L. Kartzke, Chairman of the C. P. A. Board of Governors. Mr. Kartzke is Vice-President in charge of exploration and production for Shell Oil Company. I should point out here that the views of the C. P. A. represent forward, but perhaps more conservative thinking, with the tendency to remain aloof from any undue optimism. However, the C. P. A. study and forecast leave no doubt as to the direction in which the petroleum industry is headed in Canada. Briefly, this is what it sees:

Net liquid hydrocarbon reserves will increase at the rate of 350 million barrels per year average. They are now 2.76 billion barrels. In five years they will be 4.43 billion, by 1965 they will be 5.96 billion and in 1980 they will have risen to a net 10.8 billion barrels.

The potential for natural gas is great, but because there is no realistic past history upon which to build a trend, no projection beyond 1970 was made. Present reserves are 18 trillion cubic feet, industry estimates they will increase 2.7 trillion feet annually, while the C. P. A. estimate is 2.5 trillion. There would be between 50 and 55 trillion feet of reserves by 1970.

I might mention here that the all-important factor governing natural gas development is Canada's ability to export its surplus to the United States. Since Westcoast Transmission gained its permit to export 300 million feet a day to the Pacific Northwest, plans for exploration activity in Northeastern British Columbia have been accelerated.

Pacific Petroleum alone plans to drill 70 wells and prove further reserves in the great Fort St. John area of British Columbia.

Should Trans-Canada Pipe Lines Limited gain a permit for gas interchange with its United States affiliates, exploration along its route would flourish. All that is hoped for is that the Federal Power Commission will eventually decide to dance to the Tennessee Waltz.

In dealing with future crude oil markets, the C. P. A. sees the Pacific Northwest as a major potential outlet. It felt that by increasing throughputs, Trans Mountain Pipeline could reduce tariffs and place Canadian crude in a strong competitive position for offshore shipments to California, and possibly Japan. The association also saw great potential in the Minneapolis-St. Paul market area.

The C. P. A. saw crude production increasing from the present average of 400,000 barrels to 548,000 barrels daily in 1960, to 781,000 in 1965 and to slightly over one million barrels daily in 1970. By 1980 is forecast production at 1.48 million barrels per day.

Barrels of Production

Canadian demand would, in the next 25 years, continue to remain between 200,000 and 300,000 barrels greater than production. However a portion of that demand is in Eastern Canada where our crude cannot penetrate economically, and therefore that area must depend upon imports.

The impact of petroleum industry development is shown by the following figures. In 1946 the industry produced 10% of Canadian demand for crude and products. At the end of 1955 it could satisfy

80% of the demand, which has doubled since 1946.

The C. P. A. estimates that 280 companies spent over $400 million in the search for and development of oil and natural gas. Since 1946, in excess of $1½ billion has been spent for exploration and development, $1 billion on refineries and pipelines and a half billion dollars on petrochemical plants and allied industries.

Now, in dealing with the submissions of the three major companies to which I previously referred, I would like to present their estimates in average, round figures. A detailed analysis of their submissions would take up too much of your time.

I will, however, point out any great differences in forecasts or other production figures. We will also deal separately with individual viewpoints on particular phases of the industry. The key factors upon which these forecasts were made were the projected energy demand, population growth and gross national product. The companies have converted this and other data to establish what portion of the energy demand the petroleum industry may be expected to supply. Knowing the needs, it naturally follows that accurate estimates of future exploration and production activity can be made.

Demands for energy would increase two to three and one-half times present requirements in the next 25 years. Petroleum's share of that energy would rise from a present 48% to somewhere between Imperial's estimate of 62% and British American's estimate of 71%. Shell estimated that Canadian energy demand had risen 32% between 1946 and 1954. It saw these rates of increase maintained.

Present potential production is 700,000 barrels per day, with actual production averaging nearly 400,000. Based on May nominations for Alberta crude, 120,000 barrels daily was requested in the United States. Saskatchewan shipments will add slightly to this total. Some 67,000 barrels daily was asked for the Pacific Northwest. Present labor difficulties at a Washington refinery may cut into that total, but that situation has little bearing on the overall picture.

Imperial estimates that export production will reach 175,000 barrels daily in 1960 and 600,000 by 1980. Domestic production would be 430,000 barrels per day in 1960 and 1.4 million 25 years from now. Choosing 1965 for a projection, Shell saw potential Canadian production at 1.45 million barrels daily, with demand at 1.05 million. It foresaw a total export of 183 million barrels in 1960, increasing to 275 million in 1965.

British American sees Canadian requirements of energy from liquid petroleum at more than 760 million barrels in 1980, three and one-half times the 1955 figure of 223 million.

These estimates are, of course, based on normal, healthy growth of the nation and do not take into consideration any sudden, abnormal demand for crude. Such a demand would become immediate and tremendous should war or some other international upheaval deprive us of supplies outside the Western Hemisphere.

The Companies all bring out three points which have a dominating effect on the industry in Canada. These are potential markets, availability of risk capital and taxation factors.

Geographically located out of the present economic range of a large portion of the eastern market, the main hope for continued high-level exploration and production lies in finding export markets. Those markets, as we see, are mainly on the West Coast of the United States and the northern Midwest. One barrier to these markets is the 10½ cent import duty the U. S. places on foreign crude. But all indications are that Canadian crude will continue to find wider acceptance in the U. S.

The majors took the view that the problem of tariffs should be a matter for consideration and discussion by the Canadian and U. S. governments.

Investment Needs

Revenue from these markets, plus risk capital, must be found to provide the tremendous sums the industry estimates will be spent in the future. Close to $20 billion will be needed in the next 25 years. Imperial's President White sees between $14 billion and $18 billion needed for exploration and development, and $3 to $4 billion for other purposes. Beringer of B. A. sees $10 billion as a minimum for primary development alone, while Ash of Shell, sees an overall need for $8 to $10 billion in the next ten years.

Some concern was expressed before the Commission by others that too much risk capital was being supplied from the United States. Mr. Ash put that conception in its proper perspective when he told the Commission:

". . . I do not see, with the enormity of the figures confronting us, how we can afford to be selective about the nationality of the dollar that may become available to us."

I can assure you that tens of thousands of other Canadians have a keen respect for the dollar, regardless of its nationality.

Secure Oil Sources

We might for a moment analyze the meaning of the word "security." Briefly, according to Funk and Wagnalls, it is the state of being secure. It means freedom from danger or risk. It is also something that makes safe, or protects; a defense, a guard.

Since it is becoming an increasing necessity for California to import crude supplies, it is well to look at the source of imports with a view to the security of that source.

There are inland U. S. sources; the Western Hemisphere, including Canada and Venezuela; and the Middle East.

There is, of course, no doubt about the security of the inland U. S. supply, as such. However, this supply is still dependent upon internal marketing policies and costs. But this is a limited supply which would be augmented, if possible, and could by no means solve California's problem.

Certainly, Middle Eastern crude is plentiful and available economically. Of the 95,000 barrels daily imported into California in 1955, some 61,000 barrels came from the Middle East, Sumatra and other foreign fields. But plentiful, cheap crude is not necessarily secure crude.

If the continental concept of defense in time of war is to be faced squarely, every effort must be made by the petroleum industry to assure that it is not selling itself short against the period where a sudden and heavy demand is placed against it.

Such a period could arise under several sets of circumstances. The United States could find itself directly involved in a war, although this does not seem likely in the immediate future. But wars, declared or otherwise, involving countries from which the U. S. is drawing supplies, are a different matter again, and there is no guarantee whatsoever that such a situation could not arise on short notice.

The nations of the Middle East are not a happy family. Despite the fact Egypt and Israel entered a cease-fire pact under United Nations auspices, it was only one day later that there were charges and counter charges of violations.

There are reports that Egypt's Premier Nasser is an ambitious man, seeking to draw under his leadership the Arab nations, Russia's influence in the Middle Eastern sphere is not to be lightly regarded. The fact remains that even without a conflict, Middle Eastern supplies of crude can be denied to North America as easily as turning off a tap.

Iranian Lessons

Are we to forget so soon the lesson learned in Iran?

Here was the prime example of what can happen in a nation under the thumb of an ambitious despot. Virtually shut down for three years after being taken over by the Mossadegh-led government, it cost approximately $100 million to get Iran's oil fields back into production. Losses caused by the action of an unstable regime were staggering.

With security uppermost in our minds, let us remember that the safest sources of oil lie in countries having democratic systems of government and where the government must periodically wait outside the polls while the voters judge the account of its stewardship.

Canada stands out beside the United States as the safest source of crude oil supply. One hundred and fifty years of neighborly cooperation are an impressive record.

Beside this fact one may view, comparatively speaking, the 220,000 square miles of potentially oil bearing sedimentary area of Texas, the 45,000 square miles of potentially oil bearing sedimentary area of your State of California and the vast potential 770,000 square miles in Western Canada. Then again, compare the fact that to date, two wells per square mile have been drilled on the Texas lands; 1.2 wells per square mile on your California lands, and contrast that with one well for each 51 square miles in Canada.

I think, that these facts are worthy of repeating and say again that there are 220,000 square miles of potential oil lands in Texas with an average of two wells per square mile drilled to date, 45,000 square miles in California with 1.2 wells per square mile drilled as compared to 770,000 square miles of potential oil lands in Western Canada with one well drilled per 51 square miles.

Canadian discovery rate on exploratory wells has remained at 25% or better for some time.

Our reserves are increasing in impressive fashion and are now 3.8 billion barrels, only 460 million less than in your home state. Production has risen from 28.3 million barrels in 1950 to 128.6 million in 1955.

If Canada is to develop its reserves of crude, so vital as a safe and secure source for continental defense, then it must continue to find markets. The lack of markets is one factor, perhaps the only factor, which could curtail further development and increases in proven reserves.

As investment analysts in a great industrial center built around oil, you gentlemen well know the possibilities for growth of the independent oil company. You know well the present-day giants which have grown from small beginnings in the last 40 years. Thus, in closing I would remind you of the smaller, well-managed, progressive independent oil companies of Western Canada. Many of these in the share price range of $2 to $12 are showing remarkable virility and will doubtless supply to your West Coast refineries much of the production which will make up for the failing local supply.

With First Securities

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Allen Berl is now affiliated with First Securities of Denver, 910 Sixteenth St.

Hamilton Managem't Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Jack W. Balos is now with Hamilton Management Corporation, 445 Grant St.

Securities Salesman's Corner

By JOHN DUTTON

Handling Complaints

Most dissatisfied customers have a misunderstanding of their problems. The only way to placate and correct these situations is to allow the complaint to come out in the open. Sometimes a customer becomes dissatisfied with your service because another competitor has seen fit to undermine your relationship by condemning the securities you have sold to him. This is not a common occurrence, but it does happen even today during these times when we are supposed to have a more ethical relationship toward other members of the securities business as well as the public. There are some salesmen and customer's representatives who feel they must undermine their competitors in order to gain accounts. They cause the customer to lose confidence in his securities by showing him they could have done a better job of hindsight picking.

Sometimes an investor holds good unlisted and lesser known securities and he is told he should own the "blue chips." Not being too well informed the heretofore good client becomes skeptical. Next he becomes suspicious and by this time has been hypnotized into believing that his confidence has been taken advantage of. About this time he is ready to storm into your office and quietly tell you that he thinks you shouldn't have sold out his Whatsis preferred to buy him Whoosis common, and the rest of his list should be in better grade stocks such as A. T. & T., General Motors, Standard Oil, and Steel. Then you know that someone has been pouring some poison in your cup while you were not looking.

Get It Off Their Chest

Many years ago I watched a life insurance examining doctor handle a complaint that was unjustified and I've never forgotten the lesson. This man had been given a rated policy after a thorough examination and the policy was quite large, involving a considerable increase in the premium he would have had to pay if he had received a standard rating. The general agent had the chief examining doctor of the company come to his office by appointment to meet the complaining applicant. The man literally stormed into the room and began a harrangue that was entirely unjustified. He was talking about something about which he had no understanding.

As he spluttered and sputtered the doctor let him go for a while and when he stopped for breath he said, "Won't you please sit down?" As soon as the man did this you could almost see some of the steam go out of his boiler. Then the doctor asked him to tell everything that was on his mind. He listened patiently and did not interrupt even though he was listening to some statements and remarks that were entirely unfair and erroneous. He made notations on a pad of every point the dissatisfied man was making, and when he finally talked himself into a more congenial frame of mind, the Doctor said, "I've made notes of the points you mention —could I ask you a few questions?"

By this time what began as a tirade turned into a conference, and before long the heretofore agitated and angry applicant became completely placated. He was then in a mood to unravel some of his own misconceptions about his rated policy and accept the situation. Before he left he thanked the doctor and admitted that another agent had steamed him up, and he had unfairly accused the company of charging a higher rate when he should have been grateful for being able to obtain the policy in consideration of certain factors in his physical condition.

But Prove the Facts

Skillful handling of complaints also must be backed up by facts. If a client complains that you have made some recommendations that have not been too successful, don't try to be a miracle man and convince him that you did. It is better to explain that it is the over-all picture that counts. Take your pencil and show him the whole deck, not one or two cards. Sometimes it takes time for a situation to develop, and not all stocks will advance in price together, or when you want them to do so. Stick to your guns and remind your customer that what may be the picture today, six months later may change completely.

Many people start out as investors and try to prove you are a poor advisor because all the stocks you have recommended did not advance 100%. They parade a few "skyrockets" in front of you and ask you why you didn't put their money into those issues instead of the ones they bought. Show them this is hindsight selecting and playing yesterday's race today.

Also, don't let your customers wander off the track. If they are investors show them it is the whole cycle that counts. Ask them if they bought to speculate for capital gains or for better income and because they wanted to increase their capital over the longer term. Show them that if they want to speculate, that is one thing, investing is another. You can only do this by being patient and by helping them to understand the pitfalls and the obstacles that are always inherent in trading for a market turn.

Nine times out of ten if you will let your disgruntled customer blow off steam, then by asking questions show him where he has done a good job investmentwise, you will find out that he will agree with you. Also, you can put a torpedo into unfair competition that unfortunately is still in evidence in a rapidly improving securities business—let's hope!

Grace Canadian Secs. Opens in New York

Formation of Grace Canadian Securities, Inc., 25 Broadway, New York City, to transact a general brokerage business in Canadian securities for banks, brokers and dealers, is announced.

Irving P. Grace

Officers of the new firm are Irving P. Grace, President, and George G. Reiss, Vice-President. Mr. Grace was formerly Manager, Officer and Director of W. C. Pitfield & Co., Inc. from 1937 to 1956 and previous thereto he was with Hart Smith & Co. from 1930 to 1937. He was the first Chairman of the Canadian Committee of the Security Traders Association of New York. Mr. Reiss also was formerly associated with Hart Smith & Co. from 1928 to 1956.

Continued from first page

As We See It

"no contest." Such a faith, however, does not rule all hazard out of the sort of competition that the Kremlin masters appear to be planning. This is merely a somewhat new form of world politics, and, as always, all great powers have to be on the alert to protect their interests.

Achilles Heel

Duplicity and intrigue aside, the free enterprise system as it exists today has an Achilles heel but the flaw in its armor is not what is commonly believed. Of course, the free enterprise system in its pristine form might well lose out in such a struggle for the simple reason that it did not give adequate attention to the problems of military defense, but no one supposes it to be wise in this treacherous world to neglect the possibility that attacks will be made with the force of arms. Such modification of free enterprise as is essential would have to be made to insure the preservation of the fruits of individual initiative. But greater handicaps lie elsewhere.

The basic trouble is that the so-called free enterprise nations are not, and are no longer willing to be, really free enterprise nations. To make the matter worse the so-called underdeveloped countries and areas are willing neither to be free enterprise or to impose upon themselves the discipline necessary to ordinary civilized business activity. Past exploitation, real or imagined, has led to a state of mind in many if not most of these countries which seems to render stability and firm performance under contracts difficult to achieve. In the so-called advanced countries, whence capital for development of backward areas must come, would-be investors often if not usually find interests at home vigorously opposed to any system which would permit investors to bring the earnings of their foreign commitments home.

If the non-communist world were one free enterprise community, there would, of course, be no tariff walls or arbitrary restrictions of any sort to prevent the ready flow of goods across national borders. There would be no publicly imposed discrimination against or specially favored goods any where in the world. The most efficient or the most favorably located producers, let us say, of textiles would supply the free world with this type of good. He who could make and ship automobiles to meet popular taste most inexpensively would have this trade throughout the free world to themselves. Groups, whether domestic or foreign, capable of supplying transportation least expensively would perform that service for everyone. There would be no restrictions on the movement of funds, whether investment or current, from one part of the free world to another. Law and order would prevail and the rights of property respected.

But where in all the world do all these conditions now exist? To be sure law and order prevail in most countries. In many, if not most, a certain respect for property rights exists — but it is unfortunately quite frequently more honored in the breach than in the observance. But most serious of all, at least so far as international relations go, is the fact that ultranationalism has developed to the point in some countries at least where imports are tolerated only where they are virtually indispensable. Restrictions of imports occur not only in those countries like Britain which is under the necessity of paying for large quantities of goods made abroad, but in other countries like the United States where the burden of imports is appreciable only on those who feel competition from more efficient or at all events more successful producers. And when such conditions restrict the flow of investment funds to needy areas the popular remedy of the day is not to remove the barriers, but to force the flow of goods notwithstanding them by means of public funds and governmental fiat.

Not Free Enterprise

And then at home, none of the non-communist countries is longer really free enterprise. Take our own country, for example. We still sing of the land of the free, but economically speaking freedom certainly does not mean what it used to mean or ought now to mean. When law does not interpose its might to thwart the plans of entrepreneurs, taxes so heavy as to cripple operations often are encountered. These taxes are hardly more onerous than the system of collection imposed upon business. The multitude of regulations require—or at least impose — record keeping and other costly reports. And worst of all is the interjection of government into the private affairs of the citizens. We have long had such regulation of the utilities and the railroads, but of later years securities issue and even trading have felt the same dead hand. So-called social welfare legislation has imposed further burdens upon all manner of businesses.

Despite all this, man's eternal urge to better his own condition has worked miracles of production and distribution under a system only partly entitled to be called free enterprise. The record of this country in the field of production and trade is the envy of the world, including the communist countries. But think what it could do if the shackles were struck from its hands and feet! If the competition which the Kremlin promises us is to be met by the so-called free world, then what is most needed is more attention to the removal of the handicaps which we place upon ourselves.

Continued from first page

Approaching Boom's Peak?

been virtually no change in employment or in personal income since last December or in overall indexes of wholesale prices or in the consumers' price index for more than a year.

There have been a few major series that have been moving upward or downward. Government outlays for goods and services have been rising slowly, but nonetheless, appreciably, for nine months. Expenditures on services have been rising more or less steadily from quarter to quarter, in part because of the slow rise in the prices of services. The quarterly record of expenditures for services now goes back 69 quarters, to the beginning of 1939. Not once in all of this 17-year period has there been a quarter-to-quarter drop in expenditures on service. No other economic series has shown such an unbroken rise.

Outlays for producers' durable equipment have been rising fairly steadily even since the first quarter of 1955, but since the third quarter of last year outlays on construction have been dropping, with the net result, as I have mentioned, that total expenditures on fixed investment have changed very little during the last nine months. The drop in the outlays on total construction, however, since the third quarter has been due entirely to the drop in the outlays on residential construction. Commercial and industrial construction has been slowly increasing. The volume of consumer credit (after adjustment for seasonal) continues to rise, though at a diminishing rate. New extensions of installment credit (which make up about three-fourths of all consumer credit) have been moving rather horizontally ever since August. This means that new extensions are well above a year ago. Repayments of installment indebtedness, however, have risen even more than extensions, thereby bringing about a drop in the rate of increase of total consumer credit.

II
Developments in the Money Market

In view of the long-continued horizonal movement of total physical production and of prices, the behavior of the capital and credit markets since the middle of February is extraordinarily interesting. Between December and the middle of February, capital and credit gradually became slightly easier, confirming general expectations that money would be somewhat less scarce in 1956 than it had been in 1955. then about the middle of February a change occurred. Long-term bond offerings began to exceed the demand. Would-be lenders, asked to make large commitments for 1957 or even 1958, became unwilling to accept existing interest rates and, in some instances, were forced to turn down business. Underwriters in some instances were forced to accept losses in order to sell issues. The weekly reporting member banks continued more or less steadily to sell government securities. About the middle of March came an extraordinarily large demand for short-term credit (apparently to meet corporate tax liabilities) which pushed up commercial, industrial, and agricultural loans of the weekly reporting banks by $1,257 million in two weeks.

Money became tighter, and on April 12, 11 of the Reserve Banks announced increases in their rediscount rates. For a short time there was virtually no bond market, but trading was soon reestablished (apparently with the help of some purchases by the Treasury) at higher yields. One syndicate dissolved with more than three-fourths of the issue unsold and a few issues were withdrawn, postponed, or temporarily reduced in size. The rise in the yields on new issues is indicated by the sale late in April of $50 million State of Ohio serial bonds to finance the construction of highways at a cost of 3.0932%. Last July, an earlier installment of $52 million of the same bonds had sold to yield 2.308%. The backlog of issues for which no marketing date has been set was reported large — in excess of a billion dollars.

Why should such new tightness in the capital and credit markets suddenly develop after production had not been expanding for about six months? And what does this tightness portend for the immediate future of business? Is the country planning to build more plant and equipment than it is able to finance? Is it going to be necessary through monetary policy to force industry to curb its plans for adding to plant and equipment? If curbs on capital expenditures are necessary, will they force a drop in total production and employment?

The sudden change in the capital and credit markets in March and April seems to be attributable to several influences. To some extent, it reflects the fact that throughout 1955 the country was meeting part of the demand for money by using up the slack in the financial system. The banking system started the year with considerable "free" reserves which did not disappear until the middle of the summer. In addition, temporary resources were provided by the accumulations of business concerns for payment of taxes in March. The sudden disappearance of these resources was not completely offset by Treasury fiscal operations.

To an even greater extent the change in the capital markets reflects a growing demand for funds that began late in the summer and that apparently was not clearly foreseen. Although the physical volume of production had been moving horizontally for over six months, new orders and unfilled orders of manufacturers and building contract awards had been rising rapidly since the late summer, and manufacturers were increasing their plans for spending on plant and equipment. Ever since August the excess of new orders of manufacturers over deliveries (or so-called "sales" to use the misleading term employed by the Department of Commerce) had been large, and between the end of July and the end of February, unfilled orders of manufacturers increased about $6.5 billion, or nearly 13%. Between September and March there was a sensational rise in new contract awards—all in the face of a slow decline in the actual volume of construction. Finally, manufacturers have been expanding their plans to spend on plant and equipment. In the fall of 1955 business firms reported that they planned to spend on plant and equipment at the annual rate of $31.6 billion in the first quarter of 1956. In a later survey, made in February, 1956, enterprises raised their planned expenditures in the first quarter of 1956 to an annual rate of $33.2 billion. Furthermore, the February survey indicated that business concerns expect to spend on plant and equipment in the second quarter of 1956 at the annual rate of $35.3 billion, and during the second half of the year at about the same annual rate.

III
Is the County Planning to Build More Plant and Equipment Than It is Able to Produce?

Recent events in the money market compel us to ask whether the country is planning to build more plant and equipment than it is able to finance. Let us ask first, however, two additional questions about the plans of business to buy plant and equipment —are these plans too large for the capacity of the country to produce capital goods, and are they large enough to provide a satisfactory level of employment?

Non-agricultural enterprises plan to spend about 22% more on plant and equipment in 1956 than they spent in 1955. This is about 12% more than was spent in the last quarter of 1955. It is not known to what extent this rise represents an increase in prices, and to what extent an increase in the physical volume of goods purchased. It probably represents mainly an increase in physical volume. The annual rate of expenditures on plant and equipment is expected to be reached in the second quarter. The country's capacity to produce industrial plant and equipment can only be roughly estimated. It depends partly on the extent to which the productive capacity of heavy industry is required for defense goods, partly upon the volume of residential building, and partly upon the scale of operations in the durable consumer goods industries.

In the last quarter of 1955 most branches of the capital goods industries were operating at capacity—in spite of some shortage of supplies and labor, aggravated in part by the large output of automobiles. Much of the planned increases in outlays on plant and equipment are intended to enlarge the capacity of the capital goods industries—though the gains in capacity can be achieved only gradually. But many of the expenditures on plant and equipment made in the latter part of 1955 will be raising productive capacity by the second quarter of 1956. Some gains in efficiency will also be achieved by improvements in methods, by better training of supervisors and employees, and by better management in general. But, in view of the small amount of slack in the capital goods industries in the last quarter of 1955, I do not believe that a 12% rise in physical output of capital goods, exclusive of residential building, can be achieved between the last quarter of 1955 and the second quarter of 1956. Reports of construction and other forms of production being delayed for lack of structual shapes, plates, and other forms of steel are by no means rare.

The conclusion seems to be that if expenditures for plant and equipment in the second quarter are to reach the planned levels, it will be because of higher prices. Incidentally, the quarter-to-quarter increase expected between the first and second quarters of 1956 is somewhat more than the quarter-to-quarter increase for the two previous quarters. But I see no reason for doubting the ability of the capital goods industries in the year 1956 as a whole to supply the goods that enterprises now plan to buy.

Are industry's plans for buying plant and equipment large enough to provide a satisfactory level of employment—or are they too large? Again, the answer depends upon the behavior of other parts of the economy—upon the spending plans of governments, upon the scale of residential building, upon the policies of business with respect to inventories, and upon the proportion of incomes which individuals spend on consumption. I shall not discuss these various matters, but simply state some conclusions.

The maintenance of a satisfactory level of employment will require a gain of about $13 billion in the annual rate of Gross National Product, in terms of constant prices, between the last quarter of 1955 and the last quarter of 1956. I do not expect business to make substantial increases in inventories, and I expect only a modest rise in residential building over the rate of the last quarter of 1955. Until fairly late in 1956, individuals will probably be spending only about the same proportion of personal incomes as they were spending in the last quarter of 1955. All of this means that some rise either in government spending or in outlays on plant and equipment by business will be needed to raise the Gross National Product by about $13 billion a year between the end of 1955 and the end of 1956. It looks as if the increases in spending by the government and by industry, plus the gain in personal incomes generated by these increases, and plus the increases in wages that more or less match gains in productivity, will be roughly sufficient to provide the needed increase in production. The total effect may be a little too much or a little too small, but in any event the discrepancy will not be serious.

IV

Is the Country Planning to Build More Plant and Equipment Than It Is Able to Finance?

The above discussion assumes that the policies and methods pursued in financing capital expenditures of business contribute to the "right" rate of physical expansion—that they neither retard physical expansion (and thus are deflationary) nor push expansion beyond the growing physical capacity of industry (and thus are inflationary). Let us now examine the problem of financing the increase in industrial plant and equipment. This problem is, of course, only a part of the broader problem of meeting the economy's demands for capital and credit. Hence, our attention must be focused on the broader problem.

Last year the country financed a gross private investment of slightly more than $59 billion (of which $3.2 billion was an increase in physical inventories), increases in state and local securities of about $5 billion, and an increase in consumer credit of about $6 billion. Personal savings, corporate savings, depreciation funds, funds being accumulated to meet corporate income tax liabilities, and a small amount of saving by the governments met nearly all of this $70 billion demand for capital and credit. It was necessary for the private banking system to provide about $4.5 billion in net increase in loans and investments. The country's money supply increased by a modest amount, less than 3%, but the turnover of money increased about 3% in the smaller cities of the country and somewhat more in the centers of speculation and finance.

Only rough estimates can be made of the probable demand for capital and credit in 1956, and these demands, of course, are subject to influence by monetary and other policies. In general, it looks as if the demand will be about $71.5 billion, a little more than a billion larger than last year. This estimate assumes no change in the price level and it also assumes that the non-agricultural business concerns are able to increase their expenditures on plant and equipment by the amount they plan, namely 22% over 1955, that outlays on housing will be the same in 1956 as a whole as they were in 1955, that consumer credit will expand by $2.0 billion instead of over $6 billion as last year, and that the demands of the cities and states on the capital markets are the same in 1956 as they were last year. Merely to recite these assumptions indicates the rough nature of the estimate. The cities and states may make somewhat larger demands on the capital market this year than they made last year, business concerns may be unable fully to carry out their plans to spend 22% more on plant and equipment; residential building may run higher or lower than expected.

What of the supply of savings and credit? Personal savings were abnormally low during the first nine months of 1955. Hence a small gain in personal savings in 1956 over 1955 is in prospect. The growing surplus in the cash budget of the Federal Government promises an important addition to savings of perhaps $5 billion. On the other hand, the temporary help that came last year from the accumulation of resources to meet the rising tax liability of enterprises will be lacking in 1956. All in all, it looks as if the capital and credit needs of the country will have to be met in 1956 as in 1955 by some increase in the activity of deposits and by some expansion in commercial bank credit. The increase in commercial bank credit may need to be almost as large as last year. This has implications for Federal Reserve policy. Last year no increase was permitted in the reserves of the commercial banks. This year some increase in reserves will be needed to permit the commercial banks to make the contribution that will be required from them to meet the country's growing demand for capital and credit. Hence, if the Reserve system is not to throttle the growth of the economy, a major modification in Reserve policy will be needed before the end of the year. The Federal Reserve credit made available during the latter half of the year will have to exceed the amount required by the seasonal expansion of business. This will be particularly true in the event that higher labor costs continue to push up the prices of non-farm products.

V

Will the Present Horizontal Movement of Business Be Followed By Expansion or Contraction?

Many people believe that the sort of readjustment that has been going on in the capital market is bound to produce at least a temporary recession through inducing or even forcing substantial postponements in expenditures on capital goods. Some postponements of new issues have occurred, but not on a large scale. Furthermore, these postponements do not necessarily mean a delay in the actual expenditure of money. Several months will be required for the present tightness in capital markets to make itself felt, and it is possible that the effects may be greater than were intended, especially in the field of residential building. But in that event fairly prompt remedial action may be expected.

If business concerns carry out their plans for spending on plant and equipment and if government spending continues to creep upward, it is virtually certain that production as a whole will continue to expand. The expansive effect of larger outlays for plant and equipment and larger government expenditures is not likely to be offset completely under present conditions by a drop in outlays for inventories—through a slower rate of inventory accumulation is to be expected.

The present outlook is for a continuation of the present horizontal movement of business until about the beginning of the fourth quarter of the year. Retail trade will be limited for a few months more by the high rate of repayment of short-term consumer indebtedness. Automobile production during the second quarter will probably be 100,000 to 150,000 less than in the first quarter. During the first quarter there was virtually no change in inventories of new cars. This means that production minus exports was almost the same as domestic sales. I believe that the seasonal increase in sales during the second quarter will be abnormally small. Even though car sales in the first quarter were about 11% less than last year, new extensions of installment credit for the purchase of cars were running around 15% above last year. This means that the car sales are being maintained by finding purchasers among persons less able to buy new cars than a year ago. Installment credit is being used in the purchase of a larger proportion of new cars than a year ago, the average installment note is larger, and the duration is longer. The strong competition to sell cars will tend to keep credit terms easy, but the growing tightness of credit is likely to force some stiffening of terms. Furthermore, companies and dealers must work down the inventories of cars which, at the end of March, were about 27% larger than a year ago.

The drop in automobile production will be roughly offset by larger output of plant and equipment and also by a somewhat more-than-seasonal increase in residential construction. This last is indicated by the recent rise in contract awards.

By about the last quarter of the year the horizontal movement of business will give way to a slow rise in production. It is true that there will probably be a drop in the rate at which inventories are being accumulated. But the output of capital goods, now being held back by shortage of productive capacity, will pick up. Spending by the government will continue to rise, and residential building will also be expanding slowly—unless restrictive credit policy prevents such a rise. Automobile sales (on a seasonally adjusted basis) will improve somewhat with the introduction of 1957 models. I do not expect this improvement to be pronounced, because people have been buying automobiles at a high rate for over a year and a half. Personal consumption expenditures will be feeling the effects of wage increases and slowly rising payrolls and, with the introduction of the 1957 automobiles, there will probably be at least a moderate drop in the rate of personal saving. Many consumers, having paid off old debts, will be ready to incur new ones. Thus, the general outlook for the last quarter is for slowly rising expenditures in all the principal categories except inventories—government spending, outlays for plant and equipment, spending on residential building, and personal consumption spending. But it should be remembered that this expansion of the economy will require somewhat more than the usual seasonal growth in bank credit, and hence a relaxing of the present tight-credit policy of the Federal Reserve System.

VI

Some Concluding Observations

Let me conclude these remarks with several comments of a general nature suggested by observation of the behavior of business during recent months.

To begin with, I think that we must revise upward our ideas of the amount of unemployment that can be considered tolerable. I have been of the view that an annual monthly average in excess of two million or somewhat less must be regarded as unduly wasteful. This figure should probably be raised to about 2.5 million. It is significant that the strong demand for labor during the last year has had far more effect on the size of the labor force than on the volume of unemployment. Between March, 1955, and March, 1956, unemployment dropped by 342,000, or about 10%, but the size of the labor force increased by 2,258,000—more than three times the normal amount. Indeed, the population of 14 years of age or more who were outside the labor force dropped by 724,000. Even at the peak of employment early last fall, unemployment did not drop to as low as 2.1 million.

It is true that many people who are laid-off quickly acquire other jobs—unless they decided to leave the labor force. But the fact that the growing demand for labor during the last year had far more effect in drawing people into the labor force than in pulling them out of unemployment must mean that a considerable minority of the unemployed have rather low employability—either they are highly restricted in their mobility or they are reluctant to acquire new skills or they are lacking in reliability or skill. More information about the characteristics of the unemployed is badly needed, but our present information suggests that we should revise upward our ideas of the amount of unemployment that we regard as tolerable.

Experience during the present boom reenforces the view that countries with a strong trade union movement must expect high employment to be accompanied by slowly rising prices. Only the more or less fortuitous fall in the prices of farm products, which the government unsuccessfully tried to halt, prevented a rise in the index of wholesale prices in 1955. And what tools does the government possess to prevent a rise in labor costs from producing an increase in the price level of non-farm goods in 1956? It seems self-evident that, barring extraordinarily rapid technological change, strong trade unions and a high level of employment mean slowly rising prices. And yet many people are reluctant to face this conclusion, and insist that by some means (never specified) the price level can be kept from rising. Fortunately, the danger that a creeping rise in prices will become a galloping rise is far less than is commonly supposed.

Finally, it looks as if American industry will soon be planning considerably larger expenditures on plant and equipment than our economy can finance without great increases in the use of savings or credit or both. Experience of the last year brings home to us that the ability of business concerns to plan expenditures on plant and equipment depends upon the size of their engineering staffs. Enterprises are desperately trying to increase their engineering staffs. Their ability to do so is being limited by the number of engineers graduated by the engineering schools each year. This number is going up and will continue to rise in response to the terrific demand. Thus, we may be sure that five or ten years from now American enterprises will be able to plan considerably larger outlays on plant and equipment than they are able to plan today.

It is very doubtful whether we shall be able to increase our savings fast enough to finance the profitable investment plans that our rapidly growing staff of technologists is able to turn out. The problem confronting the economy is exactly the opposite to that envisaged by Keynes and the school of economic stagnationists. The problem is not how to find outlets for our savings; rather it is how to provide enough savings to meet the demands for capital created by our steadily growing staffs of engineers. Keynes' view that thrift is an outmoded virtue appears to have been a premature conclusion reflecting his lack of familiarity with the potentialities of modern technology.

First Boston Group Offers Niagara Mohawk Power 3⅝% Bonds

The First Boston Corp. and 43 associated underwriters yesterday (May 9) offered for public sale a new issue of $30,000,000 Niagara Mohawk Power Corp. general mortgage bonds, 3⅝% series due May 1, 1986. The bonds were priced at 101.377% and accrued interest to yield approximately 3.55% to maturity. The issue was awarded to the group at competitive sale May 8 on its bid of 100.639, which named the interest rate.

Proceeds from the sale will be applied by the utility company to the payment of $30,000,000 of bank loans due June 1, 1956 incurred for construction. The construction program of the company and its subsidiaries required $52,457,000 in 1955 and is expected to require about $64,000,000 in 1956. To provide for the current year's needs the company may find it necessary to arrange for about $30,000,000 of additional financing, including bank loans. During the five-year period 1951-1955 gross property additions were about $326,746,000, of which $270,804,000 was for electric plant, $52,620,000 for gas plant and $3,322,000 for common plant.

The company's electric service territory in New York State, with a population of about 3,200,000 includes Buffalo, Syracuse, Albany, Utica, Schenectady, Niagara Falls and Troy, 22 other cities and 616 towns and villages. The company distributes natural gas in central, northern and eastern New York. For the 12 months ended Feb. 29, 1956 the company reported total consolidated operating revenues of $232,494,000 and gross income before income deductions of $40,269,000.

Walnut Securities Corp. Formed in Philadelphia

PHILADELPHIA, Pa.—Walnut Securities Corp. has been formed with offices at 1512 Walnut Street to engage in a securities business. Officers are Mayer M. Freedland, President; Paul N. Minkoff, Secretary-Treasurer; and Robert W. Crossant, Vice-President. Mr. Crossant was formerly with Hiscox, Van Meter & Co., Inc., Henry B. Warner & Co., Inc., Cohu & Co. and White, Weld & Co.

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Growth Prospects of TV and The Role of Advertising

share to the high level of business which I think all of us are expecting this year.

1956 Outlook

Our optimism for 1956 TV sales is not based on the first quarter. Television, along with automobiles and housing, lagged behind the first quarter of '55, despite the fact that the economy as a whole set a new high record. Television production for the three months was off 16%. Sales at retail, however, were off only 10% and inventories have been reduced accordingly.

We ascribe the first quarter decline in television to two principal factors: Hesitance on the part of buyers because of the widespread publicity given to color TV, and the tightness of instalment credit.

The solution to the problems posed by color is in sight. I am not a banker, but from all I read and hear the demand for credit from business and governmental bodies has been rising so fast that easier money does not seem in prospect. Since the tightening process on instalment loans was started more than six months ago we do not expect the situation to become any more restrictive.

Despite color and credit almost 2,000,000 TV sets were sold in the first three months of this year.

New Personal Sets

Looking ahead, the entire television picture will be changed by the advent of the revolutionary new personal portable at a price that makes TV an impulse purchase. For as little as $90, the buyer can walk out of the store with one of these sets just as he does with a radio. Only eight years ago a TV receiver of similar screen size, whose performance did not measure up to today's standards, cost upwards of $400.

Without printed circuitry and automation, a TV set so light and so small could not be manufactured at any price. The use of printed circuitry eliminates many yards of wiring and hundreds of bulky hand soldered connections, enabling us to fit the parts in this set with the same precision that the parts of a fine Swiss watch are assembled.

These personal TV sets open up an entirely new and vast market. They are as revolutionary as TV itself was 10 years ago. For the first time, the average family can have not one, but two or three sets. There will be a large screen receiver for family viewing in the living room. The housewife will have her personal set in the kitchen where so many of her hours are spent. The parents, and possibly the youngsters, will have personal TV in their bedrooms. Television at last is on its way to becoming as accessible and convenient in the average home as radio has been for so many years.

Personal portables will become available on a volume basis during the summer. By August our company alone will have productive capacity to build upwards of 5,000 a day. We expect the industry to manufacture one and a half to two million of these sets by the end of this year.

Foreign Demand

There is also going to be a very large foreign demand. The high price of TV in many foreign countries, coupled with the low average income, makes television a luxury that can be afforded by only the wealthiest families. Except in the United States, Canada and England, TV sales have barely scratched the surface. The introduction of the new personal receiver will enable practically everyone with electrical service in his home to own a TV set. We have already rushed sample personal sets to our plants in Canada, Italy, Mexico, and Australia, and plan to mass produce them overseas as rapidly as possible.

Weighing all the elements, we believe that a minimum of seven million black and white receivers will be sold this year. If the promotion of color does not cause too much holding back, last year's record of seven and one-half million units may be equalled.

Color Outlook

Now what about the outlook for color itself? There is a wide range of opinion in the industry. Our view is that color, after many false starts, finally has arrived. As of today, however, it is strictly for the carriage trade. Twenty-one inch sets average about $800. They perform excellently and there is a growing amount of fine color programming. It is almost a game in the industry to try to guess how many color sets will be sold this year. Guess estimates range from 50,000 to a half million units. My own guess is 200,000 units for the entire industry.

The important thing about the market for color is that it will develop in a gradual, orderly way. Black and white TV sprang up like a mushroom. From 1946 to 1950, a period of only five years, annual sales soared from 6,000 units to more than seven million units. No other consumer durable product costing several hundred dollars has ever had such spectacular acceptance. The reason is easy to understand. Black and white TV provided a totally new service. Color does not. It adds a new dimension, but the addition comes at considerable cost. This cost factor is still the principal barrier to a mass market for color.

In June Admiral will introduce a series of new 21-inch color models starting at $500. Installation and a one-year service contract will add approximately $100. Although this will be 25% below the average price of today's color sets, it will still be almost triple the cost of a high quality 21-inch black and white receiver. The principal cause for this great difference in cost is that the color picture tube is extremely complex and costly to manufacture. Admiral has been building color sets for more than three years. Based on this manufacturing experience and very extensive research, we are convinced that color sets will always cost considerably more than black and white receivers.

Color has arrived, as I said before, and we will see a steadily growing business in it. But the total volume of color business will not become of major significance to the industry until 1957 at the earliest.

We believe the psychological adjustment to color will be completed this year and that 1957 will see a strong upsurge in the sales of family size monochrome sets and a rush to buy personal receivers for second and third set use.

At a recent convention of the American Bankers Association, we estimated 1957 sales at ten million units. That is based on the assumption that the general level of business will remain high. Of this total, we expect large screen sets to account for five million units, personal sets for four and one-half million units and color receivers for one-half million units. If these estimates prove correct, the industry will have a record year in unit volume by a wide margin and dollar sales will about equal the all-time record set in 1950.

Sales by 1965

By the end of this year the television industry will have sold over 50 million sets since TV was given the commercial go ahead by the FCC 10 years ago. Fabulous as that may seem, we predict that the industry will sell 100 million units in the next 10 years, doubling the record of its first decade. This will be made possible by the development of the personal television set, which has put TV in the same category as radio.

So much for the television outlook. Now a brief review of the appliance industry. Here you have products ranging from refrigerators, which already are in 94% of electrified homes, to dehumidifiers, which as yet are in but 1% of homes. I won't take time to consider each appliance separately. For 1956 we look for combined sales of all major electrical appliances to run from 5 to 10% larger than last year.

Electric in the Home

The significant thing is that the American home is being mechanized through the application of electric power much as the factories of America have been in the last 50 years. Many appliances in existence today have what amounts to virgin markets before them, and there will be more new electrically powered products for the home as we go along. I do not know of an established industry with a greater growth potential. First, there are the millions of existing homes, only a small percentage of which have what is today a modern kitchen. The kitchen appliances will be an integral part of the home of the future. All units will be built in as part of the original kitchen plan to effect the greatest saving of space and the most efficient organization of the work units to save the homemaker time and steps. This trend is very evident in the better new homes being built now, and it will inevitably extend to lower priced homes. Second, there is a wholly new market coming from families to be formed in the future.

The impact of our birth rate, which has been booming ever since World War II, has been widely discussed. I don't need to go into great detail before this audience. Currently, as you know, between eight and nine hundred thousand new families are being formed annually, which is a comparatively low number due to the reduced birth rate during the 1930's. Census Bureau projections on family formations indicate that the 1955 level is about rock bottom and on the average will probably be exceeded in the next four years. Then, beginning in the early 1960's, the rate of family formations will zoom, probably to something like double present levels. By that time, too, some of the electrical appliances which now are in relatively few homes will have the same rating as a household necessity that the electric refrigerator has today.

In five to ten years freezers will be as standard in our homes as refrigerators are now. The vast majority of families in all but the lowest income bracket will have automatic dish washers. Automatic laundry equipment, both washers and dryers, and electric cooking will be almost universal.

Electronic Cooking

Peering somewhat further into the future, we will come into the era of high frequency electronic cooking. Using this method, one can cook a frozen roast in a matter of minutes and heat a baby's bottle in seconds.

One of the major problems our industry faces will be to have its production and distribution capacity large enough to serve the market that is bound to come six years hence.

My own company, which has been expanding steadily since World War II, has two major expansion programs planned right now. One, which is under way, will increase our capacity for television production by approximately 20%.

The other phase calls for the construction of a new building at our appliance center at Galesburg, Ill., to provide special production capacity for all built-in kitchen equipment.

We consider these current expansions only the beginning. Five years from now we foresee an annual market for five million color receivers and six to seven million black and white receivers. We also foresee an immense increase in the market for the various major kitchen appliances.

Short Cycle Changes

Now what of the over-all outlook for the economy? Most economists seem to agree that business generally will be more stable in the future than it was prior to World War II.

The fact that movements in the business cycle may be confined to comparatively short-lived adjustment periods such as we experienced in 1949, and in the last half of 1953 and early part of 1954 does not mean, however, that the life of any individual industry or company will be easier. In fact, it has become quite plain since the end of the Korean War that competition is growing increasingly intense within industries and between industries. The development of new products, new production machines and new production know-how through research tends constantly to intensify competition. As more and more industries and companies increase investment in organized research, the competitive pressure on all to do so increases. This accelerates progress from which we all benefit as consumers, but it makes the life of the company or industry that doesn't invest enough in research increasingly hazardous.

Automation

One of the much discussed fruits of research in recent years has been the rapid trend toward greater automation. This is a subject for a lengthy discussion in itself. The observation I would like to make here is that Automation increases competitive pressure in two ways. First, of course, it either counters rising costs or actually brings about cost reduction. Second, since it tends steadily to increased fixed investment, it exerts a heavy pressure to maintain production to carry the capital load at the manufacturing level. This in turn is reflected in pressure in the marketplace to keep goods moving into consumers' hands. I think it is a very safe forecast that manufacturing, wholesaling, and retailing will become more and more dependent on large volume for satisfactory profits as time progresses.

There is nothing new in this, of course. Ever since the industrial revolution, we have been increasing our mechanization. With each step forward in mechanized mass production, profits have become increasingly dependent upon large turnover.

Since I have said so much about research and automation, thought you might like to see two new Admiral products which are a direct result of our efforts in these areas. They are not yet in the hands of distributors and dealers, so we'll just call this a sneak preview.

Here is a portable radio which was many, many months in development in our research lab. It has no electronic tubes. It is entirely transistorized. The result is that it will operate from 700 to 1,000 hours on six standard flashlight cells like this. The cost of the six batteries is less than a dollar.

Sunpower Radio

Now here is something even more revolutionary. I have in my hand a sunpower-pak. It converts sunlight or light from any source such as an ordinary incandescent bulb into electrical energy. The sunpower pak contains no moving parts. It consists of highly refined silicon encased, as you see, in plastic. So far as we know today, it will last forever. Lacking sunlight I'll show you how it operates by using a conventional bulb. Instantly, as you hear, we have sound. This is the world's first sun-powered radio for consumer use.

In the future there will be other applications of this development. For example, sun power can be stored through daylight hours and used to operate a lighthouse or traffic lights and other warning signals on land in areas where electricity is not otherwise available.

The other new product I want to give you a peek at today is one of the personal sets I told about earlier. Here it is. Its compactness is evident and it weighs only 16½ pounds. A child can carry it. The aerial is telescopic, being extended this way when the set is in use and retracting completely, if desired, at other times.

While on the subject of research, I wish I could tell you of some of the extremely interesting work we are doing for the military services. Unfortunately much of it is classified and, therefore, I am not at liberty to discuss it. I can tell you, however, that we have expanded our government laboratories for advanced research at both Palo Alto, Calif., and our headquarters in Chicago. I do not believe that anything is more significant to our country's defense than progress in electronics, which is involved in everything from warning systems to guided missiles and interplanetary satellites.

I think I have said enough to give you the strong impression that at Admiral we are very optimistic for the TV and appliance industries' future. In these industries we have the products which raise the American standard of living. These are the products all families aspire to own as quickly as their economic status will permit. And more and more families are reaching the middle income bracket, where they have the necessary buying power. The evidence is all around us. Each of us, with our own eyes, can see that more people have more goods, more leisure, better medical care, better opportunities for more education, better everything. I see nothing in the future to halt this trend, which is so highly significant to all industry and especially to the TV and appliance industries.

Advertising Budget

I said earlier that I expected the investment of American business in advertising to continue to increase considerably faster than the total volume of business. We have learned in this country that our capacity to produce as time progresses can be almost unlimited. We have also learned that the old idea of a saturation point is a myth. We have proved that the more people have the more they want. At the same time, top management throughout American business is showing a growing awareness of the importance of advertising as one of the prime forces which creates the original spark of desire, which molds tastes and wants, and which brings prospective buyers into the retail stores on the main streets of America.

This broadened recognition of the demand creating power of advertising was dramatically demonstrated during the business recession of 1953-1954 when, for the first time, advertising volume increased while the general business level declined. The result, as we all know, was that American families went right on buying. Business, which had begun paring inventories and cutting capital expenditures, was quick to catch the clew. Confidence returned and the 1953-1954 recession proved to be the shortest and least severe in our history.

Effectiveness of Advertising

This is prophetic of the rising effectiveness and status of advertising and of the promise of its future as well. It also points to the broadened responsibility of your profession, which has before it an ever growing job, measured both in the size and quality of the effort needed.

I am not one of those who worries that we have too many types of media and too many representatives of each type. We can all recall what the prophets of gloom said less than a decade ago when television appeared on the scene as a powerful advertising medium. They predicted falling linage for newspapers and magazines and a near total eclipse for radio. As all of you know, the record shows that newspaper and magazine advertising has kept marching on to new highs and that radio is still very much alive.

After 10 years of television, we have learned that each media has its place. Each one will be called upon to do a progressively bigger job as we continue to build our economy of abundance in this country.

I have told you what we are looking for in our industries this year and how we are expanding our plants to meet the demands of an even bigger future. We do not, of course, expect because we produce new products and build more plant capacity, demand will automatically follow. We know that we will have to expand our advertising and selling effort and we are doing it. This year $17 million will be spent on the Admiral brand, an increase of 20% over the 1955 expenditure. And our philosophy is certainly the rule rather than the exception in American business today.

You and I are both associated with growth industries offering an abundance of challenge, opportunity and reward. I believe, too, that we have in this country a growth economy that will continue to expand and to provide a progressively higher standard of living for the American people for more years to come than we need to look ahead today. We will have periods of adjustment such as we had in 1949 and in part of 1953 and 1954. The underlying trend, however, is strongly upward and it is quite within the capacity of the American people to keep it that way.

Continued from page 2

The Security I Like Best

sion, distribution and sale of natural gas in northern Louisiana, central and southern Arkansas, and northeastern Texas. Important cities served include Little Rock, North Little Rock, Pine Bluff, Hot Springs, El Dorado, Texarkana, and Camden, Arkansas; Shreveport and Bossier City, La., and Texarkana Texas. The major portion of the business is in Arkansas. The service area has been enjoying a rapid growth in both population and industry. Furthermore, the population has been showing a strong trend from rural to urban. At the close of 1955, the company was rendering natural gas service to some 244,000 customers in 148 communities having an estimated population of approximately 1,000,000. Customers served include 214,000 residential, 28,000 commercial and 2,000 industrial and others. The total represented a gain of almost 10,000 over the preceding year.

The facilities utilized in providing service to the public are most impressive. Starting with the gas itself, the company holds mineral leases on 189,000 acres, of which 45,000 are held by production. Owned reserves include about 850 million m.c.f. of natural gas and some 1,600,000 barrels of oil, while controlled reserves include about 3,400 million m.c.f. of gas. The company produces about 20% of its gas requirements, purchasing the balance under long-term contracts. Then there are ten products extraction (gasoline) plants, a gathering and transmission system of 2,761 miles of pipeline, compressor stations totaling almost 65,000 horsepower, and 3,720 miles of distribution mains. Through this system the company last year sold, and delivered under transportation agreements, a total of 203 billion cubic feet of gas, while the gasoline plants sold 154 million gallons of liquid products.

So much for the operational aspects of the system; now for a look at the financial side of the situation. First, mention should be made of the simple and sound capitalization consisting of 4,181,769 shares of common stock with an equity of $40.2 million, and $35 million of long-term debt. As to earnings, the situation is as follows. In the past, Arkansas Louisiana was severely hampered by a rapid growth of industrial load, rising costs, low rates, and the usual lag experienced by so many utilities in obtaining adequate and timely rate relief. Thus, while revenues in recent years showed a steady growth, net earnings depicted just as consistent a decline. The new owners quickly moved for adequate rate relief, particularly in the industrial division, and were successful with little delay. Not only was a fair return on property awarded in short order, but also of importance, a return of 8% was allowed on facilities utilized for serving industrial customers, which facilities account for approximately one-half of the company's rate base. Furthermore, the fair field price for gas produced from the company's own reserves was included in the decision. And here it is interesting to note that although the major industrial rate increase was at first disputed, the majority of large users have since signed five-year contracts at prices somewhat above the rates actually granted by the local Commission. Furthermore, despite these increases, the company's industrial rate for gas is still well below the cost of competitive fuels. This precedent making, favorable rate decision, combined with the institution of operating economies and a continued growth of business, has had the effect of sharply reversing the prior downtrend in earnings, and net income available for the common shares for the year 1955 jumped to $1.07 per share on the present stock, from only $0.43 per share in 1954.

Indicative of the tight controls the new interests have brought in are the following interesting figures. During 1955, total gas received into the system declined 6.7 million m.c.f. However, exchange gas declined 9 million m.c.f. so that all profitable categories showed a gain. Line losses declined 1.6 million m.c.f. which I regard as most encouraging, since the number of employees was reduced by 346 and operating and maintenance expenses were reduced by about $360,000 at the same time. Management is continuing its drive for economy while still going forward in obtaining new business. At the last report the employee roster had declined still further. Meanwhile, important industry continues to come into the area, and I believe the company will have another 10,000 customers, largely residential, on its lines by the end of 1956.

The management of the company in January, estimated that earnings for 1956 would probably fall somewhere between $1.30 and $1.50 per share. My experience has been that such forecasts, made early in the year, are generally quite conservative. I incline to the belief that given normal weather conditions, this estimate will also prove to be conservative.

As a matter of fact, the company has just reported first quarter earnings equal to 66 cents per share, including 2 cents of non-recurring credits, versus 37 cents earned in the frist quarter of 1955. Likewise, profits for the 12 months through March, 1956, jumped to $1.36 per share, including 6 cents of non-recurring credits, compared with earnings of only 46 cents per share in the preceding 12 months.

Since the "new look" came into the Arkansas Louisiana picture, not only has the previous declining earnings trend been sharply reversed, but the dividend policy has also been such as to satisfy even the most demanding stockholder. First, a stock dividend of 10% was paid in December, 1955. Then, in February, 1956, the cash payment was doubled to the present $0.25 quarterly rate. In his January speech, the President mentioned a payout of at least 65%. This preceded the increase to the present $0.25 quarterly rate, but in view of the strong equity position and rising earnings trend, I would not be at all surprised to see another dividend increase if 1956 earnings, as I believe, exceed the earlier estimate. Over the longer term there should be much of favorable import for the shareholders as the aggressive management continues its intensive efforts. Some consideration is being given to entering the petro-chemical field, and if conditions warrant, the construction ultimately of a $50 million pipeline. As a matter of fact, two substantial paper mills are already scheduled to come into the Pine Bluffs area, and these should not only become large consumers of gas on their own account, but should also cause a further increase in the number of gas consuming residential and commercial accounts in the area.

The shares (listed on American Stock Exchange) have recently been trading around 18½, at which price the yield from the present $1 annual dividend rate is somewhat in excess of 5%.

Six-Year Record

	1950(a)	1951(a)	1952(a)	1953	1954	1955
Total Operating Revenues	$25,974,000	$31,773,000	$33,927,000	$37,102,000	$42,693,000	$49,566,000
Net Income	3,567,000	3,101,000	2,669,000	2,226,000	1,813,000	4,298,000
*Earned Per Share	$0.85	$0.74	$0.34	$0.53	$0.43	$1.07
*Dividend Per Share	(b)	(b)	(b)	$0.11	$0.45	$0.45
Total Customers	190,082	203,205	214,600	224,425	233,872	243,649

* Based upon present shares outstanding, which gives effect to 10% stock dividend paid in December 1955.

(a) Pro-forma, based upon re-arrangement in 1953.

(b) Shares became publicly owned in 1953.

Elliott T. Moore Adds

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — C. L. Bevington, Jr., Neva G. Bevington, Carmen Briggs, Gertrude Campbell, Frank S. Clark, Leona E. Grissom, Charles E. Hickey, Fred L. Middaugh, Bertha M. Parker, Kenneth H. Schrank, Roy G. Sylvester, Ann Waite and Virginia A. Welsh are now affiliated with Elliott T. Moore, 4151 East Carson Street.

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Brazil's Investment Opportunities

pers, Union Carbide, Imperial Chemical—

In pharmaceuticals, Squibb, Eli Lilly, Parke Davis, Pfizer, Merck, Bayer, Ciba, Geigy—

In tire production, Firestone, Goodyear, Goodrich, Dunlop, Pirelli of Italy—

In automotive assembly, Ford, GM, Chrysler, International Harvester, Mercedes-Benz, Fiat and Volksvagen. Supporting this mushrooming automotive industry are more than 800 independent plants, supplying parts and materials to the assembly lines.

This impressive array tells a dramatic story of Brazil's industrial boom. It is the story of an economy expanding at a remarkably rapid rate.

During the period 1946-1954, Brazil's Gross National Product increased at an average annual rate of 7.5%, the highest of any country in Latin America. This compares with an average annual rate during the same period of 3.2% for the United States and 4.4% for all of Latin America—Brazil included.

In terms of volume, the Gross National Product of Brazil in 1954 amounted to $13.9 billion. This was 30% of the total gross product of all Latin America.

One of the most attractive features of the Brazilian economy is the tremendous growth potential of its consumer market. Today only 20 million, or approximately one-third of its 58 million people make up the consumer population, thus leaving two-thirds yet to be brought in.

I am sure that many of you are wondering how United States companies have fared in Brazil in the past. The answer is that despite revolutions, political unrest, exchange difficulties and inflation, American business has done exceedingly well in Brazil. Just as a few examples, I cite the following:

American Home Products' investment in Brazil has increased 270% since 1950 and its sales volume, 375%.

Sears, Roebuck opened its first store in Rio in 1948. To this it has added two in Sao Paulo and one in Santos. Practically everything Sears sells is manufactured in Brazil by Brazilians according to its own specifications.

The Lone Star Cement Company established a Brazilian subsidiary in 1933 with a capacity of 800,000 barrels a year. Today its capacity has been expanded to 3,600,000 barrels.

Ford has found in Brazil a major export market. Through its Brazilian subsidiary, Ford has sold some 130,000 vehicles there in the period since the end of World War II. By 1948 Ford became so convinced of the great potential of the Brazilian market that it decided to replace its old assembly facilities with a new $14 million plant, which was completed in 1953, with a capacity of 125 cars and trucks a day.

Ford's local purchasing program, started in 1949 and aimed at helping Brazil conserve foreign exchange and develop local industry, is an excellent example of how foreign capital can assist in strengthening a nation's economy. Today Ford purchases about 3,000 different items locally and the percentage of local material used in a Ford truck has risen to approximately 32% by weight.

Investment Climate

We definitely think the Brazilian investment climate is good. Brazil is eagerly seeking and needs foreign investors, but she wants and obviously requires the kind that will stay on for the long pull and help in her industrial and economic development. I think it is a serious mistake for any of us to insist that Brazil conform to our every possible request before we consider investing. Real partners who come to stay will prosper in Brazil.

Brazil is understandably sensitive and has little regard, as we do, for the Monday morning quarterback. To our advantage her people, plainly and simply, like Americans and they say so. Our own Washington and Lincoln are great political heroes there. Brazil has stood by us in war. She is sending us her students and engineers and doctors for study. Last year alone 507 of her students and 88 of her doctors were being educated in the United States. Dr. Milton Eisenhower on his memorable Latin American trip, noted Brazil's interest in American tradition and history. President Kubitschek is in the best American tradition of the self-made man. He worked his way through medical school and fought has way to national leadership, rising from such proverty that he wore his first pair of shoes at the age of 11. President Kubitschek's Administration already reflects this same drive and energy.

I do not venture to predict that the dilemma of coffee prices which has plagued Brazil's export trade and her exchange position will soon be solved. I would urge, however, that as friends of Brazil we take a more sympathetic attitude toward her need for a fair return on coffee, her largest export. After all, she is not asking for a hand-out and every dollar she gets for coffee comes back to us in the purchase of United States goods.

I will, however, venture one prediction, and that is that Brazil in the very near future will take affirmative steps to solve her petroleum problem in her own way. Today Brazil is spending almost one-third of her dollar earnings on oil imports and there appears to be no doubt that President Kubitschek is determined to bring about a speedy solution to this vital problem.

Brazil offers an opportunity for United States private capital unique in our times. This great nation has a definite and important place in the future of America. With much of Brazil's economic potential yet to be developed, our dependence upon Brazil in the years to come will constantly increase. American technology may substantially change this situation but for the long run we must assume, I feel, that Brazil will be one of our most indispenable economic allies. We should show our confidence in this country now, for what we do today in Brazil will determine in the years ahead what Brazil will do for us.

In the future Brazil will take her rightful place among the leading industrial nations of the world. For those of us who go into Brazil now and work with the Brazilians in developing their country at this very time when they are growing and seeking our help, the returns over the years should be eminently rewarding. Therefore, it is to our own interest as well as to hers that we accept the invitation now being offered us to share in Brazil's destiny.

With Greenberg, Strong

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—George L. Simons has joined the staff of Greenberg, Strong & Co., First National Bank Building. He was formerly Cashier for Mountain States Securities Corporation.

Continued from first page

Role of Monetary Policy in Creating a Stable Economy

perils and moved to a higher standard of living here at home.

Other countries have staked their welfare upon systems whereby a ruling few decide what's best for the many, and then harness the energies of their citizens to achieve the pre-determined goals. Our country has put its faith in a completely different way of life: of having the government responsible for providing a climate of opportunity, and then relying for progress upon the enterprise and energy of free people striving for better things for themselves, their families and their communities.

It is obvious that our country has far outstripped all others in material progress, and this without doing more thus far than scratch the surface of its potential. But for all that, its choice of the way of life to follow is still a matter of faith. And of course there are degrees of faith. All of us know people, admirably devoted to liberty, who say democracy is less efficient than other systems, but still worth having because inefficiency is the price of liberty. Woodrow Wilson had a stronger faith in democracy than that. He expressed it in these words: "The highest and best form of efficiency is the spontaneous cooperation of a free people."

In our country the responsibility of the government is to provide a climate of opportunity that will encourage our people to apply their enterprise and energy in bettering the lot of themselves, their families, and their communities, and thus promote the general welfare of the country as a whole.

Federal Reserve Responsibility

That responsibility is one in which the Federal Reserve System shares. What I should like to talk about with you is how the System views its responsibility, and how it goes about discharging it.

Our responsibility, at all times, is to assure monetary and credit conditions that will foster high levels of business and employment, maintain the stability of the dollar, and promote sustainable growth in the economy. By doing so, we can make a substantial contribution to raising the living standards of the people as a whole. But we cannot do the whole job: business and employment do not live on credit alone.

How we go about discharging our responsibility is somewhat more difficult to describe—and, one gathers, infinitely more difficult to understand, if the explanation is couched in technical terms and extended into the fine points of central banking techniques, which, experience has taught me, are deadly bores to all save full-time central bankers. I'll try to bear that in mind, and be sparing of your patience.

It does seem to me, however, that it is not only possible but easy for anyone to understand the task and operations of the Federal Reserve System, and I rather think that the man-in-the-street does understand them in terms of his own experience.

In those terms, what the Federal Reserve is undertaking to do, at any time and in any action it takes, is to provide in the sphere of credit much the same thing that a modern heating and cooling plant undertakes to provide in the home: an atmosphere conducive to health, and comfortable for all—except, perhaps, those who are frozen or feverish.

Just as it would be unrealistic to expect universal agreement among 167 million Americans on what is an ideal home temperature, or what is the perfect climate, so it would be unrealistic to expect complete agreement on what are ideal credit conditions. In each instance, there are some who like things hot and some who like them cold.

Perhaps, it is not unreasonable, however, to expect a rather general agreement on a fundamental point that seems applicable for the individual household and the economy alike: moderate temperatures, in a fairly even range, are preferable, and healthier for almost everyone concerned, rather than sharp swings to the respective extremes.

That, at any rate, is the point of view from which the Federal Reserve System approaches its task of keeping credit conditions adjusted to changes in the economic climate.

Counter-Force

It may help to explain, in terms we all understand, why the System exerts in the credit field a counter-force against deflationary chills and inflationary fevers alike. The System follows the logic of the homeowner who uses his heating equipment to moderate winter's excessive cold and his cooling equipment to moderate summer's excessive heat. Of course it shares the home-owner's delight in those periods when it is unnecessary to use either, as well as his aversion to running the furnace during a heat wave or running the cooler during a freeze.

In the domain of economic matters, including monetary affairs, there is, however, no exact counterpart of the thermometer to provide an instantaneous and indisputable record of the current temperature and trend. Nor is there a thermostat to provide an automatic response, in proper direction and degree, to changes in economic conditions.

Monetary policy can never be an exact science because what it deals with, in the ultimate sense, is people rather than things. Like most matters of an economic character, it involves, among other things, sociology and psychology: it has to do with the reactions of a multitude of individuals—with human factors. I don't think monetary policy is cut out for automation. For no one has yet devised any system of levers or any formulas or devices by which you can regulate human nature. I think this is something we have to keep in mind in dealing with problems of high level employment and the satisfaction of the needs and wants of the community.

Clearly, the framers of the Federal Reserve Act were aware that monetary policy would inevitably require an element of judgment. For they took what seem to me very wise precautions to see that the required judgments would be, insofar as human capacities permit, impartial, informed, and in the interest of the country as a whole.

Characteristics of Federal Reserve

As anyone can read them in full in the Act, I will take time here for only a couple of observations. One is that great care was taken, when Congress entrusted the power of money management to the Federal Reserve System during President Wilson's Administration in 1913, to safeguard that power from becoming a device that could be controlled either by private interests, on the one hand, or political interests on the other. Another is that the framework of the System was designed to reflect in the best American tradition a blending of the public interest and private enterprise, and also to accord recogntion to the wide areas of the United States and the local and regional problems that arise out of peculiarly American conditions.

Thus we have in the Federal Reserve something different from the Bank of England or European central banks, where authority is centralized in a single bank with numerous branches. Instead, we have under the Federal Reserve Act a regional system which is now made up of 12 great regional Reserve Banks with 24 branches, and some 260 directors. In addition, the Board of Governors, in Washington, was given the responsibility and primary task of coordinating and directing policy so that it can work effectively.

Thus public and private participation is merged. The Reserve Board in Washington is, itself, clearly Government, and when we talk about its independence we mean independence within the Government, somewhat analagous to the independence of the judiciary. The regional Reserve Banks may be described as quasi-private. These regional banks, however, are subject to the regulations of the Reserve Board. The member banks select six directors of the nine who serve on the directorate of each of the 12 Reserve Banks. The Board of Governors in Washington appoints the other three, including a Chairman and a Deputy Chairman.

The directors, in certain matters such as establishing discount rates and appointing the chief officers of the Reserve Banks, have a joint responsibility with the Board: the initiation of action rests with them, the necessary approval rests with the Board. All this is well known, and I do not need to dwell on it, although I do want to say this: the Federal Reserve has been fortunate in the caliber of men who have given so much of their time and effort to its service, which means the service of the general public; they merit the gratitude of the System, of their communities, and of the nation.

Federal Reserve's Eyes and Ears

What I do wish to mention is something about the services of our directors over the nation that is not so generally recognized. And that is that they are most helpful in keeping the Board speedily posted on economic developments at the grass roots. I don't need to tell you that, of necessity, there is a time lag in much of the statistical type of information on which monetary and credit policy decisions must in part be based. No matter how good the data may be or how much effort goes into gathering it promptly, the fact remains that trends or changes in the direction of the economy usually begin to develop weeks or months before the statistical material can begin to reflect them. In bridging that time gap, the assistance of 260 intelligent, experienced, and well-posted men located strategically over the face of the nation can be invaluable. They provide the Federal Reserve System with not just ears and eyes but also, in the realm of economic intelligence, the nearest equivalent of a radar network.

That is an important as well as a unique advantage of the System, as becomes evident when we consider what is required in formulating a program to provide credit and money conditions properly attuned to the economic needs of today, and of tomorrow as well. The first requirement is a painstaking search for all the relevant facts that may bear upon the economic and financial outlook. The next is interpretation and appraisal of those facts.

There are of course other requirements, less tangible but not less essential. One is consciousness of certain principles that underlie and sustain the American system. Another is humility—or perhaps I should say an awareness that no man can unerringly foresee the future, and therefore he will do well not to act as if he could.

To me, one of the basic principles that underlie and sustain our economy and our private, competitive system is embraced in the concept of the free market, where balance is achieved by the interplay of demand and supply.

By "free" I mean of course "relatively free," since all freedoms—even our cherished freedom of speech—are necessarily relative, rather than absolute. The idea of an absolutely free money market, it ever it existed on other than a purely theoretical plane, must itself have been altered when passage of the Federal Reserve Act conferred on the Federal Reserve System authority to influence the money supply. But that authority was conferred for the purpose of providing a money supply in harmony with economic needs—not for arbitrary juggling of the money supply to fix some particular level of interest rates, either high or low.

Regulating the money supply to fit economic needs is one thing, and fixing interest rates is another. To fix an artificially low rate, you would have to pump money into the economy in inflationary doses; to fix an artificially high rate, you would have to starve the economy for money. There is no such thing as a simple choice between high or low interest rates. The fundamental requisite is to see that the volume of bank reserves is appropriate to high level stability in the economy and then to let interest rates be determined in the market place where they can rise or fail in response to supply and demand.

Monetary Policy Considerations

All these matters are part of the background of monetary policy decisions. Perhaps I should mention as well some basic considerations that enter into making the decisions themselves. The first consideration is to estimate the financial needs of the general economy—the private sector, as represented by industry, commerce, agriculture, consumers, and so on, and the public or governmental sector, of which the United States Treasury is representative. The needs of these two sectors are interwined, but they can be separated for purposes of discussion.

The Treasury, of course, has the task of raising the money needed to pay for the expenditures which are authorized by Congress, and of managing the governmental debt accumulated in that process. The Federal Reserve's task of managing the money supply must be conducted with recognition of the Treasury's requirements, for two reasons: One, the Federal Reserve has a duty to prevent financial panics, and a panic surely would follow if the government, which represents the people as a whole, could not pay its bills; Second, it would be the height of absurdity if the Federal Reserve were to say in effect that it didn't think Congress was acting properly in authorizing expenditures, and therefore it wouldn't help enable the Treasury to finance them. So Treasury financing must always be a major consideration of monetary policy.

When we talk about independence of the Federal Reserve we're not talking about making it difficult for the Treasury to borraw money. On the other hand, there is a reciprocal obligation on the part of the Treasury to conduct its operations with recognition of the Federal Reserve's responsibility for contributing to stability of the economy and stability of the dollar.

The Treasury obviously would not expect the Federal Reserve to inflate the money supply, thereby putting the entire economy in jeopardy, so that the Treasury can get money at an artificially low rate. So, with complementary responsibilities, the Federal Reserve and the Treasury must work together. Neither can ignore the forces of supply and demand that are reflected in the market place by dictating what interest rates should be. Instead, both must assess market place forces and determine their policies accordingly.

Now as to the needs of the private sector of the economy: business—including agricultural—needs for credit characteristically expand at certain seasons, and it is always the job of the Federal Reserve to see that those seasonal needs are met. The Federal Reserve has always done so, and will keep on doing so. It is one thing for interest rates to rise under the pressures of a heavy demand for credit, and another thing for money to become completely unavailable. The forces of the market must be allowed to operate, as reflected in interest rates, but it would be preposterous to stifle the economy by making money unavailable. Because this is a vast country, money may be less available in one area than another for limited periods, but it is up to the Federal Reserve to see that the seasonal requirements of business are met.

A third factor that requires consideration in determining monetary policy is that of growth. The volume of money must grow with the growing population and the growing scale of economic activity. How much growth there should be is more difficult to say. Some people think the money supply ought to grow at the rate of 3% a year, while others may say 2% or 5%; I do not profess to know what the figure ought to be, and I doubt that a precise figure can be set as desirable for year-in-and-year-out purposes.

No Artificial Rates

In the matter of growth measurements, one needs to be extremely careful. Growth in the money supply must be regulated according to the country's real needs. If borrowers crowd banks with loan demands on a scale much greater than average normal growth, they can expect the result to be some rise in interest rates. If that rise does occur, it merely signals continuance of the Federal Reserve policy of letting the supply and demand for credit be reflected in market rates of interest. Certainly it does not signal a policy of choking off the flow of credit and forcing rates artificially higher, for there is not any such policy and there is not going to be one of that kind.

A fourth factor that we have to deal with is psychology—and no reliable yardstick has yet been devised to measure what people may be thinking. What things really are may count most in the long run, but what often counts in the short run is what things seem to be—what people think they are. I recall a brief period some three years ago when we were proceeding on technical measurements of the money supply that, even in retrospect, seem to me pretty close to perfect. But even if they were right in fact, they were wrong in the scales of psychology. And what counted was not what the facts were, but what people thought they were.

Well, the earth has been round since, presumably, the beginning of its existence, and yet for age after age men insisted it was flat, with the practical consequence that the discovery of America, among other things, was retarded by a few centuries.

In the case I cited of a Federal Reserve misjudgment of psychology, the only feasible thing we could do was to adjust to the situation as soon as we saw it. All I can say about our adaptation of policy at that particular point is that it illustrates something we talked about earlier; since monetary policy deals with human nature and human beings, it can't operate on a formula basis. You've got to be prepared to respond quickly to developments as they occur. You cannot expect to foresee future needs perfectly and hit them right on the nose. If you get within a reasonable range, you're doing about as well as is likely in an imperfect world.

Of course we also have to consider the factor of the business cycle, but I think it has been evident through all I have said that we do our utmost at all times to stay alert to the dangers of both inflation and deflation, and to counteract either with equal vigor.

Results of Inflation

We fight inflation partly because it is the forerunner of deflation. If I thought inflation would create jobs and prosperity, I might be for it. But I am convinced that, apart from transitory effects, the result of inflation is the destruction of jobs and prosperity. I know there are some who think differently — who believe that "a little inflation"—say a price rise of about 3% a year—is a good thing, especially for "the little man." It seems to me they owe it to owners of savings bonds, pension rights, savings deposits, building and loan shares, life insurance policies, and so on to explain just how a "little inflation" is going to help them.

Central Banking Techniques

I promised not to weary you with talk about the techniques of central banking, but I ask your indulgence for a brief comment on the mechanism through which monetary policy is effected. Open market operations, discount rate changes, and reserve requirement changes are the closely inter-related parts of that mechanism. Confusion often arises because we are apt to talk about this mechanism as if it offered a choice between three separate means of easing or tightening credit. All three must operate together—the supply of reserves being basic. Open market operations and discount rates affect that base. It is therefore misleading to think of the three components as if they were alternatives to be used independently of each other.

The use of one component rather than another at a particular moment is explained by the fact that, by its nature, each has a different impact. Reserve requirements are the bluntest of the three, having by their nature the heaviest impact because they necessarily release or absorb very large sums. Accordingly changes in reserve requirements are best suited to broad basic adjustments.

Open market operations are impersonal, pervasive, and best suited to day to day adjustments, for they can be used to release or impound small or large sums in reserves in accordance with current conditions.

Discount rate changes, in respect to frequency of use, fall in between the others: they were revised downward twice in 1954, during a comparatively short and mild business downturn, and they have been revised upward five times over the last 12 or 13 months as the economy rose toward its capacity and demand for borrowed money strained the limits of supply.

It is worth noting, I think, that for some five years monetary policy, released from wartime and early postwar shackles, has been characterized by flexibility and by prompt adaptation to the ever changing needs of a thriving economy. The test of the policies pursued is not the direction they have taken—toward expansion or restraint — but whether they were appropriate to the times and conditions in which they are applied.

Tailoring Monetary Policy

Monetary policy, as I have had occasion to say before, must be tailored to fit the shape of a future visible only in dim outline. Occasions are rare when the meaning of developing events is so clear that those who bear the responsibility can say, "As of today, our policy should be changed from ease to restraint"—or from restraint to ease, as the case may be. What is true of a change in policy is also true of a shift in policy emphasis: it is rarely decided upon in a single day. More typically, as is evidenced by open market operations, the outline of a shift in policy emphasis, like the outline of the future, emerges gradually from a succession of market developments and administrative decisions. It is a poor subject for the photo-flash camera to capture as a clearly defined still life, or for a news story to etch in spectacular outline. Getting a perfect garment for the future may require several fittings.

Can't Do Whole Job

Let me emphasize again that the Federal Reserve's authority to combat excesses in the field of money and credit enables it to help in moderating swings in the business cycle, but it cannot do the whole job. If we depend upon the Federal Reserve or the Government to protect us from our own excesses then, by the very nature of our free economy, we are doomed to difficulty and distress.

If businessmen, bankers, your contemporaries in the business and financial world, stay on the sidelines, concerned only with making profits, letting the Government bear all the responsibility and weight of guidance of the economy, we shall surely fail. In an economy so closely interwoven as ours, there is need for a larger vision, on the part of us all.

I should like to close, as I began, with some words of Woodrow Wilson:

"We claim to be the greatest democratic people in the world, and democracy means first of all that we can govern ourselves. If our men have not self-control, then they are not capable of that great thing which we call democratic government."

Those words are as pertinent today as when President Wilson uttered them in November, 1917.

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Full Employment and Free Markets

looked. The compliance problems raised by them are seldom discussed.

Therefore, we would urge the Joint Committee, in its report, spell out in detail the important role of the free market in our society. The maladjustments which occur when government programs and government bureaus try to set aside the functioning of the free market should be examined minutely.

Other Markets

Fixing minimum wages under the Wage and Hour, the Walsh-Healey and Davis-Bacon Acts, in spite of their humanitarian appeals, all represent market interferences — all have their human costs. The proposed expansion of legislative intervention in these matters should be questioned.

In addition, the complex and burdensome proposals for curbing merger activity seem unwarranted. Vigorous enforcement of antitrust violations is essential to maintaining a competitive economy as the Economic Report points out. But penalizing "bigness" or mergers, **per se**, could work against competitive forces, rather than for them. A new hurdle might face anyone thinking of launching a new business, if he knew that some government bureau might stand in his way should he decide upon a merger.

On the other hand, the recommendation for relaxing bureau control of the transportation industry in the face of the marked growth of substitute transportation facilities is a step in the right direction.

But the suggested government program for reinsurance of catastrophic illness risks is a further step toward bigger government and possibly socialized medicine. The growth of private benefit plans has been phenomenal and if any pooling of risks is essential, it can easily be done by private reinsurance companies which have experience in such activity, providing no antitrust obstacle is in the way. (Page 69-70.)

The suggestions to simplify customs valuation and administration should enlarge the free market and stimulate freer and more trade.

Depressed Areas

Discussion of government assistance to depressed areas makes no mention of the possibility that some areas may be entirely unsuited to productive activity—mined out regions, high cost coal sections, or former lumber areas. In such cases, the most profitable step for unemployed workers may be relocation in other areas. The proposed program in no way would encourage this trend and, in fact, would probably discourage it. There should be no reason why that trend should not be allowed to continue where economic recovery is basically uneconomic and impossible, while, at the same time, industry could be brought in to other depressed areas whose difficulty is more temporary.

In many, perhaps most, depressed areas, economic revival can be achieved. However, as the Report notes, "major responsibility in planning and financing the economic redevelopment of their communities must remain with local citizens." Furthermore, any Federal program must recognize that some areas may not be economically sound places for productive activity. The taxpayers as a whole must not be called on to sustain those areas in an uneconomic way, for, again in the words of the Report, "Projects that generate only temporary employment do not help a community . . . and may even worsen its predicament." (Page 61.)

But how would a government bureau resist demands for aid regardless of basic conditions? Indeed, in those areas where the plight is greatest, the pressures for United States Treasury help might build up most strenuously—thereby again introducing a new type of market interference and help perpetuate that which it intended to relieve.

The Money Market

There is a market for money as there is for commodities. The Founding Fathers wrote into the Constitution that Congress shall have power to "coin money, regulate the value thereof." Undoubtedly, there must be some type of centralized control over money and the money supply. But such control leaves considerable elbow room for private financial institutions and individuals to operate within those controls.

One of the important objectives of the Employment Act, in addition to promoting productive employment and economic growth, should be stability in the average price level. Such stability can be attained without fixing individual prices. The government is to be commended for the high degree of general price stability which has been attained in the last few years. The decline in agricultural products may, however, obscure the rises in other prices.

Recent above-average or normal growth in consumer credit has induced the President to recommend that the Congress and the Executive Branch study consumer credit control. This recommendation presumes that **general** monetary policy does not reach a particular sector of the money market.

There are some students who believe that this alleged defect of effective **general** credit control is, in part, due to the growing tendency to compartmentalize the money market. With this have come unequal regulation of and restraints on different types of financial and credit institutions and varying interest rates and terms among the innumerable government lending and loan-guaranteeing programs.

Older economics books talked about "the" interest rate, with some recognition for variations in rates due to degrees of risk and length of loan. Today, however, we hear no discussion of "the" interest rate. We talk about many different varieties of interest rates. A growing number of the variations are due to institutional arrangements that have been established. The Economic Report apparently would add one more compartmentalized lending rate. Thus, it is recommended that "The National Housing Act should be amended to authorize insurance under **especially favorable mortgage terms** for apartment projects built by non-profit organizations for occupancy by elderly persons." (Page 68.)

This would create, apparently, another compartmentalized sector of the money market. Added to dozens of other similarly compartmentalized markets, such as loans under FHA and VA mortgages and a whole series of different types of loans to farmers, cooperative agencies and a host of others, would create still another money market.

In July, Congress fixed a rate of 2¾% for U. S. Treasury loans to build college and university dormitories. The rate had been 3¼%. Under the new low rate, the U. S. Treasury is being deluged with demands for loans. This could involve hundreds of millions of dollars—funds which should be borrowed in the private capital market. But here is another case of a compartmentalized money market.

Apparently when the RFC was established, effort was made to avoid creating a compartmentalized money market since the law specified that government loans were to be made if loans were not available at "prevailing rates." But then it dawned upon some bureau people that this might put the RFC out of business! So, apparently without much discussion or public awareness, a new phrase, "on reasonable terms," was substituted for "prevailing rates." The Hoover Commission Task Force on Lending Agencies quotes the earlier Task Force report as follows:

"On June 30, 1947, a change was made with respect to the requirement that credit not be available to RFC borrowers from ordinary sources at prevailing rates. Under the law which became effective on that date, the Corporation was empowered to make loans to any borrower who could not obtain credit from other sources 'on reasonable terms'." (Page 15.)

This multiplication of interest rates might bear further inquiry, particularly by those who are concerned with the effectiveness of general monetary control and wish to avoid detailed regulation of personal and business affairs.

A growing dynamic economy with varying shifts in demands and interests is bound to develop a multitude of different types of financial organizations and institutions. Those which spring up spontaneously and survive do so because they perform a socially useful function in channeling savings and credit where needed.

However, it seems that the host of institutions fostered by government legislation, government bureaus and government programs provides for varying degrees of preferred markets and, therefore, complicates the money market.

To some extent this reduces the potency of **general** credit controls lodged with the Federal Reserve System. It is interesting to note, for example, that from the end of 1945 to the end of last year, total loans and investments (other than Treasury security holdings) of commercial banks grew 2.9 times, while those of mutual savings banks grew 3.8 times, life insurance companies 3.4 times, savings and loan associations 5.7 times.

From the end of 1951 to the end of 1954, the holdings of residential nonfarm mortgages in commercial banks increased $2.9 billion. In the same period, the holdings in mutual savings banks increased $4.6 billion and those in savings and loan associations, $10.6, and the rise for life insurance companies was $6.1 billion.

Installment credit from the end of 1945 to the end of 1954 increased by $20 billion. The commercial banks accounted for nearly $8 billion, but finance companies and others over $12 billion. In the first 10 months of 1955, installment credit increased about $4.5 billion and the commercial banks accounted for $1.5 billion and all other sources for $3 billion.

These noncommercial bank credit and lending institutions perform highly useful functions, but some observers believe that the unequal regulations, varying tax treatments, etc., of some of our financial institutions is, in part, responsible for the growing complexity of the money markets. Effective coordination of these various "special" markets become virtually impossible and they sometimes work against one another.

And this is an area that might well command the attention of responsible authorities in both Congress and the Administration, before additional new segregated or compartmentalized, specialized lending and loan-guaranteeing agencies are established by the Congress or the Administration.

All of the foregoing relates to our concern for the preservation of the free market and its important function as the primary motivating force and directing device of our economy. Also, it goes to the heart of the proper function of the government in conducting its own affairs and monetary and fiscal policies so as to foster growth, stability and high employment.

Each year, it might be well for the Economic Report to prepare two lists of areas; first, the area in which the free market has been expanded and second, areas in which the free market has been constricted, either by private or public efforts. If we really mean to strengthen voluntary individual and group effort, some such annual inventory would constitute a useful benchmark.

Devolution and Decentralization

This year's Economic Report has much less to say on getting the government out of business than was the case last year. Under the heading "Fostering Competi-

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Full Employment and Free Markets

tive Enterprise," no mention is made of the contribution that can be made by getting the government out of business-type activities. (Pages 76-79.)

A little progress has been made in eliminating some business- and commercial-type activities of the government, particularly in barge lines and synthetic rubber. In some cases, the activity has simply been dropped. In others, the facilities have been sold to private owners. We commend the progress that has been made in this direction, but this effort needs to be strengthened. For the year ahead, we hope that the Joint Committee will lend its prestige to greater efforts in this direction. This will strengthen the free market sector of our economy and, at the same time, expand the tax base.

Similarly, there is a lack of attention in the Economic Report to the Hoover Commission, and its 350 recommendations, as well as the recommendations of the Kestnbaum Commission.

Hundreds of business executives, academicians and others gave of their valuable time and experiences to both the Hoover and Kestnbaum Commissions and subgroups of them with the thought that a careful review not only was required but would lead to aggressive action to reduce the size of the central government, to restore many governmental functions to the state and local governments and to create a better division of tax sources between the central government on the one hand, and the state and local governments on the other.

That the Economic Report has very little to say on these matters is regrettable.

The accompanying table shows some of the potential savings estimated by the several Hoover Commission Task Force and, in one case, that of Lending Agencies by the Commission itself:

Budget and Accounting	$4,000,000,000
Depot Utilization	253,000,000
Federal Medical Services	290,000,000
Lending, Guaranteeing and Insurance Activities	200,000,000
Overseas Economic Operations	360,000,000
Paperwork Management — Part I	255,000,000
Paperwork Management — Part II	33,300,000
Personnel and Civil Service	48,500,000
Real Property Management	185,000,000
Special Personnel Problems—Department of Defense	388,800,000
Subsistence (Food and Clothing)	400,000,000
Transportation	151,500,000
Use and Disposal of Federal Surplus Property	*2,000,000,000

*For the first four years; thereafter, $1,000,000,000 per annum.

Several of the Task Forces did not make any dollar estimates of the savings that could be obtained under their recommendations. The above figures, it should be stated, however, involve some overlapping. Mr. Hoover stated that when duplications were eliminated, the savings would be in the neighborhood of $5½ billion. It would take some time, to be sure, to obtain the full effect of these savings. Even though the exact figure may be in dispute, it is widely agreed that savings running into several billion dollars are possible, paving the way for earlier desirable tax reductions. Perhaps equally important would be the greater efficiency and effectiveness of the national government which would be achieved by these carefully and expertly drawn proposals and recommendations.

Tax Reductions

With regard to balancing the budget and debt reduction, we commend the position of the Administration. We also agree, nevertheless, with its view that taxes are too high. But so long as upward price pressures are general, debt reduction is particularly important.

If the growth of the economy envisaged in the Economic Report occurs and if substantial further progress is made in effectuating the Hoover Commission recommendations, and utmost economy efforts are made, the possibility of a tax reduction is good.

We would recommend these simultaneous adjustments for fiscal 1957:

(1) Reduction of individual income tax rates across the board in such a manner as to reduce the tax burden by $1.7 billion, with special attention to smoothing out the hump in progression which occurs in the middle income brackets.

(2) Reduction of the corporate income tax rate by not less than two percentage points—cost $800 million.

(3) Reduction of the Korean excises by $500 million.

Conclusion

The administration of monetary and fiscal affairs, including debt management, as outlined in the Economic Report command widespread commendation. The economic analyses carried on in government departments, bureaus and the Federal Reserve are of a high order. The purposes of the Employment Act and economic growth as well as stability apparently have been taken with the utmost seriousness.

Although all sectors of our economy have not shared fully in our prosperity, our national income jumped from $240 billion in 1950 to $322 in 1955 (of which about 10% is inflation) although preliminary estimates of corporate net profits last year are actually a shade below the 1950 level. Compensation of employees rose from $154 billion to over $221 billion in this same period—an increase of $67 billion. From 1954 to 1955, national income rose by more than $22 billion, while profits increased by $4.5 billion—all at almost constant prices.

In general, policy decisions have been as good as the available facts and situations called for. Critics can use hindsight, but, in fairness, policy making must be judged by what was known and knowable when decisions are made. Conflicting pressures and advice have to be weighed and balanced.

We are fortunate to have such an able team of analysts and policy makers. Our progress with stability has not been the result of haphazard chance.

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Prospects for Atomic Energy—As a Power Utility Sees It

try's goal of attaining economic nuclear power will be realized at the earliest possible date.

The Atomic Power Development Associates, Inc., have about 75 engineers and scientists in the working group in Detroit spending full time on the reactor study project. Our job is to prepare preliminary designs and specifications and to supervise research and development work being done by more than 15 private contractors. Many of the men have been obtained from the participating companies.

By Dec. 31, 1955, there had been expended the sum of $7,200,000 in research and development. The budget for 1956 calls for an expenditure of $5,180,000 which, as in the past, will be provided by the 43 member companies. Some of these funds will be used to reimburse the government for work performed in their laboratories since certain facilities are not yet available to private organizations.

A technical group such as APDA provides a low-cost means by which companies can participate in an atomic energy program and thereby obtain atomic "know-how" essential to their future growth and development—and at the same time train their personnel to become nuclear specialists. Thus, an industrial study group such as APDA could be considered as a central research bureau to its member companies.

Progress in Power Reactors

In the five years since industry was invited to participate in power reactor development studies, great progress has been made. Already several proposals to build atomic power plants have been made to the Atomic Energy Commission. Ten proposed atomic power plants are to be built and in operation within the next one to six years. Three of these proposed reactor plants stem directly or in part from activities of the Atomic Power Development Associates. They are: Yankee Atomic Electric Company; Consolidated Edison Company; and Power Reactor Development Company.

The Yankee Atomic Electric Company, comprising a number of APDA member companies and others in New England, proposes to locate their plant in Western Massachusetts.

Consolidated Edison Company, an APDA member, has proposed to build a 236,000 kw plant. It will be located 24 miles north of New York City at Indian Point on the east bank of the Hudson River. This plant will be the first commercially operated nuclear power plant to operate in our state and is the largest of all thus far proposed within our country.

The third proposal to the Atomic Energy Commission was that for the APDA designed fast breeder reactor plant. Since the By-Laws of APDA limit its operations to research and development, it will **not** undertake the construction, operation or ownership of an actual reactor. Instead, 26 companies have joined efforts to construct, own and operate this reactor power plant as developed by APDA. Up to the present time, three New York State electric companies are among the 26 firms cooperating in this effort. They are: Long Island Lighting Company; Central Hudson Gas & Electric Corporation; and Rochester Gas and Electric Corporation. This operating corporation is known as the Power Reactor Development Company. An application for a license to build the plant at a site on Lake Erie, near Monroe, Mich., was submitted to the Atomic Energy Commission early in January.

I thought you would be interested in seeing a model of the proposed plant which you might have observed as you entered the hall.

In looking at this model, I often wonder what our next generation of power men would say if it were still available at that time. If the development of the art continues as it has in the past five years, they would have a right to label it the Model "T" of the Atomic Power era. Actually, we believe that all of the plants proposed to the AEC will be the pioneering projects in the industrial development of atomic energy.

Safety Analysis

Unfortunately, because of the world situation, the first dramatic application of atomic energy was directed towards destruction. If it had been first used for peaceful purposes, there would be little skepticism today as to the safety of nuclear reactors.

Today, many reactors are in operation with excellent safety records. There has never been a serious accident involving operating reactors in this country.

Every possible attention has been given to designing plants so that they will not present a hazard to the plant operators, nor the communities. All power reactors proposed have been preceded by experimental tests of each type. The nuclear power plant is expected to be as safe as the coal-burning plant. Certainly, they would not be built if this were not so.

Economics

In considering the use of nuclear fuels by electric power systems, the basic premise should be that the power so generated must cost no more than power produced by the present conventional methods.

It is agreed among the New York State electric companies that, in spite of the fact that economic atomic power is some years away, research and development efforts must continue at an increased rather than decreased rate. It is apparent that the only way to develop such plants, is to actually design, construct and operate them. This is the course of action being pursued by the various projects mentioned earlier. Each of these sponsors recognize that their electric generation costs in these pioneering projects might not be competitive with conventional methods—but they also recognize that their contributions to reactor technology will influence greatly the time when commercially economic power will arrive.

At this time, it is difficult to discuss economics of nuclear reactors relating to installation and operating costs, simply because time has not permitted the construction of a commercial nuclear power plant.

Fuel costs for our conventional plants today amount to less than 20% of the total cost of producing and distributing electricity. With such a small percentage of the total operating costs involved in fuel expenses, it is probable that the use of nuclear fuels will not result in immediate large savings to the consumers.

The costs of building these first reactor plants will be about two to four times that of our conventional plants. Because of the high investment costs, these first nuclear installations would probably not be competitive—but we will never obtain this information, nor will we know how to reduce the cost until we build and operate a plant of commercial size.

Atomic Power Activities of the Electric Utilities in New York State

The activity shown among the electric utility companies in our state indicate that every effort is being made to further the development of economic atomic power.

Consolidated Edison has proposed to build the largest atomic power plant in this country. All six of the electric companies are very active in the industrial study group known as the Atomic Power Development Associates. Besides being active in APDA, three of the companies—Central Hudson Gas & Electric Corporation, Rochester Gas and Electric Corporation, and Long Island Lighting Company—are participating in the organization which will build a fast breeder reactor. Central Hudson and Long Island Lighting are both interested in the Liquid Metal Fuel Reactor being developed by Brookhaven, as evidenced by the fact that each company has a full time man assigned to this National Laboratory. Niagara Mohawk Power Corporation has increased their personnel engaged in full time atomic work, including a man recently assigned to reactor test work at the Argonne National Laboratory in Chicago, and another man just assigned to the same type of work with APDA in Detroit.

Atomic Power Plants for New York State

It is predicted that, during the next 10 years—by 1965, the present generating facilities in New York State will have to be doubled in order to meet the growing demands of our electric customers. Some of the electric companies, in order to meet this demand, are planning on installing additional facilities each year over that period.

If the development of nuclear energy continues at the same pace as it has over the past five years, it is conceivable that these electric companies will install nuclear power plants some time during that 10-year period. We are planning on these possibilities for the early 1960s.

Summary

The foregoing review of how Electric Utility Companies in New York State View Atomic Energy, reveals the extent to which our companies are participating in the successful development of nuclear power.

In summarizing this discussion, we wish to make the following statements:

(1) Because of the vast new source of heat energy which it makes available, nuclear energy does hold the promise of a more abundant supply of electricity.

(2) Although adequate energy resources exist to meet the world's need for the immediate future, the need for the development of nuclear power is urgent in order to help conserve the dwindling fuel reserves.

(3) A tremendous amount of research and development must be done before nuclear energy can serve as a competitive fuel to oil, gas, and coal.

(4) Nuclear power plants will be as safe as any other normal industrial activity.

(5) Because of the high cost of nuclear reactors, and the fact that the major cost of producing and distributing electricity does not result from fuel expenses, it is probable that the successful development of nuclear fuels will not result in large savings to the consumers — at least for the present.

(6) We accept the challenge offered us by the 1954 Atomic Energy Act and are progressing just as rapidly as manpower and engineering techniques will permit.

APPENDIX A

Organization—	Reactor Type	Electric Capacity (Kw.)	Estimated Investmt. by Organization ($ Millions)	In Operation by
Duquesne Light Company	Pressurized Water	100,000	15	1957
Consolidated Edison Company	Pressurized Water	236,000	55	1959–1960
Nuclear Power Group	Boiling Water	180,000	45	1960
Pennsylvania Power & Light Co.	Homogeneous	150,000	Not Stated	1962
Power Reactor Development Co.	Fast Breeder	100,000	55	1960
Yankee Atomic Electric Co.	Pressurized Water	134,000	33.4	1959–1960
Florida Group	Not Stated	200,000	50	Not Stated
Pacific Gas & Electric Co.	Boiling Water	5,000	1.5	1957
Southern California Edison Co.	Sodium Graphite	7,500	1	1957
Consumers Public Power District	Sodium Graphite	75,000	Not Stated	1958–1959

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The State of Trade and Industry

car-truck making (47,414 and 59,004, respectively) reached new all-time peaks capping records set in May 1955. Weekly rates since mid-April have been at unsually high levels, "Ward's" reported.

Steel Production This Week Scheduled at 96.5% of Capacity

A record production of at least 122,000,000 tons of steel for ingots and castings this year was predicted on Monday of this week by "Steel" magazine. This would top 1955's mark by 5,000,000 tons.

Indications are that steel mills will work at an average 99.8% of near-practical capacity to produce 64,000,000 tons in the first half, and at an average 90% of capacity for a yield of 58,-000,000 tons in the second half, the metalworking publication stated.

Mills produced 42,000,000 tons through April, working at a weekly average of 99.6%. Demand is strong enough to keep mills going at full blast through June, continued this trade magazine.

The odds are that production during July, August and September will be slower than any other quarter this year. Vacations, hot weather and labor problems will hold down third quarter output, this trade publication pointed out.

There is no recession in sight, even if last-half steel production does drop off, the metalworking authority added.

It explained that more steel is being produced than consumed in the first half. The six-month period appears to be one of inventory building. If steel production drops off in the third and fourth quarters, the metalworking industry will chew up inventories being laid away now.

Output in the week ended May 6 declined 2 points to 98.5% of capacity or 2,424.964 net tons from the 100.5% and 2,474,202 net tons registered the previous week. "Steel" pointed out this is no drop in demand, but a result of a railroad strike at U. S. Steel Corp.'s Tennessee Coal and Iron Division in Birmingham. Output there dropped 72 points to only 23.5% of capacity.

Steel prices continue to rise. In the week ended May 2, "Steel's" arithmetical composite of base prices for finished steel rose 96 cents to $128.98 a net ton, reflecting an increase of $11 a ton on plates made by one producer and a general rise in tin mill products. The composite had held at $128.02 since March 5. A year ago, it was $118.45 and five years ago, $106.32. "Steel's" price composite on steelmaking scrap dropped 33 cents to $55 a gross ton from the record high of $55.33.

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 96.5% of capacity for the week beginning May 7, 1956, equivalent to 2,375,000 tons of ingot and steel for castings as compared with 96.4% of capacity, and 2,373,000 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 at of Jan. 1, 1956.

For the like week a month ago the rate was 100.9% and production 2,483,000 tons. A year ago the actual weekly production was placed at 2,345,000 tons or 97.2%. 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 Recedes for the Third Consecutive Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 5, 1956, was estimated at 10,815,000,000 kwh., a decrease below the week ended April 28, 1956, according to the Edison Electric Institute.

This week's output declined 52,000,000 kwh. under that of the previous week; it increased 1,229.000,000 kwh. or 12.8% above the comparable 1955 week and 2,377,000,000 kwh. over the like week in 1954.

Car Loadings Continue to Advance in Latest Week

Loadings of revenue freight for the week ended April 28, 1956, increased 14,961 cars or 2% above the preceding week the Association of American Railroads reports.

Loadings for the week ended April 28, 1956, totaled 778,398 cars, an increase of 52,498 cars, or 7.2% above the corresponding 1955 week, and an increase of 130,473 cars, or 20.1% above the corresponding week in 1954.

U. S. Automotive Output Last Week Dropped 8.7% Below Level of Preceding Period

Automotive output for the latest week ended May 4, 1956 according to "Ward's Automotive Reports," declined 8.7% under the previous week's level, or the lowest since the Christmas week yield last December of 105,670 units.

Last week the industry assembled an estimated 116,165 cars, compared with 127,277 (revised) in the previous week. The past week's production total of cars and trucks amounted to 138,455 units, a decrease of 10,776 units below the preceding week's output, states "Ward's."

Last week's car output declined below that of the previous week by 11,112 cars, while truck output showed strength the past week by exceeding the preceding week's output by 336 vehicles. In the corresponding week last year 172,031 cars and 30,081 trucks were assembled.

Last week the agency reported there were 22,290 trucks made in the United States. This compared with 21,954 in the previous week and 30,081 a year ago.

Canadian output last week was placed at 11,450 cars and 2,876 trucks. In the previous week Dominion plants built 11,046 cars and 2,947 trucks, and for the comparable 1955 week, 10,833 cars and 2,811 trucks.

Business Failures Rose to Highest Point in Seven Weeks

Commercial and industrial failures climbed to 277 in the week ended May 3 from 236 in the preceding week Dun & Bradstreet, Inc., reports. At the highest level in seven weeks, failures were up considerably from a year ago when 237 occurred, and from 1954 when there were 206. In fact, the toll was only 1% below the prewar 281 in the corresponding week of 1939.

Liabilities of $5,000 or more were involved in 237 of the week's failures as compared with 207 last week and 197 a year ago. Small failures, with liabilities under $5,000, increased to 40 from 29 in the previous week but held even with the comparable 1955 level. The number of businesses failing with liabilities above $100,000 rose to 35 from 19 a week ago.

Wholesale Food Price Index Holds Unchanged at 1956 High

The Dun & Bradstreet wholesale food price index for May 1 remained stable at the previous figure of $6.04, which represented the high point for the year and the highest since Nov. 15, 1955, when it also stood at $6.04. The current index compares with $6.38 at this time a year ago, or a drop of 5.3%.

Higher in wholesale price last week were corn, beef, lard, coffee, cottonseed oil, cocoa and lambs. On the down side were wheat, rye, oats, bellies, eggs, prunes and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Upward Trend Faltered the Past Week and Closed Mildly Lower

The upward trend in the general commodity price level appeared to waiver last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved in a narrow range during the week and closed at 294.03 on May 1. This compared with 294.98 a week earlier and with 272.84 on the corresponding date a year ago.

Trading in grain futures was more active with prices generally moving lower. Demand for wheat tapered off and prices worked gradually downward.

Weather and crop conditions in the Southwest showed little if any improvement despite the receipt of some moisture in the main producing areas over the week-end.

Stocks of wheat in all positions as of April 1 totalled 1,288,-000,000 bushels, according to the Department of Agriculture. This was the largest of record and about 53,000,000 bushels more than a year earlier. Cash corn weakened in most markets with offerings in excess of current demands. Stocks of corn on April 1 were also reported at a record level of 2,291,000,000 bushels, as compared with 2,133,000,000 a year ago. Sales of grain and soybean futures on the Chicago Board of Trade last week increased to a daily average of 69,500,000 bushels, against 67,100,000 the previous week and 37,200,000 last year.

Cocoa prices fluctuated in narrow limits with a somewhat steadier tone noted at the week-end. Warehouse stocks declined slightly to 337,041 bags, from 340,299 last week and compared with 185,718 bags a year ago. Lard prices rose to new high ground for the year, influenced by the marked strength in fats and oils and the favorable export outlook. Livestock markets moved higher, with top hog prices striking the year's high of $16 several times during the week.

While cotton futures registered modest gains during the week, spot prices moved slightly lower. Some support was attracted to new crop deliveries by unfavorable weather reports from a number of sections of the main belt and some indications of weevil emergence.

There was considerable inquiry from foreign sources with much interest displayed by shippers on the outcome of the first sale by the CCC under the Cotton Export Program.

Activity in the fourteen spot markets declined moderately with total purchases for the week reported at 40,700 bales, compared with 44,000 a week previous and 63,200 in the like week a year ago. About 6,317,700 bales of 1955 crop cotton remained under Government loan as of April 20.

Trade Volume Continued to Decline in Past Week

Despite numerous Mother's Day sales promotions and reduce-priced sales, consumer buying declined somewhat the past week. However, the total dollar volume was close to that of a year ago. There was increased volume in some apparel and home furnishings lines.

Automobile dealers reported a fractional volume rise, but the level was below that of the similar week last year.

The total dollar volume of retail trade in the period ended on Wednesday of last week was at the same level as that of a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England +2 to +6; East —1 to +3; South and Southwest —3 to +1; Middle West —4 to 0; Northwest +7 to +11 and Pacific Coast —5 to —1%.

Wholesalers reported increased ordering of children's Fall clothing, cotton gray goods and furniture the past week. The total dollar volume was at the level of the previous week and orders slightly exceeded those of a year ago.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index of the week ended April 28, 1956, decreased 2% below those of the like period of last year. In the preceding week, April 21, 1956, an increase of 1% was reported. For the four weeks ended April 28, 1956, a decline of 2% was reported. For the period Jan. 1, 1956 to April 28, 1956 a gain of 2% was registered above that of 1955.

Retail trade volume in New York City the past week suffered somewhat as a consequence of the unseasonably cool weather. Trade observers placed the decline at about 5% under the level of a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended April 28, 1956, increased 1% above those of the like period last year. In the preceding week, April 21, 1956, an increase of 7% was recorded. For the four weeks ending April 28, 1956, a gain of 2% was recorded. For the period Jan. 1, 1956 to April 28, 1956 the index recorded a rise of 2% above that of the corresponding period of 1955.

A. S. E. Releases Technicolor Film

The color and dash of Manhattan's dynamic spectacle that was the old Outdoor Curb Market lived again for Wall Streeters at New York City's Bankers Club when the American Stock Exchange unveiled "Behind the Ticker Tape," a 21-minute Technicolor film story of the market's birth, background and growth. The premiere showing of the Exchange's first venture into the motion picture field depicted the colorful activity of yesteryear and the scope of the market's present world-wide operations.

Produced by United World Films, Inc., of New York City at the Hollywood facilities of its parent, Universal International Studios, the film is slated for daily half hour showings beginning late this month in the Exchange's "Little Theater." It will be released shortly in 16 MM for free non-theatrical distribution among schools, colleges, clubs and similar groups through United World Films; in 35 MM by Universal International as a short in the nation's movie houses and ultimately on television.

Edward T. McCormick, American Stock Exchange President, stated, "Our primary purpose in producing 'Behind the Ticker Tape' is to inform and to educate. It is purely a public relations endeavor to acquaint the public with the nature and character of our institution. This picture, created for the mass audience carries a minimum of commercial "sell." It shows a vital segment of our financial community at work in the past and today."

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc. is manager of an underwriting syndicate offering $4,500,000 Savannah Electric & Power Co. first mortgage bonds, 3⅞% series due May 1, 1986, at 102.239% and accrued interest, to yield 3.75%. Award of the issue was won by the group at competitive sale yesterday (May 9) on a bid of 101.3356%.

Net proceeds from the sale of the bonds will be used by the company to pay short-term bank loans incurred for construction requirements, and together with cash from operations and additional short-term bank loans, to complete the company's 1956 construction program.

The new bonds will be redeemable at regular redemption prices ranging from 106.15% to par, and at special redemption prices receding from 120.25% to par, plus accrued interest in each case.

Savannah Electric & Power Co. is engaged in the generation, purchase and sale of electricity, and incidentally in the sale of electric appliances, in an area in the southeastern corner of Georgia approximately 62 miles long and 33 miles wide, and including the City of Savannah. Population of the territory served is estimated at 173,000.

For the year 1955, the company had total operating revenues of $8,074,791 and net income of $1,237,043.

Other members of the underwriting group include: Shearson, Hammill & Co.; Courts & Co.; Johnston, Lemon & Co.; Wm. E. Pollock & Co., Inc.; Freeman & Co.; Thomas & Co.; Anderson & Strudwick; Interstate Securities Corp.; Johnson, Lane, Space and Co. Inc.; Wyatt, Neal & Waggoner; and Norris & Hirschberg, Incorporated.

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. (5/23)
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. **Underwriter** — None. Adams Express Co. owns 69.36% of the outstanding shares.

● **American Shopping Centers, Inc. (5/15-16)**
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. (5/15-16**
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) being offered for subscription by common stockholders on the basis of two preferred shares for each 11 common shares held as of record May 1, 1956 (with an oversubscription privilege); rights to expire on May 21. **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.

★ **Applied Research Laboratories, Glendale, Calif.**
April 23 (letter of notification) 1,458 shares of capital stock and 71 shares of class B stock (par $1) to be offered to certain employees pursuant to stock option held by them. **Price**—$8.55 per share. **Proceeds**—For working capital. **Office**—3717 Park Place, Glendale 8, Calif. **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.

★ **Atom Mines, Inc., Joplin, Mo.**
May 2 (letter of notification) 3,000,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—221 Main St., Joplin, Mo. **Underwriter**—None.

★ **Benrus Watch Co., Inc. (5/16)**
April 27 (letter of notification) 6,000 shares of common stock (par $1). **Price**—At market (estimated at $10 per share). **Proceeds**—To Julian Lazrus, Secretary, who is the selling stockholder. **Underwriter**—L. F. Rothschild & Co., New York.

April 27 (letter of notification) 7,000 shares of common stock (par $1). **Price**—At market (estimated at $10 per share). **Proceeds**—To Benjamin Lazrus Foundation, Inc., and Benjamin Lazrus, Chairman of the Board. **Underwriter**—Ralph E. Samuel & Co., New York.

April 27 (letter of notification) 7,000 shares of common stock (par $1). **Price**—At market (estimated at $10 per share). **Proceeds**—To Oscar M. Lazrus, Treasurer, who is the selling stockholder. **Underwriter**—L. F. Rothschild & Co., New York.

April 27 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At market (estimated at $10 per share). **Proceeds**—S. Ralph Lazrus (President) and S. Ralph Lazrus Foundation, Inc., the selling stockholders. **Underwriter**—Ralph E. Samuel & Co., New York.

Big Horn Mountain Gold & Uranium Co.
Feb. 23 (letter of notification) 9,300,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—To be used for exploratory work on mining mineral properties. **Office**—1424 Pearl Street, Boulder, Colo. **Underwriter**—Lamey & Co., Boulder, Colo.

Birnaye Oil & Uranium Co., Denver, Colo.
April 6 (letter of notification) 1,000,000 shares of class A common stock (par five cents). **Price** — 10 cents per share. **Proceeds** — For mining expenses. **Office** — 762 Denver Club Bldg., Denver, Colo. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Blue Lizard Mines, Inc.
Jan. 17 filed $900,000 of 8% convertible subordinated debentures due 1976. **Price**—100% of principal amount. **Proceeds**—To make additional cash payment on purchase contracted and for mining expenses. **Office**—Salt Lake City, Utah. **Underwriter** — None. Statement effective April 30.

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.

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.

★ **Citizens Investing Co.**
May 3 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital, etc. **Business** — Real estate sales, purchases and mortgages. **Office**—1627 East 18th St., Brooklyn 29, N. Y. **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. (5/11)**
April 26 (letter of notification) 63,000 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.

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.

★ **Commonwealth Natural Gas Corp.**
May 5 filed $1,173,000 of convertible debentures due 1971 to be offered for subscription by common stockholders at the rate of $100 of debentures for each 30 shares of stock held. **Price**—101½% of principal amount. **Proceeds**—From sale of debentures, together with $2,100,000 from private sale of 3⅞% first mortgage pipeline bonds, series C, due June 1, 1976, for retirement of $600,000 of 3½% notes due July 31, for expansion program and other corporate purposes. **Underwriter** — Scott & Stringfellow, Richmond, Va.

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 has become effective, Container's holdings of Mengel stock having been increased to nearly 90% of the Mengel stock outstanding. The offer will expire on May 21. 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. (5/16-23)**
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) (5/11)**
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.

★ **Delaware Power & Light Co. (6/6)**
May 9 filed 232,520 shares of common stock (par $13.50) to be offered for subscription by 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 4. **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.

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.

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.

★ **Donley Brothers Co., Cleveland, Ohio**
April 23 (letter of notification) 1,000 shares of 5% cumulative preferred stock and 2,000 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For expansion, new plant and additional equipment. **Office**—13,900 Miles Ave., Cleveland 5, Ohio. **Underwriter**—None.

★ **Dorr-Oliver, Inc., Stamford, Conn.**
May 3 (letter of notification) not to exceed 17,500 shares of common stock to be offered pursuant to tenure stockholding and deferred compensation plan for key employees. **Price**—At par ($7.50 per share). **Proceeds**—For general corporate purposes. **Office**—Barry Place, Stamford, Conn. **Underwriter**—None.

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.**
March 30 filed 367,478 shares of common stock (no par) being 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.

Continued on page 38

NEW ISSUE CALENDAR

May 10 (Thursday)
Chesapeake & Ohio Ry.________Equip. Trust Ctfs.
(Bids noon EDT) $4,800,000

May 11 (Friday)
Coffee Time Products of America, Inc.____Class A
(L. D. Friedman & Co., Inc.) $272,000
Cullen Minerals Corp.__________________Common
(Lepow Securities Corp.) $300,000
Ekco Products Co.______________________Common
(Lehman Brothers and Shearson, Hammill & Co. 50,000 shares

May 14 (Monday)
Nemaha Oil Co._________________________Common
(Whitney-Phoenix Co., Inc.) $300,000

May 15 (Tuesday)
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
General Electric Co.________________Debentures
(Morgan Stanley & Co. and Goldman, Sachs & Co.) $300,000,000
International Metals Corp.______________Common
(Gearhart & Otis, Inc.) $400,000
Missouri Pacific RR.__________Equip. Trust Ctfs.
(Bids noon CDT) $2,625,000
Murphy Corp.___________________________Common
(Lehman Brothers and A. G. Becker & Co. Inc.) 250,000 shares
Pennsylvania Electric Co.________________Bonds
(Bids noon EDT) $12,500,000
Pennsylvania Electric Co.____________Preferred
(Bids noon EDT) $9,000,000

May 16 (Wednesday)
Benrus Watch Co., Inc.__________________Common
(L. F. Rothschild & Co.) 13,000 shares
Benrus Watch Co., Inc.__________________Common
(Ralph E. Samuel & Co.) 17,000 shares
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
Crestmark Cruisers, Inc.________________Common
(Lepow Securities Corp.) $300,000
Erie RR.______________________Equip. Trust Ctfs.
(Bids noon EDT) $6,225,000
Lewisohn Copper Corp.___________________Common
(George F. Breen) 100,000 shares
Sierra Pacific Power Co.______________Preferred
(Exchange offer—to be underwritten) $4,025,000
Tiarco Corp.____________________________Common
(Offering to stockholders—to be underwritten by Charles Plohn & Co.) 375,000 shares

May 17 (Thursday)
Northern Illinois Gas Co.________________Bonds
(Bids 10 a.m. CDT) $15,000,000

May 18 (Friday)
First Railroad & Banking Co. of Ga.______Common
(Offering to stockholders—to be underwritten by Johnson, Lane, Space & Co.) 159,561 shares

May 21 (Monday)
Colohoma Uranium, Inc.__________________Common
(General Investing Corp. and Shaiman & Co.) $1,000,000
Monterey Oil Co.________________________Common
(Offering to stockholders—to be underwritten by Lehman Brothers) 225,810 shares
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
Delaware, Lackawanna & Western RR.
Equip. Trust Ctfs.
(Bids noon EDT) $3,990,000
Dubl-Check Corp.___________Preferred & Common
(Talmage & Co.) $299,370
Mark (Clayton & Co.)_____________________Common
(Dominick & Dominick) 141,420 shares

May 23 (Wednesday)
Adams Express Co.________________________Common
(Offering to stockholders—to be underwritten by Hallgarten & 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
Iowa Power & Light Co.____________________Bonds
(Bids 10 a.m. CDT) $7,500,000
Iowa Power & Light Co.___________________Common
(Bids 10:15 a.m. CDT) 249,558 shares
Lockheed Aircraft Corp.______________Debentures
(Blyth & Co., Inc. and Hornblower & Weeks) $30,000,000
Southern California Gas Co.________________Bonds
(Bids 8:30 a.m. PDT) $40,000,000
Wyandotte Chemicals Corp.________________Common
(Lazard Freres & Co.) 100,000 shares

May 24 (Thursday)
Reading & Bates Offshore Drilling Co.____Class A
(Hulme, Applegate & Humphrey, Inc.; The Milwaukee Co.; The Ohio Co.; and Stroud & Co., Inc.) $2,040,000
Reading Co.____________________Equip. Trust Ctfs.
(Bids noon EDT) $6,600,000
Republic Cement Corp.____________________Common
(Vickers Brothers) $9,650,000

May 28 (Monday)
Mountain States Tel. & Tel. Co.______Debentures
(Bids noon EDT) $25,000,000
Petroleum Corp. of America_______________Common
(Offering to stockholders—no underwriting) 328,400 shares

May 29 (Tuesday)
Fruehauf Trailer Co._____________________Common
(Kidder, Peabody & Co.) 228,000 shares

June 4 (Monday)
Dibbs Aluminum Products, Inc.____Debs. & Com.
(Eisele & King, Libaire, Stout & Co.) $720,000
Milwaukee Gas Light Co.____________________Bonds
(Bids to be invited) $13,000,000

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
Southern Pacific Co.___________Equip. Trust Ctfs.
(Bids noon EDT) $9,660,000

June 7 (Thursday)
Connecticut Power Co.__________________Preferred
(Putnam & Co. and Chas. W. Scranton & Co.) $5,200,000
Connecticut Power Co.____________________Common
(Offering to stockholders—to be underwritten by Putnam & Co. and Chas. W. Scranton & Co.) 71,132 shares
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 11 (Monday)
Chain Belt Co.___________________________Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co. and Robert W. Baird & Co., Inc.) 76,543 shs.

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 10 (Tuesday)
Elizabethtown Water Co. Consolidated____Debens.
(Bids to be invited) $7,500,000

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 may be invited) $30,000,000

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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. (5/11)**
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.

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.

★ **Florida Public Utilities Co.**
May 3 (letter of notification) 25,000 shares of common stock (par $3). **Price**—To be supplied by amendment. **Proceeds** — To pay off bank loan and for construction program. **Office**—338 Datura St., West Palm Beach, Fla. **Underwriters** — Starkweather & Co. and Clement A. Evans & Co., Inc., both of New York.

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) $90,000 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 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 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.

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.

★ **Gray Tool Co., Houston, Texas**
May 3 (letter of notification) 3,270 shares of class B stock (no par), of which 1,000 shares are to be offered pro rata to the holders of class A stock and 2,270 shares are offered to employees of the company. **Price** — $50 per share. **Proceeds**—For working capital. **Office**—6102 Harrisburg Blvd., Houston, Tex. **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.

★ **Gunn & McCrary, Inc., Shreveport, La.**
April 20 (letter of notification) 97,900 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For development of producing oil properties. **Office** — 512 Ricou-Brewster Bldg., Shreveport, 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.

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.

★ **Indianapolis Power & Light Co. (6/7)**
May 8 filed $10,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; 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.

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.

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.
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. **Offering**—Expected this week.

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. (5/15)**
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.

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 up to 10 a.m. (CDT) on May 23 at Room 1701, 111 West Monroe St., Chicago, Ill.

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.; The First Boston Corp. **Bids**—Expected to be received up to 10:15 a.m. (CDT) on May 23 at 111 West Monroe St., Chicago, Ill.

"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.

★ **Kern Mutual Telephone Co., Taft, Calif.**
May 1 (letter of notification) 12,000 shares of cumulative preferred stock, series A. **Price**—At par ($25 per share). **Proceeds**—For retirement of outstanding preferred stock and notes payable. **Address**—Taft, Calif. **Underwriter**—Central Republic Co., Chicago, Ill.; Bailey & Co., Fresno, Calif.; and Hill Richards & Co., Los Angeles, Calif.

★ **Keyes (G. J.) & Associates, Inc.**
April 24 (letter of notification) 2,911 shares of class B common stock. **Price** — At par ($10 per share) to be offered to employees of company. **Office**—402 East 63rd St., Kansas City, Mo. **Underwriter**—None.

● **Lewisohn Copper Corp. (5/16-17)**
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.

★ **Lockheed Aircraft Corp., Burbank, Calif. (5/23)**
May 2 filed $30,000,000 of debentures due May 1, 1976. **Price** — To be supplied by amendment. **Proceeds** — For working capital. **Underwriters**—Blyth & Co., Inc., and Hornblower & Weeks.

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.

★ **Los Angeles Airways, Inc., Los Angeles, Calif.**
April 23 (letter of notification) 645 shares of common stock (par $10). **Price** — $54 per share. **Proceeds** — To Clarence M. Belinn, the selling stockholder. **Office**—5901 West Imperial Highway, Los Angeles 49, Calif. **Underwriter**—Dean Witter & Co., Los Angeles, Calif.

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.

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.

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.

★ **Marsh Foodliners, Inc., Yorktown, Ind.**
April 24 (letter of notification) an undetermined number of shares of common stock to be offered for subscription by common stockholders. **Price**—$11 per share (the aggregate not to exceed $300,000). **Proceeds**—For inventories for new supermarkets in premises now under lease. **Underwriter**—None.

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 Concentrating Co. of America**
April 24 (letter of notification) 35,000 shares of class A common stock (par $4). **Price**—$8 per share. **Proceeds**—For lease or purchase of a factory. **Office** — 128-34 Harding Ave., Des Plaines, Ill. **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. (5/21)**
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; rights to expire on June 4. **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 States Telephone & Telegraph Co. (5/28)**
May 8 filed $25,000,000 of debentures due 1990. **Proceeds**—For repayment, in part, of advances from American Telephone & Telegraph Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Drexel & Co. and Dean Witter & Co. (jointly). **Bids**—Expected to be received up to noon (EDT) on May 28.

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.**
April 17 filed 139,523 shares of capital stock (par $5) being 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** — $30 per share. Proceeds—For investment. **Underwriter**—None.

National Fuel Gas Co.
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 (5/14)**
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 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. (5/17)**
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**—To be received up to 10 a.m. (CDT) on May 17 at 231 South La Salle St., Chicago 90, Illinois.

● **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.

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. Statement withdrawn May 8.

● **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 noon (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 noon (EDT) on May 15.

★ **Petroleum Corp. of America (5/28)**
May 7 filed 328,400 shares of common stock (par $1) to be offered for subscription by common stockholders of record May 28 at the rate of one new share for each five shares held (with an oversubscription privilege); rights to expire on or about June 11. **Price**—To be supplied by amendment. **Proceeds**—For investment. **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.
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. **Offering**—Expected this week.

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.

★ **Pittston Co.**
May 4 filed 750 participations in the company's Savings Investment Plan for Salaried Employees, and 10,000 shares of common stock (par $1) which may be sold to employees under the Plan.

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. (5/24)**
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, Applegate & Humphrey, Inc., Pittsburgh, Pa.; The Milwaukee Co., Milwaukee, Wis.; The Ohio Company, Columbus, Ohio; and Stroud & Co., Inc., Philadelphia, Pa.

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.

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.

★ **Schneider Machine Co., Lexington, Ohio**
April 26 (letter of notification) 18,307 shares of common stock (par five cents) and 164 shares of preferred stock (par $100). **Price**—Of common, $10 per share; and of preferred $100 per share. **Proceeds** — For expenses in developing and promoting of the company and manufacturing expenses. **Office**—R. F. D. No. 1, Lexington, Ohio. **Underwriter**—None.

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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. (5/16)**
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 16 to expire on June 5.

● **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. **Offering**—Postponed indefinitely.

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.

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.

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.

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.

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.
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. **Offering**—Expected today (May 10).

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.

★ **Tom Sawyer Foods, Los Angeles, Calif.**
May 4 (letter of notification) 9,135 shares of preferred stock (par $25) and 9,135 shares of common stock (par $5) to be offered in units of one share of each class of stock. **Price**—$30 per unit. **Proceeds**—To buy nut processing plant operations. **Office** — 4920 South St., Los Angeles, Calif. **Underwriter**—None.

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.

★ **Trusteed Funds, Inc.**
May 2 filed (by amendment) 2,080 Commonwealth Fund plans A with insurance; 445 plans B without insurance; and 1,100 Theoretical units.

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.

★ **Universal Metals Corp. of Nevada**
May 4 (letter of notification) 280,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office** — 206 North Virginia St., Reno, Nev. **Underwriter**—None.

★ **Uranium Concentrating Corp., Reno, Nev.**
April 30 (letter of notification) 6,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—139 North Virginia St., Reno, Nev. **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.

★ **Waldemar Press, Inc., Indianapolis, Ind.**
April 26 (letter of notification) 2,000 shares of cumulative preferred stock. **Price** — At par ($50 per share). **Proceeds**—For additional equipment and a larger plant. **Office**—34th St. and Sutherland Ave., Indianapolis, Ind. **Underwrietr**—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.

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.

★ **Wyandotte Chemicals Corp. (5/23)**
May 3 filed 100,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—For working capital and expansion. **Underwriter**—Lazard Freres & Co., New York.

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.
April 30 it was reported company plans to issue 25,000 shares preferred stock, probably in June 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.

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).

★ Chain Belt Co. (6/11)
May 7, L. B. McKnight, President, announced that the company plans to offer 76,543 additional shares of its capital stock (par $10) to its common stockholders in the ratio of one share for each share held as of about June 8, 1956; rights to expire on or about June 25. **Price**—To be named later. **Proceeds**—For working capital. **Underwriters**—Morgan Stanley & Co., New York; and Robert W. Baird & Co., Inc., Milwaukee, Wis. **Registration**—Expected in near future.

★ Chesapeake & Ohio Ry. (5/10)
Bids will be received by the company at Cleveland, O., up to noon (EDT) on May 10 for the purchase from it of $4,800,000 equipment trust certificates, second issue of 1956, to be dated June 4, 1956 and to mature in 15 equal instalments of $320,000 from June 4, 1957 to June 4, 1971. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Chicago & North Western Ry.
May 8 it was announced company plans to issue and sell $3,105,000 of equipment trust certificates to mature in 15 equal annual instalments. Probable bidders: Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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. **Bids**—To be received on June 5.

● Connecticut Power Co. (6/7)
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.

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, Lackawanna & Western RR. (5/22)
Bids will be received by the company at 140 Cedar St., New York 6, N. Y., up to noon (EDT) on May 22 for the purchase from it of $3,990,000 equipment trust certificates, series N, to be dated May 15, 1956 and to mature in 30 equal semi-annual instalments of $133,000 each from Nov. 15, 1956 to and including May 15, 1971. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

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.

● Dubl-Check Corp. (5/22)
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.

★ Eastern Shopping Centers, Inc., East Paterson, N. J.
May 7 it was announced this company has been formed to locate and develop shopping centers east of the Mississippi, the funds to come from an offering of stock, one-third to Grand Union Co. and the balance to be offered to Grand Union stockholders. **Underwriters**—Morgan Stanley & Co. and W. E. Hutton handled new financing by Grand Union Co. in 1954.

★ Elizabethtown Water Co. Consolidated (7/10)
May 9 company applied to the New Jersey Board of P. U. Commissioners for authority to issue and sell $7,500,000 of 30-year debentures maturing July 1, 1986. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. **Bids**—Scheduled for July 10.

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 27 this Bank offered 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 25 (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 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.

● Fruehauf Trailer Co. (5/29)
May 8 it was announced a registration was expected to be filed with the SEC on May 9 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., New York, N. Y., 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.

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

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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. (6/4)
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. **Bids**—Expected to be received on June 4.

● Missouri Pacific RR. (5/15)
Bids will be received by the company up to noon (CDT) on May 15 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)

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**—Together with funds from private sale of $35,000,000 additional first mortgage bonds, and $10,000,000 of 5.6% interim notes and borrowings from banks, will be used to construction program. **Underwriters**—White, Weld & Co.; Kidder, Peabody & Co.; The Dominion Securities Corp.; and Union Securities Corp. **Registration** — Expected soon.

Pan Cuba Oil & Metals Corp. (Del.)
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.

★ Pittsburgh Rys. Co.
May 4 it was announced that Standard Gas & Electric Co. will offer to its stockholders rights to subscribe for 540,651.75 shares of Pittsburgh Rys. Co. **Price**—About $6 per share.

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)
Bids will be received by the company up to noon (EDT) on May 24, at Room 423, Reading Terminal, Philadelphia 7, Pa., for the purchase from it of $6,600,000 equipment trust certificates, series Y, to be dated May 15, 1956 and to mature in 30 semi-annual instalments of $220,000 each from Nov. 15, 1956 to and including May 15, 1971. 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 Pacific Co. (6/6)**
Bids are expected to be received by this company up to noon (EDT) on June 6 for the purchase from it of $9,660,000 equipment trust certificates, series TT, to be dated May 1, 1956 and to mature annually from May 1, 1957 to 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 N. Y. (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.

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.

Continued from page 14

A Challenging Period For Consumer Credit

that a higher proportion of time sales for durable goods has gone for automobiles — total consumer credit remains at about the same percentage of individual debt as in 1949.

Although you may not agree with our conclusions, there is in dealing with this question an area in which we can all be helpful. I mean the development of yardsticks by which a reasonably accurate conclusion can be reached as to whether the quantity of consumer credit is too high or too low. The weaknesses of the available statistics have been often identified. For instance, we cannot identify the installment debtors with available statistics on disposable income or savings. In other words, who owes the money. We must now determine the correct approach. We are hopeful that the Federal Reserve study currently under way will, in its course, develop a practical guide upon which all may agree. This will, no doubt, require the furnishing of much detailed information to a central point for analysis and study. We should all cooperate to this end.

Credit Terms

Unfortunately, the rise in credit was accompanied by some relaxation as to downpayment and length of term and also by unsound advertising programs in certain parts of the distribution system. Those guilty blamed factory pressures. The fact that repayment experience has continued to be excellent made it difficult for lending agencies, in spite of their fundamental beliefs, to argue with much conviction against the trend on downpayments and terms.

However, in the second half of 1955 some aggressive efforts were made on the part of sales finance companies and banks to arrest the trend toward lower downpayments and longer terms. In the latter part of the year these efforts appeared to be showing some results. Campaigns were directed to the dealers as to the hazards involved, the effect on the future market and the unreasonable cost to the purchasers. These were generally well received. Part of the effort in this direction may have been stimulated by the shortage of funds which developed in the banking system. Even so, I am happy to say that many banks did lend strong support to the campaign for improved credit terms. The sales finance companies, almost unanimously, worked hard to convince their dealer-customers of the wisdom of arresting the trend.

GMAC recognizes no fixed terms but it has continuously counselled with its dealers as to the importance of adequate downpayments. While the average GMAC new car downpayment dropped from 43% in December 1954 to 40% a year later, it is encouraging to us that the downward trend seems to have been arrested as early as last August. In the light of the repayment record, there should be no concern if these levels can be held. Measured by any standard, the GMAC collection record in 1955 was excellent.

GMAC has always believed that, with adequate downpayments, length of term could be reasonably flexible to accommodate the transaction to the purchaser's budget. With this belief, GMAC has felt that the term on new cars should not exceed 30 months, with a limited number of justifiable exceptions. The principal difficulty, of course, is that exceptions once made, even though warranted, develop a weakness at the salesman's level and a temptation to give longer terms to close the sale. The salesman overlooks minor adjustments, and 30 months automatically become 36 months.

Customers' equities in GMAC are generally on a sound basis. Although the term on new car financing has increased in the past year and a half from an average of 24½ months to 28 months, it has made for a stable monthly installment during a period when the cost of the car has increased somewhat due to new automatic equipment and slightly higher prices. There is a margin of safety in the fact that average monthly payments on GMAC contracts have been almost stationary for four years, at about $80 on new cars and $47 on used cars, while average disposable incomes have been increasing.

Collateral vs. Credit

The banks, a few of which in certain areas were importantly responsible for the lengthening of terms, were somewhat slow in accepting the "collateral" approach of the sales finance companies as contrasted with the "credit" approach. But there is recent evidence of some change. Whether they have seen the light or are being selective due to tighter money conditions remains to be seen. At any rate, the unfavorable trends seem to have been arrested and the outlook is for stability at about current levels. GMAC believes that terms should not go beyond this present level.

In recognition of the problem of keeping the quality of the transaction on a high level, GMAC has been active in several directions. For instance, a presentation was made to all General Motors dealers entitled, "A Merchandising View of Current Time Sale Trends." This pointed out the dangers of the lack of customer equity.

GMAC has also distributed a pamphlet, "What Are Your Best Terms?" to all GM dealers and salesmen. To the salesmen who want to close more good time sales and keep on closing more good deals, GMAC suggests:

(1) Bear in mind that the cheapest way to buy a car is to pay cash — the customer's own cash. The next cheapest way is to pay as much down as possible and the rest as soon as possible.

(2) When a customer asks for your "best terms," don't show your hand. Ask him how much he would like to pay down and how much per month. Use your rate charts as needed to demonstrate money savings.

(3) For the customer who insists on your quoting down payment and monthly payment figures, quote dollar figures (not percentages) well above your minimums. Use your rate charts to show you how you can save the customer money.

From time to time one may hear in certain quarters that "GMAC has led the parade," that the competition between the leading competitors in the low-priced car field has caused GMAC to liberalize terms; that GMAC is only interested in furthering the sales of General Motors products, with soundness of credit being secondary. Nothing is further from the truth and our statistics prove it. There again, we believe that a very good purpose can be served if reliable statistics could be made available by all of us and to all of us who are interested in keeping terms on a sound basis. We in GMAC have always gladly furnished our statistics to Governmental agencies, to our banking friends and, when requested, to anyone who had any real interest in the problem. We are hopeful that some method of having everyone do the same can be developed. We all have another challenge in this respect.

We should be glad that we are operating in a free economy without controls. Although it doesn't concern many people in this audience, it might be remarked that in many areas of the world there are tight consumer credit controls. In six of the 16 countries, other than U. S. and Canada, in which GMAC does business, funds for consumer credit financing are either restricted or in very short supply. It isn't always a matter of regulating the downpayment and the term. Sometimes it is how much money we are permitted to borrow. I am sure we wouldn't like it here to be told that we could not borrow or lend more than X dollars.

There are some who feel that Regulation "W" should be revived. There are probably more who feel that it should not. We in GMAC share the view that credit controls should not be imposed at the present time.

In this connection I should like to read the statement of Mr. Charles Stradella, President of GMAC, in the 1955 annual report: "There has been considerable discussion of the desirability of Congress authorizing standby consumer credit controls with a Federal agency empowered to act at its discretion. Legislation already exists for the control of consumer credit in the event of national emergency, and Congress can again, as it has twice since the end of World War II, promptly authorize temporary controls where required by a situation short of national emergency. In the absence of a national emergency, such as war, or the threat of drastic inflation, when strong brakes must be applied, it is dangerous to tamper with the free play of economic forces. It is questionable whether, in the absence of emergency, the prerogative of the individual to use his available credit as he wishes should be curtailed. The administration of consumer credit controls during peacetime presents great problems of enforcement and the hazard of serious errors of judgment. An improper regulation as to downpayments and term could have a more violent and disturbing effect on the national economy than the gradual corrective process which eventually develops in a free market with all economic forces at work."

High Level Competition

Let's compete for the customer's business as we always have but let's do so on a high level. Consumer credit has been a vital force in expanding our markets for durable goods and in raising the standard of living of Americans. We should strive to keep such a constructive force free from abuse. We should want to keep this good business on a respectable basis and in so doing deserve to enjoy freedom from controls.

Policing the business ourselves in our day to day operations possibly presents the greatest challenge. In accepting this responsibility we in GMAC feel there are important factors worth consideration. To make my point, I shall cite a few:

We should compete on the basis of service to the customer and the dealer—not on the basis of terms. We should have flexibility, of course, but with the objective of keeping the average in a conservative area.

We should not condone the advertising of loose terms or, in fact, terms of any kind. We would like to see products sold on the basis of quality and cost.

The matter of finance charges to the customer merits serious consideration. In recognizing that the time sale is directly between the seller and the buyer, it can be argued that the finance rate on which they agree is of no concern to the finance source. We in GMAC do not feel quite that way and will not finance a transaction when the rate charged by the seller is considered to be unreasonable. This is a point which we believe to be worthy of study by all employed in this type of business.

Then we have the question of dealer responsibility. Non-recourse, limited recourse, and full recourse agreements exist in different parts of the country. We, in GMAC, believe that the limited recourse plan with a protection system limiting the dealer responsibility to an agreed maximum is best in that it protects the dealer, makes for better credits and for lower costs for the purchaser. With this point of view, there may be disagreement. I mention it since it is another area in which a challenge may arise. I am sure that all who are interested in consumer credit financing can and will meet the challenges that exist. That is the American way.

Mutual Funds

By ROBERT R. RICH

Group Sees Bright Oil

Total demand for products of the oil industry could increase by at least 70% over the next 10 years, according to the latest interim report of Distributors Group.

The 70% figure, according to the report, takes into account the possibility of recessions over the next decade. Barring any such periods, however, Group sees an even greater possible percentage increase in demand.

The fact that there will be changes within the demand structure should not affect the rate of growth, says the report, because, "as one of the most research-minded industries in our economy, the oil industry is almost daily changing its own demand structure by introducing new products at an amazing rate.

Petrochemicals—the tail which may soon wag the dog—have more than doubled in volume since 1950." Furthermore, Group points out, better than 25% of all chemicals currently produced in this country are made from oil and gas. This figure may reach and pass 50% over the next 10 years.

Nuclear power is not considered a threat to the oil industry. The point is made that heavy residual fuel oil, which represented only about 3% of 1954 dollar revenues, would be about the only product affected.

The question as to whether or not we can meet the growing demand is answered with a strong affirmative. The United States alone, according to the report, "now has enough proven oil reserves to supply domestic demand at the 1955 rate for the next 13 years." There is a great untapped potential in Canada and South America. Venezuela alone has reserves equal to 7% of the world total.

To complete the bright picture of the outlook for the industry, Group points to the great advances in discovery, development and recovery techniques including "new processes responsible for increasing the oil recovered from 25% of the total, to 85% in some cases—better than three times more oil from the same fields."

Copper Prices May Decline, Bullock Forecasts

The price of domestic copper is unlikely to rise in 1956, and some decline can be anticipated later on this year, according to the April issue of "Perspective," a study by the investment management department of Calvin Bullock.

Both domestic and foreign mine production were higher during the first two months of the year than for the same period last year, and at the same time foreign consumption has declined, the study reports. As a result, the industry should be in an easier position throughout 1956.

Domestic mine production for January and February was up 5.7% over 1955 levels and foreign mine production was up 23.2% for the same period. Domestic consumption was up 21.5%, but foreign consumption fell 9%.

The resulting relaxation of pressure on copper prices contrasts sharply with the situation that has prevailed in recent years, the analysis reports.

Since 1954, the domestic price has risen from 30 to 46 cents a pound, despite the fact that a decline then seemed imminent. This rise is largely attributable to the fact that foreign consumption rose much more rapidly than foreign production at a time when demand in the U. S., which now relies on imports for a substantial portion of its supply, was increasing.

Increased foreign demand was reflected in rising foreign prices, which have been consistently higher than prices charged by domestic producers over the same period. Recent prices on the London Metal Exchange have been as high as 55 cents a pound.

"Perspective" cites the Paley report as pointing out that the U. S. will have to rely increasingly on greater foreign imports of copper. The problem is one of expanding foreign production to satisfy our increasing import needs as well as greater foreign demand.

As late as 1938, the U. S. was a net exporter of copper, the study points out. In recent years, U. S. imports have run from about 300,000 to over 500,000 tons, and, according to the Paley report, by 1975 the U. S. will need a million tons a year from abroad to satisfy domestic demand.

Incorporated Expects Boom In Coal Industry

Convinced that the long-depressed bituminous coal industry is heading into a period of prosperity, Incorporated Investors, has recently made substantial investments in the stock of bituminous coal companies.

Why and how the bituminous coal industry is facing expanding demand and increased profits is explained in a letter to stockholders by President Charles Devens and Chairman William A. Parker, accompanying the just-issued quarterly report.

The letter, reporting net assets of Incorporated Investors on March 31 at $258,159,343, highest since the fund was organized over 30 years ago, states:

"In the summer of 1955, there was some evidence that the bituminous coal industry, after a generation of almost constant economic difficulties, might be heading into a period of prosperity. Incorporated Investors, therefore, began a basic study to determine whether the change was transitory or of a fundamental nature. Nine coal companies were visited. Conferences were held with the National Coal Association, Bureau of Mines, Edison Electric Institute, steel companies, utilities and union labor personnel.

"Based on the facts discovered, it is our judgment that the bituminous coal industry has emerged from the long period of shrinking markets and declining profits into a period where it may be hard-pressed to meet the growing demand for its product.

"This increasing demand will come to a large extent from the growing need for electric energy. While demand for coal for public utilities has increased from 31 million tons in 1935 to about 140 million tons in 1955, there were other factors that kept profits sub-normal.

"The major part of the decline in the total demand for coal in recent years has been accounted for by the disappearance of the coal-burning steam locomotive.

"Now that there is only a maximum of 17 million tons more to be lost in the railroad market, the other dynamic markets for coal will be able to make their contribution to an addition to the over-all demand without these increases being offset by heavy losses in the railroad market.

"Another of these was the sale of natural gas to utilities at 'dump' prices during the period of the year when the demand for gas for space-heating was at a seasonally low level, thus pricing coal out of a very substantial market. This situation is being taken care of by the construction by the pipe-line companies of storage reservoirs in which they accumulate excess gas during off-peak seasons for use during the season of peak demand. The climbing price of natural gas in relation to coal makes possible firm and profitable prices for the coal companies.

"Another problem in the past has been the competition with residual fuel oil in the utility markets. Representing, as it does, the dregs from the refining of petroleum, the oil companies were willing to sell it for any price that exceeded the cost of transporting it to the East Coast. Newer refining methods have reduced the quantity of residual available.

"Former methods left about 25% of the crude in the form of residual while present methods up-grade the products so that the amount of residual has dropped to about 15%. Moreover, while supply has shrunk, foreign demand has increased because of the severe shortage of coal in England and Europe. Already the British Central Electric Authority has announced contracts for 39 million barrels of residual per year to fire utility boilers over the next 10 or 12 years.

"Even before the lessened competition of other fuels, coal accounted for two-thirds of all the fuel used by electric utilities in the United States. If it is assumed that our demand for electricity will increase at the same rate as for the last 10 years, the utilities will by 1960 be producing at an annual rate of 800 billion kilowatt hours compared with 472 billion in 1954. On our calculations, to do this they will consume 190 million tons of bituminous, or 65% more than in 1954.

"Our investigations indicate that it will be at least 20 years before electricity from atomic electric plants can have any retarding effect on the use of coal for the generation of electric current by conventional methods.

"Roughly, it takes one ton of coal to produce one ton of steel. On the basis of forecasts of steel production by prominent steel producers it is not unreasonable to expect that by 1960, the steel industry in the United States will consume 125 million tons of coal, or about 47% more than in 1954. Total U. S. exports of coal in 1955 were 50 million tons. This figure is expected to reach 75 million tons by 1960.

"The aluminum industry, a large user of electric power, has recently begun constructing its plants close to the coal mines for cheap, dependable electricity.

"The potentials of lower costs in the coal-mining industry through mechanization are striking. One leading producer of mining machinery asserts that many underground mines fully equipped with the most modern machinery produce 25 tons per man per day, and in some cases as much as 50 tons. This compares with an average for all underground mines in 1954 of only 7.5 tons.

"Labor relations have never been more harmonious and in our opinion are on a par with most other industries."

Commonwealth Reports

Commonwealth Fund Indenture of Trust Plan A and Plan B, Boston, Mass., reports net assets of $21,011,074 at March 31, 1956, as compared with $17,319,788 at March 31, 1955, or an increase of 21%. Net asset value per unit (share) on March 31, 1956, was $1.53 compared with $1.40 a year ago.

Burr Exec. Director Of N. A. I. C.

Election of Edward B. Burr as Executive Director of the National Association of Investment Companies was announced by Robert E. Clark, Chairman of the Executive Committee.

Edward B. Burr

Mr. Burr for the past two years has been Director of the Association's public information program. In his new post, he will continue to direct this program and will also assume responsibility for the traditional duties of the Association's executive officer. Prior to joining the NAIC, Mr. Burr was Director of the Educational Division of the Institute of Life Insurance.

Mr. Clark also announced that the Association's Public Information Committee, an autonomous body since its formation three years ago, has become a major committee within the Association's structure, subject to supervision by the Executive Committee. This move, said Mr. Clark, is expected to improve the efficiency of the Association's public information and education activities and to "render greater service to our expanding industry."

The National Association of Investment Companies represents 126 open-end (mutual fund) investment companies and 26 closed-end companies with total assets of nearly $10 billion and more than two million shareholder accounts.

Closed-End News

Total net assets of Carriers & General Corporation at March 31, 1956, with securities valued at market quotations and before deduction of principal amount of outstanding debentures, were $18,313,364 (excluding unamortized debenture financing costs of $4,328). These compared with total net assets of $17,051,975 on Dec. 31, 1955. Net asset value of the common stock was $29.31 a share on March 31, 1956, compared with $27.06 a share on Dec. 31, 1955.

The asset coverage per $1,000 of debentures outstanding on March 31, 1956 (excluding unamortized debenture financing costs) amounted to $9,783. Interest and amortization requirements on debentures outstanding were earned 8.44 times during the first three months of 1956. Net income applicable to common stock for the three months ended March 31, 1956 (exclusive of profits on sales of securities) was $106,144 compared with $97,788 for the three months ended March 31, 1955.

In the report of General American Investors Company, Inc., Frank Altschul, Chairman of the Board, stated that as of March 31, 1956 net assets were $68,597,762, an increase of $7,115,240 for the three months.

Net assets, after deducting $5,993,000 Preferred Stock, were equal to $34.77 per share of Common Stock on the 1,800,220 shares outstanding as compared with $30.82 on Dec. 31, 1955.

Net profit from the sale of securities for the three months was $596,065. Net income from dividends, interest and royalties for the period, after expenses and state and municipal taxes, was $260,378.

National Shares Corp. reports net asset value on March 31, 1956 of $23.26 per share on the 1,080,000 shares of capital stock then outstanding, after deducting the 10 cents per share dividend payable April 14, the highest net asset value ever reported by National Shares since its founding in 1929. On Dec. 31, 1955 the net asset value was $21.09.

The quarterly report shows that on March 31, 1956 common stocks accounted for 89.1% of total net assets, and cash, receivables and U. S. Government obligations net, 10.9%. A year ago, common stocks accounted for 91.7%; bonds 1.1%; and cash, receivables and U. S. Government obligations net, 7.2%.

Chemical Fund net assets amounted to $128,313,174 at March 31, 1956, the highest level for any quarter's end in the company's history. This figure equals $17.62 per share and compares with net assets on March 31, 1955 of $81,751,690, equal to $13.82 per share, adjusted for the two-for-one stock split on June 30, 1955. The number of shares outstanding was 7,278,675 on March 31, 1956 and 5,914,352 a year earlier, adjusted for the stock split.

United Corporation marked the first period of its operation as a management investment company with continued increases in net asset value and income for the quarter ended March 31, 1956, Wm. M. Hickey, President, announced yesterday.

United became a closed-end non-diversified investment company on Jan. 17, 1956 when it registered under the Investment Company Act of 1940.

Previously it was subject to provisions of the Public Utility Holding Company Act of 1935.

Net asset value on March 31, 1956, based on the indicated market value of investments held on that date, amounted to $93,289,790 or $6.63 per share compared with $89,534,719 or $6.36 a share on Dec. 31, 1955 and $87,107,502 or $6.19 a share on March 31, 1955.

Net investment income (dividends and interest less expenses and taxes) for the first quarter of 1956 amounted to $853,427 or 6.1c per share compared with $803,567 or 5.7c a share for the first quarter of 1955.

Capital Fund of Canada Shows Gain in Quarter

Interim report of New York Capital Fund of Canada, Ltd., investment company, for the first quarter of 1956 shows that net asset value as of March 31 had increased to $28,485,704, equal to $30.68 from $27,457,924 on Dec. 31, 1955 and $24,991,272 on March 31, 1955. On a per share basis such net asset values were equal to $30.68, $28.54 and $24.99, respectively.

On March 31, 1956, the fund's investments in securities were valued at $28,431,591, of which $23,842,364, or 83.70%, was in equities or equivalents; $2,899,756, or 10.18%, in obligations of governments and corporations other than Canadian; $993,379, or 3.49%, in Canadian corporate obligations; and $696,092, or 2.44%, in Canadian Government obligations.

Concord Sales Up

Sales of Concord Fund in the first three months of 1956 rose to $1,054,299 — an increase of 164% from the first quarter of last year. Net assets of Concord Fund at the end of March, 1956, set a net record at $8,873,153, which represented a gain of 78% from the year earlier level.

Personal Progress

George W. Fulk has been elected Assistant Secretary of North American Securities Company, Commonwealth Investment Company, Commonwealth Stock Fund, and North American Investment Corporation, according to an announcement made by S. Waldo Coleman, President of the four investment firms. Mr. Fulk conducted a private law practice before entering the investment business. A native of Zanesville, Ohio, Mr. Fulk received his law degree from University of Michigan in 1951. Prior to that he attended Stanford University, where he received an MBA degree from the Graduate School of Business in 1948, and a B.A. degree in psychology in 1946.

Dr. C. B. Jolliffe, Vice-President and technical director of Radio Corporation of America, has been elected a director of Capital Venture Fund, Inc., it was announced by Karl D. Pettit, President of Knickerbocker Shares, Inc., sponsors of the fund. Dr. Jolliffe is a director of Radio Corporation of America, National Broadcasting Company, Inc., and RCA Communications, Inc.

Chester D. Tripp, President of Television-Electronics Fund, Inc., Chicago, announces the election of Matthew W. Powers of Peoria, Ill., to the board of directors of the $127 million mutual fund. Mr. Powers is Vice-President-Comptroller and a director of the Great Central Insurance Company of Peoria and has served in this capacity since 1947.

J. Hugh Jackson, dean of the Graduate School of Business at Stanford University, and Walter A. Starr, director of Scott Paper Company have become directors of North American Investment Corporation.

Mr. Jackson, who has been dean of Stanford's graduate business school since 1931, is also Vice-President of the Palo Alto Mutual Savings and Loan Association; director of the American Management Association; a trustee of the Foundation for Economic Education, and of the College Retirement Equities Fund.

Mr. Starr is also a director of the Yosemite Park and Curry Company, and a member of the Industry Advisory Committee of the Federal Reserve Bank of San Francisco.

Continued from page 4

Observations . . .

Kerr and Herter Bills, in reaffirming its purpose as "to promote the foreign policy of the United States," prescribed the concurrent establishment by us of a supervisory administrative commission.

More Intra-Administration Disagreement

"Paired" against Messrs. Lodge and Baker within Mr. Eisenhower's Administration circles is John B. Hollister, the also top-ranking official as Director of the U. S. foreign aid program. In his interview on the "Meet the Press" Radio-TV program Sunday last Mr. Hollister opposed our immersion in UN multilateralism, citing the difficulty of getting the fellow members to come through with their shares.

New Aid Suggestions

And ideas for the form of the aid run the full gamut. Eric A. Johnston, special assistant to the President, suggests low-interest loans instead of grants. Paul Hoffman, the first Marshall Plan administrator, urges that we "wage peace" with a $25 billion non-military help program, spaced over five years. And labor leader Walter Reuther has come forth with the proposal that the U. S. set aside 2% of its gross national product annually for the next 25 years to create a UN fund for helping under-developed countries.

Broadest Re-Examination Called For

At this time of the Administration's request of the Congress for $4,900,000,000 for foreign aid, the need for clarification goes far beyond the area of technical assistance, or how it is to be distributed. Mr. Hollister has been the first to admit this.

Dollar-wise:—beyond the overall "how much" to be spent, there must be resolved, vis-a-vis Senator Byrd's calculations, the amount of carry-over that is available. Also, in administration, whether the Hoover Commission's recommendation for more than $300 million of savings here can be put into effect.

The greatest underlying and longer-term need is for a soul-searching examination of our aid purposes, within the framework of results achieved thus far. A realistic look—and we fail to see where realism is out of order —discloses that since the end of World War Two we have given away the enormous sum of over $41 billion in outright grants and distributed $14 billion in credits. The question of recipients' appreciation may be out of order, but surely a thorough all-inclusive reappraisal of this Saturnalia of spending is now called for.

The serious "deficits" seem to be cited with unusual thoroughness and objectivity by Spruille Braden, our former Ambassador to Latin American countries, in a recent speech before the New England Export Club.

He points out how our giving has created not only carping at the method of giving, but actual hatred, as in France. We are being thrown out of Iceland, and Ceylon. Our foreign aid programs have on too many occasions been extravagant, wasteful and inefficient. Our spending has been abortive, as in Yugoslavia where we have re-entrenched Tito *cum* the Kremlin. We have practiced dangerous interventionism within countries, including pro-dictators and corrupt governments. We are being cajoled into a routine of competitively dancing to Moscow's tune. In this hemisphere we have stirred up jealousy over our comparative stinginess to our Good Neighbors. And perhaps we have generally lost respect as well as friendship.

Whether these indictments are justified or not, surely over-all full-dress exploration of the entire foreign aid situation is a must! And on the way, examination of government aid in its relationship to the potential of private investment would be most constructive at this time.

Women Can Be "Horatio Algers"

Grace K. Babson, wife of Roger W. Babson, passed away recently at her home in Wellesley Hills from a cerebral hemorrage. They were married in 1900 and started in a little house, which served as home and office, at a combined rental of $22 per month. Shortly after their marriage, Mr. Babson was taken ill with tuberculosis and was "given up for dead." He was really pulled through by the untiring efforts of Mrs. Babson, who after her studies at Mt. Holyoke College, had taken up nursing.

Besides being a faithful mother and housewife, Mrs. Babson became an expert on Sir Isaac Newton's writing and studies. She collected the third largest Library of Newtonia in the world; and, in fact, brought a portion of Newton's London house to Wellesley. Here one can turn the actual door knobs and open and shut the actual shutters having Newton's "finger prints." Sir Isaac Newton's Law of Action and Reaction, as applicable to business and investments, is often referred to by Mr. Babson.

With thrift, patience, and courage, and without any gifts from him, or ever having borrowed a penny, she developed her own savings of $600 into several millions. Most of this money has been given by her to economic, educational, and religious institutions. Among these are the Babson Institute, Webber College, and Midwest Institute.

She gave large funds for the World's Greatest Revolving Globe. Through a combined study of this Great Globe and of Rare Metals believed to be inside our Earth, she has hoped to help scientists discover why the world revolves and apply this same power to giving every reader a certain amount of free power. To aid in accomplishing this the Babsons have founded the Gravity Research Foundation of New Boston, N. H.

Mrs. Babson's father was the Reverend Richard Knight of Holyoke, Mass., who died many years ago. He was a real pioneer — very active in getting his anti-slavery friends to settle in Kansas during the great Kansas-Nebraska struggles of Civil War days. Yet, in all these things, she has been "modestly personified," as well as showing what a poor and frail girl can accomplish.

H. W. Meyer Opens

(Special to THE FINANCIAL CHRONICLE)

SONORA, Calif. — Henry W. Meyer is conducting a securities business from offices at 104 South Washington Street.

Blalack Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN MARINO, Calif.—John H. Claywell and Philip S. Armstrong have been added to the staff of Blalack & Co., 2486 Huntington Drive.

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 13	§96.5	*96.4	100.9	97.2
Equivalent to—					
Steel ingots and castings (net tons)	May 13	§2,375,000	*2,373,000	2,483,000	2,345,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	April 27	7,146,000	7,129,900	7,149,190	6,835,950
Crude runs to stills—daily average (bbls.)	April 27	¶7,447,000	7,436,000	7,694,000	7,159,000
Gasoline output (bbls.)	April 27	24,904,000	24,599,000	25,444,000	24,099,000
Kerosene output (bbls.)	April 27	2,205,000	2,044,000	2,238,000	2,126,000
Distillate fuel oil output (bbls.)	April 27	11,867,000	11,982,000	12,033,000	10,521,000
Residual fuel oil output (bbls.)	April 27	7,858,000	8,182,000	8,205,000	7,796,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	April 27	190,188,000	192,933,000	198,209,000	176,759,000
Kerosene (bbls.) at	April 27	17,894,000	*17,867,000	17,333,000	21,012,000
Distillate fuel oil (bbls.) at	April 27	61,923,000	61,926,000	62,583,000	67,635,000
Residual fuel oil (bbls.) at	April 27	32,476,000	32,829,000	33,896,000	43,887,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	April 28	778,398	763,437	724,944	725,900
Revenue freight received from connections (no. of cars)	April 28	678,088	679,867	679,502	629,168
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 3	$389,020,000	$525,982,000	$276,501,000	$389,375,000
Private construction	May 3	238,826,000	347,686,000	156,049,000	247,070,000
Public construction	May 3	150,194,000	178,296,000	120,452,000	142,305,000
State and municipal	May 3	129,312,000	163,676,000	108,750,000	106,853,000
Federal	May 3	20,882,000	14,620,000	11,702,000	35,452,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	April 28	10,160,000	9,900,000	10,280,000	8,563,000
Pennsylvania anthracite (tons)	April 28	563,000	553,000	503,000	419,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	April 28	118	113	122	120
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 5	10,815,000	10,867,000	10,846,000	9,586,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 3	277	236	217	237
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 1	5.179c	5.179c	5.179c	4.797c
Pig iron (per gross ton)	May 1	$60.29	$60.29	$59.71	$56.59
Scrap steel (per gross ton)	May 1	$55.00	$55.50	$53.67	$35.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 2	45.475c	45.775c	46.375c	35.700c
Export refinery at	May 2	43.900c	46.500c	47.750c	36.250c
Straits tin (New York) at	May 2	97.875c	98.500c	100.375c	91.125c
Lead (New York) at	May 2	16.000c	16.000c	16.000c	15.000c
Lead (St. Louis) at	May 2	15.800c	15.800c	15.800c	14.800c
Zinc (East St. Louis) at	May 2	13.500c	13.500c	13.500c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 8	93.96	93.75	93.31	96.36
Average corporate	May 8	105.00	104.83	106.56	109.06
Aaa	May 8	107.98	107.44	109.79	112.56
Aa	May 8	107.09	106.92	108.34	110.34
A	May 8	104.83	104.83	106.56	109.42
Baa	May 8	100.49	100.49	101.64	104.31
Railroad Group	May 8	103.80	103.47	105.34	107.44
Public Utilities Group	May 8	105.17	105.00	107.09	109.79
Industrials Group	May 8	106.04	105.86	106.92	110.15
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 8	2.97	2.99	3.02	2.77
Average corporate	May 8	3.45	3.46	3.36	3.22
Aaa	May 8	3.28	3.31	3.18	3.03
Aa	May 8	3.33	3.34	3.26	3.15
A	May 8	3.46	3.46	3.36	3.20
Baa	May 8	3.72	3.72	3.65	3.49
Railroad Group	May 8	3.52	3.54	3.43	3.31
Public Utilities Group	May 8	3.44	3.45	3.33	3.18
Industrials Group	May 8	3.39	3.40	3.34	3.16
MOODY'S COMMODITY INDEX	May 8	417.1	420.2	420.4	399.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	April 28	276,341	241,807	291,219	290,223
Production (tons)	April 28	293,282	281,098	290,965	266,188
Percentage of activity	April 28	99	99	101	96
Unfilled orders (tons) at end of period	April 28	535,018	557,227	546,994	507,635
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 4	109.13	109.06	108.00	106.82
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 14	1,527,717	1,711,897	1,624,939	1,390,350
Dollar value	April 14	$79,965,877	$90,602,135	$85,358,730	$73,079,193
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	April 14	1,214,538	1,389,593	1,450,202	1,420,932
Customers' short sales	April 14	5,834	8,609	6,807	6,094
Customers' other sales	April 14	1,208,704	1,380,984	1,443,395	1,414,838
Dollar value	April 14	$61,920,057	$70,967,466	$74,191,937	$66,682,865
Round-lot sales by dealers—					
Number of shares—Total sales	April 14	283,550	342,490	380,650	363,350
Short sales	April 14	------	------	------	------
Other sales	April 14	283,550	342,490	380,650	363,350
Round-lot purchases by dealers—					
Number of shares	April 14	595,080	653,300	554,670	444,310
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 14	557,770	661,650	576,590	537,550
Other sales	April 14	12,906,630	14,101,860	15,927,910	14,502,430
Total sales	April 14	13,464,400	14,763,510	16,504,500	15,039,980
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	April 14	1,790,900	1,881,630	1,978,180	1,814,960
Short sales	April 14	309,280	403,300	337,870	285,220
Other sales	April 14	1,442,650	1,460,050	1,631,420	1,469,780
Total sales	April 14	1,751,930	1,863,350	1,969,290	1,755,000
Other transactions initiated on the floor—					
Total purchases	April 14	444,500	406,940	359,850	331,960
Short sales	April 14	30,100	39,990	19,900	14,000
Other sales	April 14	386,320	409,510	406,980	337,900
Total sales	April 14	416,420	449,500	426,880	351,900
Other transactions initiated off the floor—					
Total purchases	April 14	572,402	633,258	714,080	556,210
Short sales	April 14	68,130	93,720	108,060	122,500
Other sales	April 14	785,143	806,002	801,550	656,190
Total sales	April 14	853,273	899,722	909,610	778,690
Total round-lot transactions for account of members—					
Total purchases	April 14	2,807,802	2,921,828	3,052,110	2,703,130
Short sales	April 14	407,510	537,010	465,830	421,720
Other sales	April 14	2,614,113	2,675,562	2,839,950	2,463,870
Total sales	April 14	3,021,623	3,212,572	3,305,780	2,885,590
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 1	113.8	113.7	113.5	110.4
Farm products	May 1	89.0	88.6	88.4	92.5
Processed foods	May 1	101.5	101.2	100.8	108.3
Meats	May 1	78.5	77.5	76.3	85.8
All commodities other than farm and foods	May 1	121.4	121.4	121.2	115.7

*Revised figure. ¶Includes 714,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,000 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,319 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN ZINC INSTITUTE, INC.—Month of April:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	88,664	91,690	83,786
Shipments (tons of 2,000 pounds)	74,788	84,204	89,589
Stocks at end of period (tons)	47,907	40,038	74,579
Unfilled orders at end of period (tons)	46,106	53,070	65,127
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of April (000's omitted):			
Total U. S. construction	$1,868,700	$2,379,237	$1,449,047
Private construction	1,266,412	1,633,273	831,892
Public construction	602,288	745,964	617,155
State and municipal	501,995	585,008	489,229
Federal	100,293	160,956	127,926
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of March 31:			
Total consumer credit	$35,536	$35,272	$29,948
Instalment credit	27,964	27,784	22,974
Automobile	14,565	14,397	11,053
Other consumer goods	6,137	6,209	5,479
Repair and modernization loans	1,599	1,599	1,530
Personal loans	5,663	5,579	4,912
Non-instalment credit	7,572	7,488	6,974
Single payment loans	2,839	2,729	2,481
Charge accounts	2,933	2,974	2,735
Service credit	1,800	1,785	1,758
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of March:			
Cotton Seed—			
Received at mills (tons)	38,263	72,307	36,302
Crushed (tons)	496,535	617,695	438,002
Stocks (tons) March 31	894,539	1,352,811	1,010,361
Crude Oil—			
Stocks (pounds) March 31	155,007,000	180,058,000	125,738,000
Produced (pounds)	170,524,000	211,401,000	150,978,000
Shipped (pounds)	193,507,000	195,888,000	171,702,000
Refined Oil—			
Stocks (pounds) March 31	396,811,000	417,399,000	568,369,000
Produced (pounds)	180,538,000	182,780,000	161,402,000
Consumption (pounds)	148,382,000	147,672,000	138,285,000
Cake and Meal—			
Stocks (tons) March 31	250,690	220,215	278,909
Produced (tons)	229,954	287,668	218,928
Shipped (tons)	199,479	258,914	197,083
Hulls—			
Stocks (tons) March 31	140,675	138,965	67,434
Produced (tons)	113,352	140,654	98,197
Shipped (tons)	111,642	138,013	99,680
Linters (running bales)—			
Stocks March 31	208,617	200,419	317,298
Produced	149,181	186,617	139,583
Shipped	140,983	176,811	179,044
Hull Fiber (1,000-lb. bales)—			
Stocks March 31	745	586	449
Produced	832	850	457
Shipped	673	705	626
Motes, Grabbotts, etc. (1,000 pounds)—			
Stocks March 31	5,115	5,222	4,336
Produced	1,263	1,544	1,315
Shipped	1,370	1,475	1,351
METAL OUTPUT (BUREAU OF MINES)—Month of February:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	133,349	*135,017	157,016
Silver (in fine ounces)	3,028,070	*2,869,878	3,061,214
Copper (in short tons)	89,412	*94,519	93,027
Lead (in short tons)	27,038	*26,526	26,581
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of April:			
Copper (per pound)—			
Domestic refinery	46.161c	46.728c	35.700c
Export refinery	46.964c	48.532c	37.938c
Lead—			
Common, New York (per pound)	16.000c	16.000c	15.000c
Common, East St. Louis (per pound)	15.800c	15.800c	14.800c
‡‡Prompt, London (per long ton)	£115.713	£121.125	£104.467
††Three months, London (per long ton)	£114,938	£118,696	£104,141
Zinc (per pound)—East St. Louis	13.500c	13.500c	11.925c
††Zinc, London, prompt (per long ton)	£98.241	£101.560	£89.063
††Zinc, London, three months (per long ton)	£96.806	£98.696	£87.868
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.875c	91.143c	87.071c
Silver, London (pence per ounce)	78.781d	78.982d	75.711d
Sterling Exchange (check)	$2.80772	$2.80494	$2.79649
Tin, New York Straits	99.310c	100.616c	91.413c
§§Tin—New York, 99%	98.310c	99.616c	90.413c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$266.560	$258.778	$315.846
¶Antimony, New York boxed	36.470c	36.470c	31.970c
Antimony (per pound) bulk, Laredo	33.000c	33.000c	28.500c
Antimony (per pound) boxed, Laredo	33.500c	33.500c	29.000c
Platinum, refined (per ounce)	$103.000	$103.000	$78.500
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97	$2.60000	$2.60000	$2.60000
Aluminum, 99% plus ingot (per pound)	25.900c	24.621c	23.200c
Magnesium ingot (per pound)	33.300c	32.500c	28.500c
**Nickel	64.500c	64.500c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of March:			
Total operating revenues	$888,984,912	$814,236,119	$827,431,700
Total operating expenses	678,174,935	641,106,316	612,844,242
Operating ratio	76.29	78.74	74.07
Taxes	$99,941,480	$84,097,373	$94,202,283
Net railway operating income before charges	88,976,188	67,038,900	98,564,472
Net income after charges (estimated)	70,000,000	47,000,000	78,000,000
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of April 30	$275,844,912	$276,403,742	$276,686,284
General fund balances	5,711,817	7,071,786	6,401,175
Net debt	$270,133,095	$269,331,956	$270,285,109
Computed annual rate	2.537%	2.533%	2.331%

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colburne, U. S. duty included. ‡‡Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c.

Our Reporter's Report

The world looks brighter to underwriting bankers and their dealer associates these days as well it should considering the change for the better that has come over the new issue market during the past fortnight.

Only that long ago things looked pretty drab with one syndicate after another being forced to break and run. But since then the bidding, where new issues have been sold via the auction route, has become decidedly more realistic.

And in consequence institutional investors, or at least a satisfactory portion of such outlets, have shown more disposition to look over new offerings as they have come to market.

Meantime, dealer inventories have just about ceased to exist and some of the issues which were turned loose to seek their own levels have enjoyed fair-sized recovery from their lowest levels.

While several intermediate-sized issues brought out this week were not "out-the-window" operations, groups sponsoring them are confident that they will work off to investors without undue delay.

Accordingly, the investment banking world, basking in the shadow of the impending huge General Electric Co. undertaking, finds itself giving thanks for the change which a few weeks have wrought. The industry generally is girding for the task of handling the big GE offering due out next Tuesday.

GE Inquiry Brisk

Indications are that General Electric Co.'s offering of $300 million of 20-year debentures is arousing widespread interest among investors judging by reports of inquiries coming to hand.

Ranking among the largest industrial undertakings and being handled as a negotiated deal with bankers, it is generally expected that the debentures will be priced in keeping with the market and the issuer's high credit standing.

Beginning April 30, 1961, a sinking fund of $13 million annually will be applied to redemption of the issue, plus a similar optional amount. Representing the only funded debt of the big company, and amply protected against any prior liens in the future, the debentures naturally will have wide appeal for many portfolios.

Moving Along

The group which acquired Niagara Mohawk Power Corp.'s $30 million of bonds as 3⅝s and reoffered at a price of 101.377, for a yield of 3.55%, was reported to be moving the issue along in satisfactory manner.

The same held true of the syndicate which took down California Oregon Power Co.'s $16 million of first mortgage, 30-year bonds as 3⅞ percents and reoffered at 101.335 to yield 3.80%.

While investors are not rushing the ramparts for new issues there is no gainsaying the fact that they are much more interested than was the case only a few brief weeks back.

Mild Competition

When General Electric's offering comes to market it will encounter some mild competition from the ventures of other corporations. But next week's calendar is not of a nature to give bankers any great pause.

On Tuesday Pennsylvania Electric Co. is slated to open bids on $12.5 million of bonds along with 90,000 shares of $100 par, cumulative preferred stock. The next day a banking group will market for Celotex Corp., an issue of $10 million of debentures.

The following day Northern Illinois Gas Co. has $15 million of 25-year, first mortgage bonds up for bids with the usual array of banking groups toeing the line for this one.

N. Y. State CPAs to Hold Annual Meeting

Russell C. Harrington, Commissioner of Internal Revenue of the United States, will speak at the Banquet and Annual Meeting of the New York State Society of Certified Public Accountants May 14, at 6:45 p.m. in the Grand Ball room of the Hotel Roosevelt.

President Harold R. Caffyn will call the meeting to order for a brief business session at 8:00 p.m. Six members of the Society will receive certificates denoting active membership in the New York State Society of Certified Public Accountants for 50 years.

From 3:15 p.m. until 5:15 p.m. that afternoon, Mark E. Richardson, C. P. A., Chairman of the Society's Committee on Federal Taxation will conduct a panel on current Federal tax problems for Society members only.

The New York State Society of Certified Public Accountants now has more than 8,100 members.

Chicago Inv. Women Dinner Meeting

CHICAGO, Ill. — Miss B. Fain Tucker, Judge of the Circuit Court of Cook County, Ill., will address the Investment Women of Chicago, at the next dinner meeting on Tuesday, May 15, 1956, at the Chicago Bar Association, 29 South La Salle Street, at 6:00 p.m. The subject of her talk will be, "From My Side of the Bench."

Judge Tucker, educated at De Pauw University and University of Chicago Law School, is the first woman elected to serve as judge in Cook County since 1923 and second in the history of Cook County. She is active in church work and civic affairs, and has been awarded many citations in recognition of her outstanding achievements and services. In 1955, Judge Tucker received the "Woman of the Year" award from the Quota Club of Chicago. In 1954 she was also honored with awards as Woman of Distinction from the Women's Advertising Club of Chicago; Achievement Award from the Chicago and Northern District Association; Mary Margaret McBride Citation sponsored by United Church Women; Kappa Kappa Gamma Alumnae Achievement Award and was chosen Indiana Woman of the Year by Indianapolis Alumni Chapter of Theta Sigma Phi. Judge Tucker, is also well known as an author in the field of law, having published "Guide to National Labor Relations Act," and written extensively for legal journals and national magazines.

The President of the organization, Mrs. Kenneth A. Kitchen of the Illinois Agricultural Association, will preside at the meeting.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—You can just about figure that whether the Democratic Congress does or does not this year give the Administration sweeping powers to control business will depend upon whether Dwight D. Eisenhower exercises or fails to exercise his jaw bones at some critical time bound to arise before the end of this session.

Early in the year the President came out in his Economic Report message for a law requiring the participants in any prospective business merger to give advance notification thereof to the Department of Justice and the Federal Trade Commission. After the pre-notification, the participants would under this law be stopped from completing the merger for a period of 90 days, and would be required to submit any information about the deal the antitrust boys asked for.

The crucial thing about this proposal of the President's, as approved or written in the Administration, is that it would apply to any merger which would result in an institution of $10 million or more of assets.

In other words, the Administration bill introduces a new and revolutionary concept into antitrust regulation. That concept is mere size. It might be added, that as businesses go in this modern U. S. A., it is a pretty small size at that.

The spiritual and intellectual father of this new idea is none other than Stanley N. Barnes, who is slated to become a Federal judge, but in the meantime is hanging on as chief of the antitrust division of the Department of Justice, where he is trying to hang out a record for being one of the nation's most ardent trust busters.

Heretofore "bad monopolies" were those which allegedly dominated a business, were in a position to dominate, or carried on restrictive practices. Most of the trust busters have been compelled to say that mere size in dollars was not in itself bad. One reason was that there was no dollar sign in the Clayton or Sherman acts which flagged a "monopoly" as such.

Business Indifferent

Mr. Eisenhower, with perhaps not too much reflection on what he was sold by Mr. Barnes, would agree to hang the dollar sign on all business mergers. From here on, if this bill were to become law, the figure of $10 million would become the breaking point at which any business merger or consolidation could be marked as a potential monopoly and come under the careful scrutiny of the antitrust boys, even if the $10-million concern did not constitute 1/10 of 1% of the total business in which it was operating.

And under the law, nobody could merge until he first had made peace with the boys in the big marble, air-conditioned buildings of the Federal Trade Commission and the Department of Justice. Even if business took all the suggestions of the antitrusters and modified their prospective merger set-up in every way to suit the whims of government, then the participants to the merger would still derive under the new scheme no immunity from future prosecution, and what sometimes looks to business like political persecution.

This, of course, vests a tremendous power in government. Whenever a death occurs in business and the owner must sell out to a competitor, no matter how relatively small, or whenever a merger is proposed in the many interests of capital and business efficiency considerations, as well as when mergers are motivated only by ordinary empire-building objectives, Uncle Sammy has the right to say "no," and the right to say "no" is inherently the right to direct the course and growth of business.

Under the circumstances business observers in this political capital are simply appalled at the indifference of business to the pre-notification bill.

Partly this indifference arises because there is so much going on in Washington that even professional observers are hard put to keep up with it. However, it largely stems from the sense of well-being the American business community has generally in the illusion that the present Administration is in the historic sense a "Republican" Administration and because it says it is, is well-disposed toward the private enterprise system, against frivolous regulation, is for saving money, and so on.

Passed House

This merger pre-notification bill is no academic threat. Chairman Emanuel Celler (D., N. Y.) got it easily out of his Judiciary Committee, only having to put his name on the proposition already drafted by Rep. Kenneth B. Keating (R., N. Y.), the ranking minority member of Judiciary, who either got the bill from the Department of Justice or the latter's help in writing same.

When it came before the Rules Committee of the House, the latter exhibited no interest in its favor whatever. So Speaker Sam Rayburn in a quick political decision thought that what was tasty sauce for the White House political goose was just as tasty for the Democratic gander. Therefore the Speaker let Manny Celler move to pass it under a suspension of the Rules, and there wasn't a voice raised in objection. It passed by a scattering few voice votes, none opposed. This was possible because it was understood to be a White House proposition as it was.

Senate Doubtful

Following the death of Senator Harley M. Kilgore (D., W. Va.), who was Chairman of both the full Senate Judiciary Committee and its anti-trust or monopoly subcommittee, Senator Joseph C. O'Mahoney (D., Wyo.), became temporary Chairman of the monopoly subcommittee, filling in for Estes Kefauver, currently off to the wars.

Senator O'Mahoney is rarely accused of being anything but smart in the broadest sense of the word. He just loves to hold hearings pilloring big name corporations, and to scare the daylights out of big business, which, after all, is probably far more profitable to Democrats than actually passing a revolutionary bill like the pre-notification bill. However, when it comes down to cases on legislation for which Joe O'Mahoney is responsible and it is a question of its passing or not passing on his say-so, Joe can turn out to be a right responsible citizen.

Senator O'Mahoney has said very little about the pre-notification bill, other than to observe that he doesn't like broad grants of discretion to officials of an Administration.

Ike Holds Fate

This correspondent would like to outline what is at this stage only a hunch. There are some responsible men among the Senators, and that even includes a noteworthy professional "liberal" or two—responsible in a relative sense, or course.

If President Eisenhower keeps his trap closed on this pre-merger notification bill from here on, it's not a bad bet — continuing this hunching — that it will fail to come out of committee. (Once on the floor in the present climate, if it does get to the floor, it is a natural demagogic cinch to pass.)

Sooner or later Mr. Eisenhower must pretend that the tremendous inventory of welfare and other proposals he outlined at the beginning of the year in his various messages, is something he really stands for, and by gosh, why doesn't Congress give them to him to sign.

If Mr. Eisenhower makes a great public play for the virtue of the pre-notification bill, he puts the Senators on a spot, especially the "liberals," who would identify themselves with the "big business" they have been pushing needles into, if they refused a piece of legislation requested by the leader of the "big-business-minded" Administration.

So if Eisenhower yaps loudly in public for this bill, it will be on the statute books in just about nothing flat.

Doubt Understands

Actually it is doubted by some that Dwight D. Eisenhower, alert as he is to exploit the political merchandise of the New and Fair Dealers, has any concept that this bill would give government a tremendous control over business and constitute the opening wedge in the extreme Left's ambition to regulate the size of business as such.

President Eisenhower's **modus operandi**, in this respect like Frank Roosevelt's, is to pick up and tag on to his repertoire, anything slick and bright that looks like it would win votes, and like Roosevelt, often without much knowledge of what he is doing. He is particularly susceptible to crack-pot schemes because of his own peculiar yen for getting out a large repertoire rivaling a mail order catalog in its versatility and number of offerings.

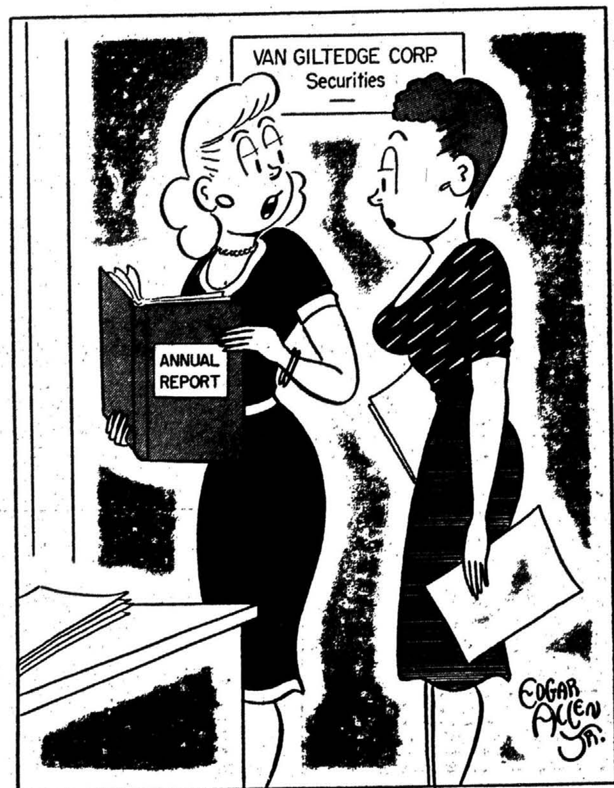
Highways Slated to Be OK'd

It is now reported that the Senate without much trouble will pass the huge highway bill, with its diversion of a billion dollars or so a year of existing tax collections into a highway expense "trust fund," and with prospective Federal spending over 13 years of $38 billion, and combined state and Federal spending over the period of $51.5 billion.

This $51.5 billion compares with total, aggregate military construction expenses during all of the War to Make the World Safe for Communism (sometimes called WWII) of $49 billion. It also probably exceeds the combined cost of the Suez and Panama Canals, all atomic energy installations, and the pyramids.

[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



"Well, it'll never be a best seller—no plot—no love angle—just nothing but figures!"

Bond Club Sets Plans For Annual Field Day

Preparations for the 32nd Annual Field Day of the Bond Club of New York on June 8 were completed at a dinner given by Field Day Chairman Sydney Duffy of Blyth & Co., Inc., and attended by the chairmen of the various committees in charge of events.

Plans for the golf and tennis tournaments, the annual publication of the Bawl Street Journal and for new entertainment features, were reviewed by the following committee chairmen who, with officers of the Bond Club, were guests at the dinner: Avery Rockefeller, Jr., Dominick & Dominick, Philip K. Bartow, Wood, Struthers & Co., Orin T. Leach, Estabrook & Co., and Robert L. Hatcher, Chase Manhattan Bank, General Chairmen; Harry A. Jacobs, Jr., Bache & Co., Entertainment; Walter W. Cooper, F. S. Smithers & Co., Special Features; Robert W. Fisher, Blyth & Co., Inc., Arrangements; Robert H. Baldwin, Morgan Stanley & Co., Golf; J. Raymond Boyce, Auchincloss, Parker & Redpath, Tennis; Nelson R. Jesup, Clark, Dodge & Co., Horseshoe Pitching Contest; Philip D. Baker, White, Weld & Co., Attendance; Harold Sherburne, Bacon, Whipple & Co., Food & Beverage; Wm. R. Caldwell, First Boston Corporation, Trophies; Raymond D. Stitzer, Equitable Securities Corporation, Bawl Street Journal; William Renchard, Chemical Corn Exchange Bank, Bawl Street Journal Circulation; Orland K. Zeugner, Stone & Webster Securities Corporation, Bond Club Stock Exchange; and William H. Long, Jr., Doremus & Co., Publicity.

David S. Lobdell With First Nat'l in Dallas

DALLAS, Texas — David S. Lobdell is now associated with the First National Bank in Dallas in the Municipal Department. Mr. Lobdell, who was formerly President of Lobdell & Co. of New York City, has been appointed special representative of the Bond Department.