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**EDITORIAL**

## As We See It

"What we need is a new vision. The New Deal and the Fair Deal accomplished a great deal; and we see these same Republicans who fought every inch of the way accepting the programs of the New Deal and the Fair Deal, at least during this Leap Year conversion.

"But I say to you it is always the case that yesterday's progressivism is today's moderation. America does not stand still. We need new vision to face the new problems of America, and the new problems of the world—the new capabilities of our country, and the new limitless potentialities of the moral and physical strength of this great nation of ours."

Thus Governor Harriman of New York, asserting that the "middle of the road" is an "Eisenhower trade mark," sounded a call to his party to launch itself upon another and still more radical and costly program of reform and collectivism. We ardently hope that there are not enough voters in this country still under the hypnotic spell of Franklin Roosevelt and his imitators for it to be possible for the Governor to make much political headway with such obviously and eminently dangerous ideas as these. It is a typical Rooseveltian tactic, but the author and finisher of the New Deal came upon the scene when conditions and the spirit of the people were quite different from what they are at present.

But the country is indebted to the Governor for rather pointedly calling attention to certain facts, which, though obvious to the thoughtful, are not by any means always understood by the rank and file who need to have them in mind at all times if sound decisions are required. He makes it crystal clear, for example, that there is

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## What's the Outlook for Construction Industry?

By THOMAS S. HOLDEN*

Vice Chairman of the Board, F. W. Dodge Corporation

**F. W. Dodge official evaluates growth factors operating in the economy and concludes it is most likely that there will be gradual substantial construction volume increases rather than spectacular spurts with periodic setbacks. Sees 1956 construction demands and contract commitments outpacing industry's available manpower and material supply in view of this first quarter's largest total ever recorded for the 11 consecutive calendar years of contract volume increase. Mr. Holden questions whether anticipated cement capacity increase will be adequate.**

Folks who go shopping in the construction market in the coming months may encounter a certain amount of traffic congestion before the year is out. It is just possible that construction demands and contract commitments may rise too fast for the industry's available manpower and material supply.

Thomas S. Holden

Building and engineering contracts awarded in the 37 Eastern States during the first quarter of this year, as reported by F. W. Dodge Corporation, amounted to $6,099,872,000. This was by far the largest first quarter total ever recorded. It led the first quarter of last year by 17%. The first quarter set new all-time dollar volume records for residential and non-residential building contracts and heavy engineering contracts.

This first quarter rise followed eleven consecutive calendar years of contract volume increase; it followed a year, 1955, which had itself recorded a 20% increase over the immediately preceding one. There was evidence last year that both construction and general business activity

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*An address by Mr. Holden before the Lead Industries Association, St. Louis, Mo.

## Critical Economic Factors In the Investment Outlook

By DR. ROGER F. MURRAY*

Associate Dean of the Graduate School of Business
Columbia University
Consultant, Bankers Trust Co., New York City

**Dr. Murray concludes we may be looking at another cyclical peak in the demand for funds which is not likely to last very long, though, as yet, there are no unmistakable signs of a turning point in the bond market; expects relief from present tight money conditions sooner rather than later; and, after charting four implications for investment policy, advises this is no time to make a long-range commitment of investment policy to a long-range forecast due to uncertainty of interest-rate turn. Notes effectiveness of credit restraint, and the increasing instability of expanding discretionary income.**

For the second time in about three years, we are in a period of tight money and rising interest rates. Although we experience some discomfort on observing that very large portions of our assets were committed to lower rates in the past, we can derive considerable satisfaction from the prospect of investing new money on a more favorable basis. As lenders and investors, we must end up with a feeling of well-being as we watch average earnings rates creep steadily upward; and we are quite naturally disposed to hope that this trend will continue indefinitely.

Roger F. Murray

**A Secular Rise in Interest Rates?**

As in all such periods, we are apt to be most impressed by the evidences of the strong demand for funds in contrast to the sluggish behavior of the savings flow. In fact, as each day passes, we become more easy

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*An address by Dean Murray before the 36th Annual Conference of the National Association of Mutual Savings Banks, Washington, D. C., May 7, 1956.

**PICTURES IN THIS ISSUE**—Candid photos taken on the occasion of the 21st Annual Meeting of the Texas Group of the Investment Bankers Association of America appear in the special section starting on page 25.

# 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.)**

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

**Bullard Company**

At this stage of the bull market, a number of secondary issues seem to be better buys than most of the leading issues. The degree of risk in relation to the probable profit is small. One of these is Bullard, the well-known maker of machine tools. Because it is a cyclical issue, I recommend it for the short and intermediate terms, not for permanent investment.

A. J. Cortese

The company lost money last year ($1.41 per share) for two reasons: a decline in defense orders and, in order to incorporate the most modern advances, the complete redesign of its three basic lines, single- and multiple-spindle lathes and a horizontal boring, milling and drilling machine. These are complex products of engineering and the men who make them are highly skilled craftsmen. A change to a new model, therefore, results in a large, but temporary, increase in unit costs. As the men become familiar with the new design, unit costs decrease. The new machines have been well received and are now in full production.

While there may be doubts about some sections of the economy this year, the outlook for capital goods industries is excellent and it may continue good for some of them for many years, as mass producers of consumer goods strive to improve productivity in order to reduce costs. In the mass production industries, machine tools play an important part and in common with the machine tool industry, Bullard's backlog ($23 million, as compared with last year's sales of $30 million) is the largest in peacetime history. The company has sales offices in 12 cities in this country, sales representatives across the country and outlets throughout the world. Its products are used in the automotive, machinery, aircraft and electrical industries and by companies making equipment for the railroad, shipbuilding, oil and construction industries.

This year, the company completed construction of a new grey iron foundry, many features of which are automatic, which is considered the most modern of its type on the East coast. The old foundry could not cast the largest pieces needed and they had to be obtained outside, but the new one not only will supply all of the company's needs, but also can be enlarged to meet future requirements. Total cost of the foundry is estimated at $6.8 million and the funds were raised by the sale of stock in 1954 for $2¾ million and by part of a long-term loan of $4 million at 4% from the Equitable Life Assurance Society. Casting at the new foundry began this spring; it is now in full operation and maximum capacity production is scheduled for the fall. Substantial economies and improved quality are expected.

Financial results have been in the black during the last two quarters and the earnings curve should continue rising. There is no point in taking an average of the company's earnings, because they fluctuate widely. Nor is it easy to estimate this year's results, but my own guess is that they will be larger than the $2 per share level of the first quarter, but smaller than the $6.61 per share of 1954, when dividends of $4 per share were paid. Dividends were omitted in the last half of 1955, but were resumed in the first quarter of this year, when 20 cents was paid. I would expect larger payments in succeeding quarters.

From the point of view of market analysis Bullard is in an excellent, bullish position. It has shown characteristic signs of accumulation since last fall and has apparently begun a good uptrend. From a peak of 51 in 1954, it fell to a low of 27 last year and at the time of writing is selling (New York Stock Exchange) at 34. The usual methods used in market analysis to estimate the amplitude of probable future stock price movements indicate a price of 58-62. This, of course, is not a prediction and the estimate is subject to revision, either upward or downward, by future market developments.

In addition to the long-term note of $4 million, payable in equal annual installments from July, 1954 to July, 1969, there are short-term bank loans totaling $4 million. The long-term loan agreement permits short-term bank loans totaling $8 million at any time. It also provides that cash dividends may not be declared if they would reduce working capital below $6 million and unless the total of declarations or payments after Jan. 1, 1954 are more than covered by net income after that date for the period involved. At the end of last year, the company's working capital was more than $10 million and there was available for dividends $214,000 (or 29 cents per share). Capitalization is simple, consisting only of 728,640 shares of common.

As I said about American Cyanamid when I recommended it in these columns at 53 last year, a good time to buy a stock is when it is depressed for passing reasons and I think that Bullard is in this category now. Obviously, I recommend it only to those who can keep a close watch on business conditions, because the company's business is sensitive to changes in the business weather. But that fact also, I think, makes it a good buy at this time for those seeking capital gain when stock prices generally are high.

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

### This Week's Forum Participants and Their Selections

**Bullard Company**—A. J. Cortese, Partner, Cortese, Kupsenel & Co. New York City. (Page 2)

**Beneficial Standard Life Insurance Co.**—Robert H. Huff, Vice-President, Fewel & Co., Los Angeles, Calif. (Page 2)

**ROBERT H. HUFF**
Vice-President, Fewel & Company, Los Angeles, Calif.
Member Los Angeles Stock Exchange

**Beneficial Standard Life Insurance Co.**

Incorporated in 1940, Beneficial Standard was originally financed through the sale of both preferred and common stock. The preferred was retired in 1951, however, leaving the net capital contribution at only $26,472.

Now represented by 1,000,000 common shares, of which 973,528 or 97.4% were received through stock dividends and stock splits this $26,472 investment has a current market worth of more than $30,000,000. And when one considers the company's uninterrupted increases in assets and business volume, the rapidly-rising earnings which reached $3,272,000 last year, and the current dividend disbursement of $1,200,000 per year, this valuation would appear very conservative, indeed.

The fact that Beneficial Standard is one of the top money-makers of the insurance industry is easily explained: It operates in the two most rapidly-growing fields of insurance, disability and life; it writes only the most desirable business within these fields; it has the freedom to, and does employ, modern merchandising methods in the sale of its policies; and its accounting and other general operations are handled with exceptional efficiency.

All factors point to a continuance of Beneficial Standard's amazing record. The company continues to enjoy the same fine management, and this management continues to have a large stake, about $16,000,000 worth at current markets, in the company's future. The company continues to be one of the strongest in the industry, with a capital funds position about 14 times that of the average life company. Its operating facilities and operating know-how are greater now than ever before. Its sales methods are increasingly effective. And its sales potentials, as the following facts reveal, continue to be enormous.

During the past ten years, the disability insurance premium volume has risen 400% to a 1955 industry total of $3,000,000,000. Yet with 65,000,000 Americans still lacking hospitalization insurance, with 85,000,000 having no surgical insurance, and with 120,000,000 having no insurance against general medical expense, it is obvious that the sales potentials of disability insurance have hardly been scratched.

During the past ten years, life insurance in force has increased 250% to a current total of about $410,000,000,000. Yet when this increase is measured against the population gain, the impact of high taxes, and the doubling of living costs during the period, it is easy to understand why "For-

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# Shortage of Copper Due To Rise in Living Standards

By EDMOUR A. R. GERMAIN

**Mr. Germain estimates this year's free world copper capacity to reach 3.1 million tons compared to 2.7 million in 1953, and expects world copper industry, primarily the U. S., to invest by 1960 $1¼ billion to expand production. Author convinced the copper shortage is more serious than most realize and finds the basic market situation is the same now as earlier this year. Reviews developments by various firms, copper producing countries, and factors responsible for increased copper demand**

The story of copper today illustrates in poignant fashion some of the more salient problems arising out of the relentless progress of the industrial revolution over the world, though probably not as obviously in this country as elsewhere. Increasing quantities of raw materials are constantly being demanded to produce the metal—in this case, copper—to meet the requirements of a technological civilization.

E. A. R. Germain

In this country, there is too much wishful thinking with regard to possible available supplies of the ore out of which copper is made. But the truth becomes plainer every day that the shortage of copper is probably much more serious than almost anyone is willing to admit.

The tendency here is to take much too short a view of the situation. Memories of the 1954 U. S. "depression" in copper, shrinking domestic consumption by 100,000 tons or 7%, are probably yet too vivid to permit many people in this country to be very bullish about the market, despite the shortages and high prices of the last year and more.

It will be recalled, however, how the decline in U. S. consumption in 1954 turned out fortunate for Europe because it enabled countries like West Germany and the United Kingdom to get the metal they needed then. World-wide consumption of copper was up about 10% in 1954 even though we needed less of the metal here. The rise in European demand in 1954 was 400,000 tons. Of course, what has happened since then is a rise of 20% of U. S. demand on top of a further rise of 5% in Europe and the rest of the free world.

### Domestic Picture Blurred

The domestic picture is blurred by the talk of all the competition that is supposed to exist between copper and aluminum. Competition there is but the aluminum people when discussing financing with their bankers insist the expansion of their business does not depend upon stealing markets away from copper.

One would think that the copper industry would be glad to let the aluminum people take some of the market pressure off from them. Not all the copper companies, it must be said, take the position that the struggle with aluminum is a battle to the death. Reasonable men in both camps admit that each metal will develop its own particular markets based on the unique characteristics of the particular metal, conceding there will be some overlapping along the way. Anaconda, one of the big producers of copper, of course, has solved the problem by going into the aluminum business itself.

Fortunately, for the fabricators and the other consumers of copper, great quantities of secondary metal, refined from scrap, undoubtedly attracted by favorable prices, have been moving to market. The total of secondary metal sold in the world since 1947 is equal to about two years' U. S. mine production. At present, about 200,000 tons more secondary metal is available annually than eight or nine years ago and an increase of 25,000 tons to a total of 150,000 tons is expected to reach the U. S. market this year over last.

Barring labor disturbances, the estimated 150,000 tons of copper lost to the market in 1955 due to strikes will of course be available to consumers this year, around 70,000 tons of it to fabricators in the U. S. Any work stoppage anywhere, however, would immediately aggravate the supply situation further. While present probably inordinately high prices in the face of shortage leading to large profits, is an unusual situation—and one that probably can't last more than two or three years—as long as the prices are high, the temptation for labor to press for higher wages is of course going to be strong. Higher wages in the industry of course would only tend to bolster up the high prices.

### Recent Moves by Chile

The overall world situation has been obscured here to some extent also by the great attention given in the press to the rather dramatic moves made by Chile over the past year but especially in recent months. What Chile does in the copper market is important because it is the Number Three producer of the metal and, historically at least, has been a big source for the U. S. market. But judgments are likely to be thrown askew by raising questions over the wisdom or propriety of such moves.

On the surface anyhow, Chile has been making what certainly do appear as well-timed moves to derive the greatest benefit to itself from the multiple—there are

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# Outlook for the Oil Industry

By EDMOND N. MORSE*
Senior Oil Analyst, Smith, Barney & Co., New York City

**Oil Analyst finds excellent prospects for higher earnings with the near term larger increase to stem from improved domestic refining, marketing and higher oil production, and foreign interests to account for major part of earnings increase over the long-term. Mr. Morse points out: (1) oil market stock should continue to do better than—if not parallel—most industrial groups; (2) Middle East does not appear as great a problem as first glance might indicate; (3) increasingly difficult to find oil in U. S. A. to maintain reserve capacity, and (4) greater investment attention be paid to areas capable of supplying oil on a long-term basis. Suggests companies and areas to help build an aggressive common stock portfolio.**

A review of the industry's experience in 1955 followed by an appraisal of 1956 prospects seems in order before discussing the outlook for the oil industry and for some oil securities individually. The 1956 outlook cannot be studied alone. It must be related to 1955 because this relationship represents an important factor in the investor's deciding if oil equities are attractive investments.


Edmond N. Morse

One of the fortunate things about the oil industry in recent years has been the susceptibility of its economists to underestimating growth in petroleum demand. For example, at the end of 1954 economists looked at 1955 prospects and almost without exception anticipated only a 3%-4% average increase in petroleum consumption. Few were higher in their estimates. Actually the increase turned out to be just about twice these estimates. The economists' error stemmed almost entirely from miscalculating industrail activity. An eight million unit auto market was not anticipated, nor was the steel industry expected to operate at capacity through the second half of last year. Most forecasters saw industrial activity. An eight million the second half of the year. In retrospect, industrial activity in the second half levelled off or continued upward slightly.

The nation operated more automobiles and drove more miles per auto last year than ever before. This boomed gasoline demand. Record high industrial activity required tremendous amounts of heavy fuel oil. The record level of residential construction increased the number of oil burners in use by about 8% so that heating oil demand was increased by at least that amount. Lastly, winter weather in late 1955 ran much colder than a year earlier to help raise consumption of heating oil to a new all time high. Thus in 1955 we had a combination of almost entirely favorable factors.

### Oil Earnings

These factors caused an increase in oil industry earnings of about 15% compared with approximately a 32% increase for industry in general. Therefore the oils were on the defensive in last year's market. Action of the oil confirmed this as a following table will indicate. In the latter part of 1955 the oils began to outperform the market as a whole and have continued to do so.

Some months ago "The Oil and Gas Journal" in its study of 1956 demand concluded that demand should increase about 4%. This is about an average increase for the industry over a period of many years. However, once again students of the industry seem to have been conservative. The record so far this year indicates that first quarter demand rose 5½% over a year ago. While an increase of 5½% instead of 4% might not seem very much, it is actually a one-third greater increase than had been expected only five months ago. The colder-than-average winter of 1955-56 had a great deal to do with this excellent gain. In addition, analysis of the statistics shows that despite the cold weather which helped heating oil demand, gasoline consumption was up a surprisingly large amount.

The second and third quarters of the year depend heavily upon gasoline demand. It is now estimated that second quarter demand will run 5%-6% ahead of 1955. Obviously heating oil demand is not important. Gasoline is the important product. High gasoline consumption depends upon a high level of employment and wages, good motoring weather, and favorable psychology.

At the moment industrial activity has leveled off and is now only one or two points below the high established by the Federal Reserve index. Industrial activity seems to be leveling off with most of the nation's basic industries operating at either capacity or close to it with the exception of autos and farm equipment. In other major industries orders continue to exceed shipment.

As the industry found out in 1954 personal income can be high but consumption of gasoline does not necessarily have to set new records. As long as the average consumer feels that his income is secure he tends to burn more gasoline than if he is worried about the future, even though his present income may be high. He may conserve his dollars for the anticipated rainy day and burn less gasoline. This occurred in 1954. Present evidence is that the average consumer must be quite optimistic.

### Texas Reduces Production Seasonally

We have had many inquiries in recent weeks about how we can be optimistic about oil industry prospects when the State of Texas has reduced its production allowables each month since February. To understand this apparent conflict it must be realized that demand for petroleum products fluctuates with the seasons of the year. The following table shows the magnitude of these seasonal fluctuations for 1954, 1955 and part of 1956. In 1954 demand declined 20% between January and May and thereafter rose 35% by the end of the year. In 1955 the trend was much the same but the decline from January to May amounted to only 15%, followed by a rise of 34% by the end of the year. For the first three months of 1956 the decline has been somewhat less than at the end of 1954 and 1955, indicating a stronger undertone to gasoline demand and also heating oil in response to colder weather.

**Index of Monthly Demand**
(January equals 100)

| | 1956 | 1955 | 1954 |
|---|---|---|---|
| January | 100 | 100 | 100 |
| February | 96 | 92 | 95 |
| March | 95 | 95 | 94 |
| April | | 88 | 87 |
| May | | 85 L. | 80 L. |
| June | | 90 | 87 |
| July | | 85 | 84 |
| August | | 91 | 84 |
| September | | 90 | 86 |
| October | | 90 | 87 |
| November | | 102 | 96 |
| December | | 114 H. | 108 H. |

L. Low. H. High.

It is therefore normal for Texas which accounts for over 40% of our domestic production to restrict production to anticipate the spring decline in consumption. This is a factor of strength designed to maintain a strong statistical relationship between supply and demand. It would be a sign of danger if the Commission did not take such action. It becomes apparent that the Commission should increase allowables in the latter half of the year as consumption increases.

The importance of matching supply to demand lies in its effect upon inventories of refined products. Inventories affect product prices and prices affect earnings. A year ago inventories were not healthy. They were too large. This year inventories are larger in gasoline, but smaller in other products. Demand is up so "days supply" are as low or lower than

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*An address by Mr. Morse before the Bond Club of Buffalo, New York, May 8, 1956.



# 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 last week was high and steady as output in the steel, electric power, paperboard and petroleum industries held close to the level of the previous week.

Industrial output for the month of April showed little change from the level of previous months this year, the Federal Reserve Board stated.

Initial claims for unemployment insurance declined fractionally and were 4% below those of a year ago. The most noticeable decrease in claims occurred in Pennsylvania and Kentucky, where layoffs in mining and construction showed some curtailment.

In the steel industry, steel consumers are racing against time in their efforts to build inventories as a hedge against higher prices and a possible steel strike. For some, it's like walking on a treadmill—it's tough to barely keep even, according to "The Iron Age," national metalworking weekly in its current report of the steel trade.

The first real clue on inventories comes from the South, where a transportation strike shut down the Tennessee Coal & Iron Division of U. S. Steel Corp., beginning April 26. Early this week—not quite three weeks later—some fabricators in the area had been forced to cut back operations. Workers were being laid off and further reductions were being contemplated.

Despite all the talk of an inventory buildup, many steel consumers would be in bad shape—quickly—in event of a general steel walkout. Steel inventories in relation to incoming orders for manufactured items would be down to rock bottom in less than 15 days in some plants and 30 days in others, this trade weekly declares.

With interest centered on Detroit automotive cutbacks, some observers are overlooking other facets of the economy. There's no doubt that Detroit is taking a lethargic attitude—for the moment—in steel. However, there is no doubt also that steel business is strong, "The Iron Age," asserts.

The strength of the market is due partly to price and strike hedging. But most steel producers are looking for a good third quarter—strike or no strike—and it's doubtful that the quarter will average any less than 90%. The continued boom in construction, freight car building, oil and gas and capital goods spending constitutes a strong backstop to the letdown in automotive output.

European consumers also are in position to take up some of the slack. Overseas customers have been shortchanged since last year and a tremendous backlog has been building up.

Order books of most steel producers continue to reflect general market strength.

Meanwhile, the situation in Detroit gives no sign of improvement. Scarcely any automotive orders for steel have yet been placed for July delivery. There is some talk of automakers pushing June tonnages back into July, but the expected price increase has discouraged this.

In the automotive industry only half the nation's auto builders were scheduled for five-day operations last week with further lay-offs and labor unrest contributing to sharply reduced production schedules, "Ward's Automotive Reports," revealed.

The statistical agency estimated the past week's car yield at 112,590 completions, another drop from the year's low of 112,730 recorded in the week preceding.

Truck building, though remaining relatively firm at 1956 weekly levels also was expected to fall behind the 1955 total as of this time last year.

Through the week previous, truck manufacturers had maintained a lead over 1955 on a year-to-date basis since the third week of 1956.

The strong weekly counts during last spring reflected an uptrend at Chevrolet, General Motors Corp. and Dodge following late-winter changeover dips.

On the labor front, Chrysler Corp. last week announced further lay-offs affecting 6,200 employees and Ford Division encountered a labor tiff at its Dearborn, Mich. plant which resulted in walkouts.

In addition, less-than-five-day operations were scheduled by the following producers: four days at all General Motors assembly plants including B-O-P home facilities; four days at 10 out of 15 Ford Division car assembly units; 4½ days at American Motors; four days at Chrysler Division and three days at DeSoto.

Elsewhere, American Motors reported it will not resume production of "big" Nash-Hudson cars this Monday as planned. The company has been building only Ramblers since April 23 and reports sales of the smaller car are running at 1955 levels. No definite startup time for the larger vehicles has been set.

### Steel Output Scheduled This Week at 95.7% of Capacity

The chances at present are against a steel strike, but they will change in favor of a walkout if the union stands pat on its demand for week-end premium pay, "Steel" magazine stated on Monday of this week.

The metalworking publication reports odds favor a peaceful settlement if the union does not push the premium-pay demand. As far as the steel companies are concerned, the premium-pay demand could be a strike issue. Its cost alone amounts to 55 cents

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# Observations . . .

## By A. WILFRED MAY

### THAT BULL MARKET ILLUSION

The currently raging stock-split craze is based on the popular twin beliefs that such reduction of the purchase price importantly broadens the share ownership, and results in a price increase.

In a previous article in this space (May 3, 1956) we introduced data denying the validity of these premises, particularly the belief that splitting permanently broadens the ownership base. Reliance on post-split increase in market price is even more illusionary.

A. Wilfred May

An objective factual study, "Effective Stock Splits," by C. Austin Barker, Manager of Financial Research with the Cleveland Electric Illuminating Company, in the Harvard "Business Review" of January-February, 1956, showed that, actually, stock-slicing does not automatically bring about a lasting increase in market price. The determining factor is rather the presence or absence of an accompanying dividend increase.

**A New Investigation**

Thorough exploration of the effect of stock splits and related dividend policies on market price assuredly should dampen the spirit of the multitude of wild split enthusiasts. Particularly interesting, relevant and convincing is a just completed broad study covering splits of industrial and public utility common stocks during the period from 1945 through 1955.

For the industrial segment, those of the 50 companies included in Standard and Poor's Industrial Average that split during the period, were studied. In the case of public utilities, all splits were included if the common stock was listed on either the New York or American Stock Exchange. As a result, a total of 41 splits by 34 industrial companies, and 34 such actions by 31 utilities are covered.

To scrutinize the change in dividends and prices, intervals of three months, six months, and one year after the split, were used. These were related to a date two weeks prior to the announcement of the proposed split, to take into account the advance discounting factor (as via "split candidates" nominating technique).

One problem consisted in preventing the results from being affected by general changes in dividends and market prices midst the bull period. Such changes were avoided by dividing the index of change for the particular company by the index of change for the corresponding Standard and Poor's Average.

The study handles the dividend factor by differentiating the companies with dividend increases above the average for the entire industry, from those with increases in disbursements below the average, at the intervals following the split of three months, six months, and 12 months.

**The Results**

The resulting data, including voluminous charts and tables, show that there is generally a rise in market price between the dates of the split's announcement and its becoming effective. *This* market price spurt usually takes place whether or not there is an accompanying dividend increase.

However, *following* the split date, the market price depends closely on the dividend action. In those cases where the dividend rise exceeded the industry's average, the price continued above its level existing before the split's announcement, although not in proportion to the dividend increase. Furthermore, where the dividend increase was less than the industry average, three months after the split the price fell below the pre-announcement level, more than wiping out the initial gain. And by one year following, the price deteriorated further. All this midst a general bull market!

* * * * *

Hence we must conclude that any *permanent* rise in market price does not result from the stock split itself; but rather from higher dividend disbursements, or from higher earnings.

# Bank Assets in Prosperity

By JAMES N. LAND*

Senior Vice-President,

Mellon National Bank and Trust Co., Pittsburgh, Pa.

**Mellon National Bank official refers to the possibility of a set-back within the next few years of more severity than any readjustment that has occurred since the war, but not one comparable to the early 1930's, in urging bankers to adhere to conservative lending and investment standards. Mr. Land observes prosperity tends to give a deceptive appearance of strength to many marginal firms, deteriorate the quality of lending, and notes the unsustainable recent rates of consumer debt and residential mortgages may prove to be an automatic unstabilizer.**

Bank assets consist largely of borrowers' obligations to pay. The quality of such assets, therefore, turns on the ability of borrowers to keep their promises.

James N. Land

Many times in the past, in periods of prosperity, borrowers and lenders alike have become over-optimistic regarding the amount of debt that could be serviced and paid, and there have been many painful days of reckoning. Will Rogers, once when he was asked what caused depressions, is reported to have replied, "Well, every now and then we have to stop and pay up."

Is history getting ready to repeat itself again, or has the creation of debt this time been sufficiently restrained that no new day of reckoning is to be expected?

The largest single borrower whose obligations are held by banks is, of course, the United States Government. The Federal debt, as we all know, is a huge one. It has not, however, increased markedly in total amount in the last 10 years, and relative to the size of the economy it has declined considerably. At the end of 1946 it was about $1\frac{1}{4}$ times Gross National Product for that year; now it is only about 70% of the current annual rate of Gross National Product.

**Federal Reserve-Treasury Relationship**

There can be no doubt of the continuing ability of the United States Government to meet its obligations in dollars. The money it requires for payments of principal must of course come largely from the sale of new obligations, as must also the funds for financing deficits when they unfortunately occur. The Federal Reserve, while possessing a large degree of independence, recognizes the necessity of maintaining conditions in the money market which will enable the Treasury to carry out its necessary financing. This was demonstrated anew last November in the assistance which the Federal Reserve then rendered to a Treasury refunding. It is unthinkable that the Federal Reserve should set itself up over and beyond the general government to such an extent as to cause the Treasury to default.

**Governments in Banks**

The sole question regarding the quality of United States Government obligations is not whether they will be paid but whether the dollars in which they are paid will have the same or a diminished purchasing power. Prosperity is a threat to the quality of such obligations only if it sets in motion a chain of circumstances which leads to inflation. Regardless of its effect on quality, however, it does tend to reduce the quantity of government obligations in the hands of banks. For instance, during 1955 the pressure to obtain funds for loans caused commercial banks to dispose of about $7 billion of United States Government securities. This substitution of risk assets for riskless caused some lessening in the average quality of bank portfolios.

Private debtors and state and local governments cannot have the same degree of assurance as the Federal Government in obtaining money with which to meet their obligations under any and all circumstances.

**Weaker Marginal Enterprises**

An unfortunate result of a long period of prosperity is that it creates a deceptive appearance of strength for many marginal enterprises. Also many lenders become lulled into a false sense of security as prosperous conditions continue on and on without serious reversal. There is a strong temptation to be content with reduced margins of safety, as for instance in the relationship of current assets to current liabilities on the part of borrowers, whereas past experience would indicate that the reverse would be the part of wisdom. For instance, after an extended period of prosperity perhaps we should regard a current ratio of $2\frac{1}{4}$ to 1 as being no better than $1\frac{3}{4}$ to 1 following a period of liquidation when things had been put to the test. And perhaps we should have a similar viewpoint in regard to the relationship of earnings to charges.

Hindsight has proved that in the past the quality of lending tends to deteriorate in long periods of prosperity. By way of example, I shall cite some figures from a study of the National Bureau of Economic Research of a sample of urban mortgage loans made in the 1920's by life insurance companies, commercial banks, savings and loan associations and mutual savings banks. In the case of residential loans, 21% in volume of the loans made in 1925-1929 eventually went into default as compared with only 8% of the loans of this character made in 1920-1924. The corresponding percentages for loans on business properties were 37% for 1925-1929 and 14% for 1920-1924. These striking divergences can be only partly explained by the fact that the earlier loans had more time to be paid down or paid off before trouble hit.

In suggesting that there may be a margin of borrowers whose ability to pay debts is less strong than it should be, I am not implying a serious deterioration of position on the part of most business enterprises.

In the corporate field at least, the veiw that there has not been a general deterioration seems supported by the overall facts regarding corporate debt. These facts have been obscured somewhat by increased use of the "lease-back" device, which creates obligations that do not appear on the balance sheet. Nevertheless, it seems fairly clear that, if we leave out accrued taxes offset by short-term U. S. Government obligations owned, the rise in the debt of nonfinancial corporations during the last 15 years has not been as great proportionately as the growth in either corporate profits or the general economy during the same period. It is true that this is partly because the debt rose relatively little during the war years, but even if we deal only with the present decade we find little evidence of any markedly disproportionate growth in corporate debt.

When we turn to unincorporated enterprises, we find that their debt has been increasing at a somewhat faster rate than corporate debt, not only over the span of the last 15 years but also during the present decade. This suggests that there may be a greater segment of borrowers of marginal strength among unincorporated businesses than among corporations.

While state and local governmental debt has increased substantially since the war and particularly during the last three years, it is nevertheless considerably smaller now in relation to Gross National Product than it was in 1940 and 1941. Such debt does not seem likely to be a primary or initiating cause of trouble in the economy. The problems of state and local governments relate more to raising new money for

*Continued on page 20*

*An address by Mr. Land before the Pennsylvania Bankers Association 62nd Annual Convention, Atlantic City, N. J., May 3, 1956.

# Future Capital Requirements And Problems of Financing

By ROBERT P. ULIN*
Department of Economics, McGraw-Hill Publishing Co.

**McGraw-Hill Economist refers to economy's built-in demand for new capital—even without inflation—at a steady, upward pace, in the course of estimating corporate plant, equipment and working capital needs will increase one-third more by 1960—totaling $48 billion as against $36 billion in 1955. Expects corporate retained cash flow to increase one-third by 1960, necessitating $16 billion of outside funds. Believes this will not be much of a problem for the financial markets—providing unpredictable inflation and technological changes do not raise capital requirements further. Mr. Ulin notes: (1) now is an excellent time to raise equity capital; (2) advantages in arranging standby by bank credit; (3) importance of providing realistic depreciation policies; (4) capital goods price inflation amounted to 8%-10% in past year and 15% or more in past two years, and (5) small business firms lack access to cash.**

It is no longer of much interest for an economist to say that "This is going to be a good business year." In fact, you probably will not be very much interested if I tell you that it will be a record business year, whether measured in terms of gross national product, industrial production, personal income or the volume of corporate profits. As a matter of fact, the volume of orders now on the books of manufacturing industry is such that a rising trend of business is assured well into 1957. But we are getting used to record years. They come along one after the other, and an occasional mild recession—like those of 1949 or 1954—does not change the fact that, in our time, the habitual course of business is up.

Robert P. Ulin

It would not add much to your knowledge either, if I were to say that this will be a year of record demands on the capital markets. The first part of 1956 has already seen such demands. As most of you know, the prospect is for an all-time level of business capital expenditures. Contrary to some expectations, the amounts of money sought to finance new housing (and to improve old housing) are proving as large as in 1955. Inventory loans are still increasing. The volume of consumer instalment loans has declined slightly. But recent surveys of consumer intentions tell us that the trend will soon be up again. We must still finance a great unsatisfied demand for state and local construction. As we look at total capital requirements, no let-up is in sight.

The need for capital, like the trend of business, is in a steady upward course. Each year, people seem to want bigger and better houses, with more gadgets built in. Each year, they want bigger, more expensive cars — whether they can pay cash for them or not. Each year, factories want more floor space, more complex tools, better lighting, air conditioning and other features. So the cost of a given volume of business in this economy is rising. This is not a temporary condition. It is built into our economy, along with the factory's drive to improve technology and the consumer's urge to improve his living standard. Even without inflation it is taking more capital to finance a unit of production, or a unit of consumer purchases.

### Compound Rate of Capital Growth

Thus, the need for new capital advances not merely in step with the growth in our population, or the unit consumption of goods, but at a compound rate that reflects the increased quality and complexity of the goods that people want. This creates problems for the financial community, for it is their responsibility to see that the new capital is available. Just to make myself unpopular with the financial managers in this group, I might add that we at McGraw-Hill are trying very hard to increase these problems. We are working, with our industrial advertisers, to spread the word about new types of plant and equipment, new construction methods for public works, and new types of durable goods for the consumer.

Some of the new types of capital goods that we are advertising—such as electronic computers, or highly automated machine tools—cost from five to ten times as much as the simpler machines they replace, and still offer a real bargain in terms of labor saving and increased quality of production. So it looks as if the capital goods industries are going to succeed further in their drive to improve products, increase demand and — incidentally — raise capital requirements. Just how well they are succeeding, we will not know until we get the full results of the McGraw-Hill survey now being conducted — on long-range plans for new plants and equipment in 1956-1959. But I can tell you that all advance signs indicate a continuing expansion of capital requirements during the next five years.

### Financing Business Expansion

This brings me to my main subject for today: How are we going to finance expansion in the next five years? Where will we get the money to finance business expansion — perhaps an average increase of 5% per year in our industrial capacity — and about 7 million new cars—and 1.3 million new homes—not just in 1955 or 1956, but every year for the next five years? If this picture of demand sounds optimistic, let me remind you that all forecasts of capital requirements during the past five years were too low. Let's remember also that the dollar value represented by these volumes is rising all the time, without allowance for inflation. So in terms of capital requirements, this forecast may actually be conservative. Now, where will we get the money?

First, let's see how much money we need. In the table which you see, I have listed new plant and equipment requirements — which are the largest single group of capital requirements — for 1955 and 1960. These are figures for all non-financial corporations and are somewhat smaller than the figures for "all business" expenditures, published by the U. S. Dept. of Commerce, which include unincorporated business. It is corporate financing that concerns us today.

As you see in 1955, non-financial corporations invested a total of $24.5 billion in new plant and equipment. By 1960, this investment is likely to reach $32.5 billion, assuming that 1960 turns out to be a year of normal prosperity. This projection of capital requirements was made in our own department, but it is very close to similar projections by other authorities, including the Machinery and Allied Products Institute, which has published excellent studies on this subject.

There are a number of ways to estimate plant and equipment requirements for 1960. One is to relate them to the expected gross national product. Such expenditures were 6% of GNP in 1955; it appears reasonable that they will reach 7% in 1960, which on a GNP of $460 billion, yields an estimate of $32.5 billion. We can project the trend of capital requirements for separate industries and come up with a similar total. I might add that, to get the total, we must include new industries—such as the processing of low-grade iron ores, which is creating new capital requirements in the hundreds of millions—or industrial electronics, which by 1960 may be as big an industry as military electronics or television, and require as much plant capacity.

Still another way to estimate 1960 requirements for new plant and equipment, is to figure the over-all need for new capacity—or in dollar terms, the addition to our stock of capital. The basic work on this has been done by the Machinery and Allied Products Institute. I have simply checked their trend projections against the plans for new industrial capacity reported by companies directly participating in the McGraw-Hill surveys. The way these trends are going, industry will be spending at least $17 billion on new capacity by 1960.

### Investment One-third Higher

But that is only half—or a little less than half—the story. Industry must also replace and modernize its existing facilities. To do this, according to MAPI esti-

*Continued on page 45*

*An address by Mr. Ulin before the Fifth Annual Business Conference of the University of Chicago, April 27, 1956.



# Convertible Bonds—Why and Which

By IRA U. COBLEIGH
*Enterprise Economist*

**Some notes on the defensive merits of prime "converts," plus comment on some issues of varied quality now available.**

Convertible bond buyers never had it so good. The rising interest rates since February have brought many "converts" down to a yield basis not unattractive in its own right; and it's hard to remember a time when there was such a broad selection of really prime bonds, where the premium charge for the conversion privilege was so slight. Further, while many choice "converts" offer a current yield comparable to that of the subject stocks, they enjoy a far higher collateral value than blue chip commons; and until recently many banks would carry best grade convertible bonds on a 10% margin. So it's no wonder these hybrids have become so popular.

Ira U. Cobleigh

Other present advantages of "converts" stand out. They provide a most logical straddle for the speculator who thinks he should now cash in on, and salt away, some of his profits, but who would hate to be out of the market if it broke out again in a roar on the upside. The broad marketability of good convertibles makes them a quite safe vehicle for preservation of invested values, without foreclosing opportunities for great gain if inflation rather than deflation should turn out to be the next order of economic business.

There's also another element in the defensive value of top drawer convertibles that should not be overlooked, and that is the potential buying power of commercial banks in this class of security. We all know how carefully bank examiners comb over bond portfolios (as they should) and how assiduously they rule against purchase or retention of speculative securities. Accordingly no bank would presumably be permitted to purchase a 3% convertible at a premium price yielding, say, 2%. The examiners would surely argue that such a purchase would contemplate solely a speculative gain and would require an unwarranted and unacceptable sacrifice of yield (in addition to incurring the risk of substantial market loss). Conversely if Scott Paper 3% convertibles (now selling at 112) sold in a somewhat depressed stock market, down to 97, they might then be regarded as appropriate for bank purchase on the basis of the high credit of the borrower, and the reasonable yield offered.

In general, if or when a highly rated convertible bond affords a yield within ⅛% or perhaps even ¼% of that of a plain debenture of the same corporation (or of another corporation of comparable industrial status and credit standing) then such a "convert" may be considered for possible bank purchase. As an illustration, Standard Oil of Indiana 3⅛s of 1982 sold in the spring of 1953 at 98 and banks bought them there, though they certainly would not buy them today at 140. Thus you see potential bank buying on a yield basis, plus other institutional purchasing, tends to place a market floor under prime converts thus enhancing their merit as defensive securities.

But enough of theory—let's get down to cases and talk about, not so much defensive qualities, as vistas for capital gains. There have been some marvellously profitable converts. **Interprovincial Pipe Line** 4's due 1970 (convertible into common at 50) were offered at par in 1950; they sold at 350 within 2½ years. In October, 1954, Canadian Pipelines and Petroleum Ltd. offered $750,000 of 5½ notes at 100, convertible into common at $1.50. Since then the common has risen to $3.20 and Canpete 5½s are now 210 bid. It is this search for spectacular performers that adds zest to shopping for "converts." Let's see what issues we can find with market romance, available at reasonable prices today.

**General Dynamics** 3½s due 1975 have a lively market on N.Y.S.E. at around 105. Each $1,000 bond is convertible into 13.33 shares of common. The company is big, glamorous and well managed, representing a merger of Electric Boat Co., Consolidated Vultee Aircraft, and Stromberg Carlson. General Dynamics common now sells at 62; it would have to sell at 79 to equal today's bond price.

Another top flight item is the **Union Oil of California** 3% issue due 1975 at 109 convertible into the common at 65. Common now sells at 59. Union is not only a great West Coast oil company but its horizon has expanded greatly by virtue of Gulf Oil Company's stock and debenture holdings which may in due course amount to a 30% interest in Union.

Another choice "convert" coming due in 1975 is the **W. R. Grace & Co.** (shipping, chemicals, fertilizers) 3½% issue convertible into common at 52½, only 3 points above today's price. The Grace converts sell at 110 providing a cash yield of 3.2%.

**General Telephone** is the second largest telephone company in the U. S. It is splendidly managed and has grown fabulously. It recently offered, by prospectus, a most attractive 4% "convert" due 1971. The price for switching into common is 49 against a current quote right nearby at 45½. This should turn out to be a lively one, and certainly not a costly purchase at 105.

**Scott Paper 3's**, we mentioned earlier. This company has appeared on everybody's growth list and the buyer of these 3's at 112 has a call on a blue chip industrial common at 79, only 6 points above the market. Moody rates this bond "A" — and everyone knows an "A" paper is at the top of the class!

Other blue chip convertibles to keep your eyes on are **Bethlehem Steel** 3¼'s of 1980 at 120. Ten points cheaper this issue would be a doll. Conversion price is at 140 with the stock now quoted at 151. And of course the daddy of all convertibles is **American Telephone and Telegraph** which has delivered, post war, to investors over $3 billion in share-privilege bonds, and added a new fund raising gimmick in the process. When you convert, you use your bond as though it were $1,000 in cash, then put up $48 a share and get delivery of 10 shares at a total cost of $1,480. (This is the way the 3⅞'s of 1967 now selling at 130 operate.)

We'll mention just two more major "converts" and then move on into a more speculative variety. Look at **Southern California Edison** 3¼'s due 1970, convertible at 42.85 per common share, and now selling at 114, and **Canadian Pacific** 3½'s of 1966 convertible at 34.48 and now selling at 107.

The foregoing items were selected on a quality basis. In general you have to pay somewhere around a 10% premium today for an above-market call on a major equity. In practice you should try always to buy a prime "convert" as closely as possible to the price at which the debenture would sell if it had no share privilege.

If you are willing to lessen your accent on defensive qualities and aim for a more dramatic market rise, then we have a few other selections to sketch for you in a thumbnail fashion. Look at **Continental Air Lines.** It's a lively up and coming air transport company serving a splendid territory between Texas and California, with through runs as well from Chicago via Denver to Los Angeles, Seattle and Portland. It is moving ahead, with the latest in equipment, the New Viscount Turbo Prop 810D which travels 400 miles per hour with 70 coach passengers. Continental Air Lines Subordinated 4¾s due 1970 sell at 102 and are convertible into common at 13½ against current price of 11¼. Here you get a good yield, and a well leveraged conversion potential.

**Canadian Prospect Ltd.** has an interesting 5% convertible debenture which you can buy today at 110. It's convertible into common at $5 until Dec. 1, 1958. Here's a good Canadian land play company, with some oil production, quite a swath of strategically located, but unproved acreage in Manitoba and Saskatchewan; and it owns a major stock interest in Canadian Export Gas Ltd., one of the largest potential gas suppliers to the projected Trans Canada pipeline. Canadian Prospect 5's may merit your further inspection.

Another fascinating Canadian "convert" is **Western Decalta Petroleum Ltd.** Here the 5½ notes due Sept. 1, 1968 are convertible into 500 shares of common until Sept. 1, 1956 and then at the rate of $2.38 a share to Sept. 1, 1960. The company is the reorganized merger of a number of smaller West Canada oil properties, and now shows actual oil revenue of above $1¼ million a year, with 10 million barrels of oil reserves, and 23 million MFC in gas reserves. Management is exceedingly experienced, and financial backing impressive. Western Decalta 5½'s at 110 are convertible almost at the current price of common $1.90 on the Toronto Board.

We couldn't begin to cover them all today, and there are **RCA** 3½'s of '80 at 111; **Burlington Industries** 4¼'s at 93; **Textron Inc.** 5's at 104, and **Sheraton Corporation** 4¾'s at 91 which you also should, no doubt, inspect.

In any event the "convert" which is the Janus of securities is a fascinating financial vehicle. As an informed investor, you should surely know about its usefulness for both the defense and offense. You may, by combing over today's selections, pick out a couple of big gainers, when the inevitable inflation that lies ahead of all of us, starts to gain momentum.

## Joins McCarley Staff

(Special to The Financial Chronicle)

SALISBURY, N. C. — Thomas H. Kenley has joined the staff of McCarley & Company, Inc., of Asheville.

## With Bache & Co.

(Special to The Financial Chronicle)

MILWAUKEE, Wis.—Elmer H. Engel has become associated with Bache & Co., 229 East Wisconsin Avenue. He was recently with Brew-Jenkins Company, Inc.

## New Bank Directory Issued

United States Banks are still getting bigger.

They are also dwindling in number, according to the first 1956 edition of the Rand McNally International Bankers Directory, which has just been issued.

The consolidated recapitulation for Dec. 31, 1955, reveals that combined resources of all U. S. banks reached a new all-time high of approximately $252 billion, compared with $234.1 billion on the same date in 1954.

Deposits rose $16.1 billion, from $213.1 billion to $229.2 billion and capital funds are up approximately $1.3 billion, from $18.5 billion to nearly $19.8 billion.

The trend toward increased bank mergers, consolidations, and branches continued during 1955. As of Dec. 31, 1955, there were 14,345 banks in the United States, Alaska and Hawaii—116 fewer than a year earlier. The number of branches increased from 6,807 to 7,508.

Since Dec. 31, 1954, Rand McNally's Directory lists the following bank changes:

| | |
|---|---|
| New banks | 67 |
| Changes of title | 18 |
| Changes of title due to mergers | 13 |
| Banks discontinued | 4 |
| Banks discontinued due to mergers | 140 |
| Conversions | 9 |

Branch changes for the year include:

| | |
|---|---|
| New branches | 425 |
| Changes of title | 30 |
| Changes of title due to mergers | 115 |
| Branches discontinued | 19 |

In individual states, Texas has the largest number of banks, listing 948. Illinois runs a close second with 922. California leads the rest of the nation in number of branches, totaling 1,254. New York is in second place with 1,223.

The Bankers Directory was founded by Rand McNally & Co. in 1872 when there were only 6,097 banks in the country. The book has been published continuously since that date by the company, which this year is celebrating its 100th birthday.

The Directory lists every bank and trust company in the United States and all foreign countries, including brief notations concerning a few inside the Iron Curtain. Only one bank, the State Bank of the U.S.S.R., is listed in Russia which has more than 5,000 offices and branches.

## Detroit Bond Club Plans Outing

DETROIT, Mich. — The Bond Club of Detroit will hold their "Annual Summer Golf Party" at Lakepointe Country Club, Friday, June 8, 1956.

Members will enjoy golf, lunch and dinner, in addition to other activities. Competition is expected to be keen for the Michigan Investor's Cup to be awarded the best two-man company team.

Activities are scheduled to start at 9:00 a.m. with dinner at 7:30 p.m., to be followed by the award of golf and door prizes. Guests of club members are invited.

Victor & Dhooge, Manley Bennett and Company, is President of the club and C. R. Cummings, First of Michigan Corporation is Chairman of the Entertainment Committee.

## With Hayden, Stone

(Special to The Financial Chronicle)

BOSTON, Mass. — John R. O'Day, Jr., has been added to the staff of Hayden, Stone & Co., 10 Post Office Square.

## Laidlaw Adds to Staff

(Special to The Financial Chronicle)

BOSTON, Mass. — Richard J. Sands is now with Laidlaw & Co., 80 Federal Street.

## Joins B. C. Morton Co.

(Special to The Financial Chronicle)

BOSTON, Mass.—Aime P. La Fosse has been added to the staff of B. C. Morton & Co., 131 State Street.

# 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.

**Bonds**—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

**Chemical & Pharmaceutical Industry**—Bulletin—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

**Common Stock Review** — Report — Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

**Dollar Averaging**—Review of potentialities with a list of candidates in current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is a discussion of growth potentialities in **Ethical Drugs** and a discussion of **Atoms for Peace**; also a list of 44 selected companies with possible higher earnings and a list of **Discount Stocks.** Available in the current issue of "Gleanings" is a brief analysis of **American Broadcasting Paramount Theatres,** and selected lists of good quality liberal yield stocks and companies with small share capitalization.

**Fire & Casualty Insurance Companies**—Study—First Boston Corporation, 100 Broadway, New York 5, N. Y.

**Foreign Exchange Quotations**—Folder listing current quotations of currencies of 137 countries throughout the world, also containing tables showing the decimal equivalents of shillings and pence, and common fractions—International Banking Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

**How Does News Affect the Stock Market?**—Study in current issue of "Exchange" Magazine—available on subscription for $1 per year—TB, Dept. 8, The Exchange Magazine, 11 Wall Street, New York 5, N. Y.

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

**New York Stock Exchange**—1956 Fact Book—New York Stock Exchange, Department of Public Relations and Market Development, 11 Wall Street, New York 5, N. Y.

**Outlook for Security Prices** — Bulletin — Hare's Limited, 19 Rector Street, New York 6, 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.

**Public Utility Common Stocks** with income appeal—Bulletin —G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

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**All American Life & Casualty Company** — Analysis — A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

**American Express Company**—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

**Ashland, Kentucky**—Bulletin—The Bankers Bond Co. Incorporated, Kentucky Home Life Building, Louisville 2, Ky.

**Atlas Powder Company** — Analysis — Reynolds & Co., 120 Broadway, New York 5, N. Y.

**Britalta Petroleums Limited**—Analysis—C. M. Oliver & Company Limited, 821 West Hastings Street, Vancouver 1, B. C., Canada.

**Canadian Delhi Petroleum Ltd.** — Study of the assets of the company and its holdings in **Trans Canada Pipe Lines Ltd.** — Wisener and Company Limited, 73 King Street, West, Toronto 1, Ont., Canada.

**Canal Randolph Corporation** — Report — Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive, Beverly Hills, Calif.

**Cataract Mining Corporation**—Report—Capper & Co., 1 Exchange Place, Jersey City 2, N. J.

**Cataract Mining Corp.** — Report — J. K. Rice, Jr. & Co., 120 Broadway, New York 5, N. Y.

**Chesapeake & Ohio Railway Co.** — Memorandum — Cyrus J. Lawrence & Sons, 115 Broadway, New York 6, N. Y.

**City of New Orleans Annual Report** — Scharff & Jones, Incorporated, 219 Carondelet Street, New Orleans 12, La.

**Dayton Rubber Company**—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Whirlpool-Seeger Corp.**

**Diebold Incorporated**—Bulletin—DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **New Superior Oils of Canada Limited.**

**Dixie Aluminum Corporation** — Analysis — Roman & Johnson, 312 East Las Olas Boulevard, Ft. Lauderdale, Fla.

**Dodge Manufacturing Corporation**—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is an analysis of **U. S. Thermo Control Company.**

**First Western Bank and Trust Company**—Analytical brochure —McKee & Co., 900 Wilshire Boulevard, Los Angeles, Calif.

**Florida Power & Light**—Analysis—J. R. Willston & Co., 115 Broadway, New York 6, N. Y.

**Food Mart, Inc.**—Analysis—First Securities Corporation, 111 Corcoran Street, Durham, N. C.

**Ford Motor Co.**—Data—Bruns Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Underwood.**

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

**Hecla Mining Co.**—Analysis—H. E. Herrman & Cohen, 52 Wall Street, New York 5, N. Y. Also in the same bulletin is a discussion of **Bunker Hill Company.**

**Illinois Central Railroad Company**—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Gimbel Brothers, Inc.**

**Marine Midland Corporation**—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

**Nekoosa-Edwards Paper Co.**—Analysis—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available are analyses of **American Express Company** and **Texas Eastern Transmission Corporation.**

**Polychem Ltd.** (India)—Bulletin—including data on various Indian securities — Harkisondass Lukhmidass, 5 Hamam Street, Bombay, India.

**Ranco, Inc.**—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y. Also available is an analysis of **Swank, Inc.**

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

**Smith, Kline & French Laboratories** — Memorandum — Kiser, Cohn & Shumaker, Inc., Circle Tower, Indianapolis 4, Ind.

**Texas Eastern Transmission Corp.**—Analysis—First California Company, 300 Montgomery Street, San Francisco 20, Calif.

**H. I. Thompson Fiber Glass Co.**—Bulletin—Walker's Weekly Newsletter, 215 West 7th Street, Los Angeles 14, Calif.

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

**U. S. Vitamin Corp.**—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

**Westinghouse Electric Co.** — Memorandum — W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

## With Spencer, Zimmerman

(Special to The Financial Chronicle)

COLUMBUS, Ga. — Jere M. Pound has become connected with Spencer, Zimmerman & Co., Inc., 1238 Second Avenue.

## New Benjamin Co. Branch

LAKE CHARLES, La.—Benjamin & Company of Houston, Texas, has opened a branch office at 500 Broad Street, under the management of A. Marshall West.

## Franklin Secs. Adds

(Special to The Financial Chronicle)

ATLANTA, Ga. — Stella C. Fortinberry has joined the staff of Franklin Securities Co., Henley Building.

## Joins Paul McDougal

(Special to The Financial Chronicle)

COLUMBUS, Ga.—C. Luke Burnette has become affiliated with Paul A. McDougal Company, Murrah Building.

# COMING EVENTS

**In Investment Field**

**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 (Connecticut)**
Security Traders Association of Connecticut summer outing at the Shuttle Meadow Club, New Britain, Conn.

**June 8, 1956 (Detroit, Mich.)**
Bond Club of Detroit annual summer golf party at Lakepointe Country Club.

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

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

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

**June 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.

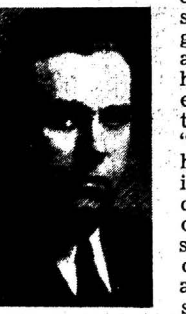
**Oct. 4-6, 1956 (Detroit, Mich.)**
Association of Stock Exchange Firms meeting of Board of Governors.

# Tight Money in a Tight Economy

By ALLYN P. EVANS*
President, Lionel D. Edie & Co., Inc.
Investment Counselors and Economic Consultants, N. Y. City

**Noted Economic Consultant describes the expected convergence of stimulating factors, and the more promising situation of areas currently undergoing correction, in the fourth quarter, resulting in an Index of Production of 148, price level increase of 2%-3%, and $406 billion GNP. Referring to: (1) Federal Reserve pledge to maintain economic growth; (2) inflationary consequence of increasing money at a time of tight capacity and finance, and (3) need to increase the money supply more rapidly or cause a decline in growth, Mr. Evans suggests increasing money supply, via bank reserves, by reducing reserve requirements or changing "bills only" policy. Recommends policy of "tight" and not "easy" money in a tight economy, and the prevention of contraction by preventing excesses.**

Anyone who has had anything to do with lending money or investing in fixed income securities knows that money is tight. However, it is not so fully or generally realized just how tight the economy is today. By "tight" I mean how closely it is operating to capacity, not only with respect to physical plant but also with respect to labor, which currently is 96% to 97% employed. While an exact figure would be difficult to arrive at and equally hard to prove, it may be said for all practical purposes that a Federal Reserve Board Index of Industrial Production of 148 or a Gross National Product of $405-$406 billion in present day prices would represent the operating capacity of the economy. Inasmuch as the Federal Reserve Index stood at 142 in March, and the Gross National Product for the first quarter of 1956 was running at a $399 billion annual rate, you can see that the margin between these levels of activity and capacity is very modest. The gap can be accounted for largely by the present reduced level of activity in the automobile and agricultural machinery industries. A revival in these fields would fully occupy the labor force and plant capacity.



Allyn P. Evans

### Full Capacity Pressures

When an economy is operating as closely to its full capacity as ours is today, any further increase in demand brings with it inflationary pressures. The Eisenhower Administration has been attempting to encourage growth and at the same time keep the dollar sound. The Federal Reserve Board has been endeavoring to avoid excesses in business and control inflationary pressures by pursuing an aggressively tight money policy. Such action would not be necessary were it not for the fact that all but a few of the country's industries are operating at close to capacity and many materials are in short supply. It is because of this tight situation that the business outlook, Federal Reserve policy, and the subject of inflation are receiving so much attention today.

Business as measured by the Federal Reserve Index of Industrial Production has been virtually stationary for the past five or six months. During this period last year's excesses in automobile production, housing, the rate of inventory accumulation and the use of consumer credit have been undergoing correction. The fact that these major readjustments have been and are taking place without disturbance to the overall economy attests to its fundamental soundness. It will require several months more to complete these corrections.

What will the situation be later in the year when this correction has been accomplished? Will business fall off the present shelf or will a base have been laid for a resurgence in activity? As we project ourselves forward into this period we see certain very positive forces coming into play which if allowed to run their natural course will exert strong upward pressure on the economy. The already tight condition of business would become even tighter during the latter part of the year. It is this prospect that is worrying the money managers.

### Stimulating Forces

The stimulating forces that we foresee are several. It is estimated that Federal, state and local spending this year will run $3-$4 billion higher than last year. The Federal Government is increasing its expenditures for defense, foreign aid, agriculture and public works. Local and state governments are increasing their outlays for roads, schools and public services of all kinds. These expenditures, both Federal and local, are in a rising trend and they will be at a higher rate at the year end than they were at its beginning.

Business is planning to spend $35 billion on new plant and equipment this year. This is $6 billion, or 22% more than expenditures were in 1955. The seasonally adjusted annual rate of private capital expenditures in the first quarter was a little over $33 billion. This indicates that a higher rate of spending will be necessary in the later months of the year if the total for the full year is going to amount to $35 billion.

Let us now look at the probable position of the consumer in the latter part of this year. Last fall he began to show signs of conservatism. Personal savings which had fallen to an annual rate of $16 billion in the third quarter of 1955 jumped to $19 billion in the fourth quarter. The trend is still upward and the indications are that by the fourth quarter of this year personal savings will be accumulating at an annual rate of $22 billion, or $3 billion higher than at that time last year.

From an income standpoint his position also should be improved. On March 1 the minimum wage was increased from 75 cents to $1 an hour. While this affected only 2.1 million workers it exerted an upward pressure on the whole wage and salary scale of the country. New wage increases will be granted throughout the steel industry this summer, which will set the pattern for other industries. The result will be that the general wage and salary scale prevailing in the fourth quarter of 1956 will be higher than in the four quarter of 1955. Personal income we believe will then be running at an annual rate of $320 billion as compared with a rate of $312 billion in the fourth quarter of last year.

Take home pay also will be higher during the closing months of this year than it was last year. We are often inclined to overlook the fact that Social Security taxes are collected on the first $4,200 earned. With the ever rising level of personal earnings more and more workers complete their Social Security payroll deductions earlier and earlier each year. A worker earning $4,200 a year has his Social Security taxes deducted from his wages for 52 weeks but a worker earning $5,200 a year completes his deductions in 42 weeks. By the fourth quarter of this year the number of workers out from under these deductions will be greater than a year ago and therefore they will be enjoying an increase in their take home pay.

### Income Tax Reduction

Washington tells us that there will be no reduction in personal income taxes in 1956. This may prove to be the case, but the fact is that the Treasury not only will close this fiscal year with a substantial cash surplus but the indications are that an even larger cash surplus will be experienced for the next fiscal year. Therefore one cannot rule out the possibility of some reduction in taxes this year. However, let us assume that no cut in taxes will be made. By the closing months of 1956 the consumer, being fully aware of the Treasury's cash position will be anticipating a tax cut for early in 1957 and this we believe will have a psychological effect upon him.

At this point I would like to emphasize that every dollar spent on capital improvement by industry, and as I have said the figure will be $6 billion greater this year than last, generates more than $1 of consumer spending as it passes through the economic machine. Likewise, it has come to pass that a dollar of tax cut generates more than $1 of consumer spending. Why? Because under the present spending habits of the American public the consumer does not look upon a tax cut of, say, $120 a year as giving him $120 more to spend. He looks upon it as giving him $10 a month to pay off on a loan incurred to buy some article costing twice as much that he yearns to own. So capital expenditures and tax reductions represent powerful stimulants to consumer demand.

### Consumer Debt Exaggerated

Consumer debt has received much attention during the past year. Fears have been expressed that the consumer has overburdened himself with debt and that he has exhausted his buying power. It is our opinion that the dangers in the situation have been exaggerated. News releases and headlines frequently create a false impression in the public mind that consumer credit has risen steadily without interruption. However, analysis reveals that there have been clearcut cycles of approximately 29 - 33 months in net consumer instalment credit extensions. By this I mean the difference between new instalment credit extended and repayment on instalment credit by consumers. When these changes are determined on a monthly basis, seasonally adjusted and then plotted, the result is a series of clearly defined cycles.

The last peak in the cycle occurred in September, 1955. Since then we have been moving irregularly in a downward direction. The low point in the current cycle should be reached during the fourth quarter of this year. At that time the consumer's capacity to borrow will have been improved, and when this condition has existed in the past the trend has changed and an upward phase of the cycle begins. The probability is that this historical tendency will be repeated in the fourth quarter.

It is our opinion that the combination of higher income, higher take home pay, greater savings, improved debt position, lower taxes or the prospect of lower taxes will put the consumer in a spending frame of mind during the fourth quarter.

The exceptionally heavy demand for automobiles that occurred in the third quarter of last year induced the industry to push production during the fourth quarter so that we entered this year with a large inventory of new cars in dealers hands.

It has been pretty generally accepted that the companies will introduce their new models earlier this year than they did last. Furthermore, the publicity that has been given to the radical restyling of next year's cars has restrained many prospective purchasers from buying a car that would be out of date within a relatively few months. So we have been witnessing a decline in sales which in conjunction with the struggle to work down the heavy inventory has necessitated a cutback in production. In the fourth quarter of this year the automobile industry will be in full production of new models. This will coincide with the bottoming out of the instalment credit cycle. Thus we look for a step-up in automobile sales and production in the fourth quarter.

Much has been said about the fact that housing starts in the first three months of this year are about 15% below those of a year ago. This slowdown is probably the result of the tightening up of mortgage loan requirements put into effect last year. However, the government seems to have set 1,200,000 housing starts as a minimum and a couple of months ago it rescinded the reduction in the length of mortgages that it had put into effect in 1955 and returned to the 30-year term. There is usually about a six months lag in the building field, and response to the extension of mortgages from 25 to 30 years will take some weeks more to catch on. If the rate of housing starts does not increase it is possible that the government might also ease up in the matter of down payments, and by summer find us back to the practice of nothing down and 30 years to pay. The effect of such a move would be apparent by fall. In any event, housing starts taken in themselves can be misleading in their economic implications.

Floor space is a more realistic unit of comparison. The trend today is toward larger homes. Those new families who bought small homes after the second World War are outgrowing those homes and seeking larger ones to accommodate their increasing families. Therefore, even though housing starts this year may be 50,000 to 80,000 below 1955, the floor space will be almost the same, and when to this is added the factor of higher costs the total value of resi-

*Continued on page 50*

*An address by Mr. Evans delivered before the 36th Annual Conference of the National Association of Mutual Savings Banks, Washington, D. C., May 7, 1956.

# NSTA Notes

### NSTA 1956 ADVERTISING COMMITTEE

Harold B. Smith, Pershing & Co., New York City, Chairman of the National Advertising Committee of the National Security Traders Association, Inc., announces the appointment of the local affiliate Chairmen to the 1956 Advertising Committee.


Harold B. Smith


Walter G. Mason


A. Gordon Crockett


John W. Bunn


Phillip J. Clark


John L. Canavan


Edward J. Kelly

Assisting Mr. Smith as Vice-Chairmen of the Advertising Committee are Walter G. Mason, Scott, Horner & Mason, Inc., Lynchburg, Va.; A. Gordon Crockett, Crockett & Co., Houston, Tex.; John W. Bunn, Stifel, Nicolaus & Company, Incorporated, St. Louis; Phillip J. Clark, Amos C. Sudler & Co., Denver; John L. Canavan, Rauscher, Pierce & Co., Inc., Dallas; and Edward J. Kelly, Carl M. Loeb, Rhoades & Co., New York.

**NSTA 1956 Advertising Committee Chairmen**

*Alabama Security Dealers Association:* Arthur Stansel, Courts & Co., Birmingham, Ala.

*Arizona Association of Security Dealers:* Benton M. Lee, Dean Witter & Co., Phoenix, Ariz.

*Baltimore Security Traders Association:* Charles A. Bodie, Stein Bros. & Boyce, Baltimore, Md.

*Bond Club of Denver:* Phillip J. Clark, Amos C. Sudler & Co., Denver, Colo.

*Bond Club of Louisville:* Hector W. Bohnert, The Bankers Bond Co., Inc., Louisville, Ky.

*Bond Club of Syracuse:* John P. Miles, L. D. Sherman & Co., Syracuse, N. Y.

*Bond Traders Club of Chicago:* Lester J. Thorsen, Glore, Forgan & Co., Chicago, Ill.

*Boston Securities Traders Association:* James R. Duffy, Paine, Webber, Jackson & Curtis, Boston, Mass.

*Cincinnati Stock & Bond Club:* Harry J. Hudepohl, Westheimer and Company, Cincinnati, Ohio

*Cleveland Security Traders Association:* Frederick M. Asbeck, Wm. J. Mericka & Co., Inc., Cleveland, Ohio

*Dallas Security Dealers Association:* John L. Canavan, Rauscher, Pierce & Co., Inc., Dallas, Tex.

*Florida Security Dealers Association:* William R. Hough, Beil & Hough, Inc., St. Petersburg, Fla.

*Georgia Security Dealers Association:* James B. Dean, J. W. Tindall & Company, Atlanta, Ga.

*Investment Traders Association of Philadelphia:* Clifford G. Remington, Woodcock, Hess & Co., Inc., Philadelphia, Pa.

*Kansas City Security Traders Association:* William J. Dyer, Burke & MacDonald, Inc., Kansas City, Mo.

*Memphis Security Dealers Association:* A. L. Whitman, Bullington-Schas & Co., Memphis, Tenn.

*Nashville Security Traders Association:* Kenneth B. Schoen, J. C. Bradford & Co., Nashville, Tenn.

*New Orleans Security Traders Association:* Robert D. Alexander, Howard, Weil, Labouisse, Friedrichs & Company, New Orleans, La.

*Pittsburgh Securities Traders Association:* Kenneth Moir, Chaplin and Company, Pittsburgh, Pa.

*San Francisco Security Traders Association:* Walter C. Gorey, Walter C. Gorey Co., San Francisco, Calif.

*Seattle Security Traders Association:* Howard W. Jones, Jr., National Securities Corp., Seattle, Wash.

*Securities Dealers of the Carolinas:* McDaniel Lewis, McDaniel Lewis & Co., Greensboro, N. C.

*Securities Traders Association of Detroit and Michigan:* William P. Brown, Baker, Simonds & Co., Detroit, Mich.

*Security Traders Association of Connecticut:* William H. Rybeck, William H. Rybeck & Company, Meriden, Conn.

*Security Traders Association of Los Angeles:* John C. Hecht, Jr., Dempsey-Tegeler & Co., Los Angeles, Calif.

*Security Traders Association of New York:* Harold B. Smith, Pershing & Co., New York City

*Security Traders Association of Portland, Oreg.:* Dan V. Bailey, Foster & Marshall, Portland, Oreg.

*Security Traders Club of St. Louis:* Vincent C. Weber, Weber-Mitchell & Co., St. Louis, Mo.

*Twin City Security Dealers Association:* Oscar M. Bergman, Allison-Williams Company, Minneapolis, Minn.

*Utah Securities Dealers Association:* A. Payne Kibbe, A. P. Kibbe & Co., Salt Lake City, Utah

*Wichita Bond Traders Club:* Don H. Alldritt, Mid-Continent Securities Company, Inc., Wichita

### SECURITY TRADERS ASSOCIATION OF CONNECTICUT

The Security Traders Association of Connecticut will hold their annual summer outing on Friday, June 8, at the Shuttle Meadow Club, New Britain, Conn. Dinner will be served at 7 p.m. Tariff, $12. Reservations may be made with Frank Cilento, Shearson, Hammill & Co. Other members of the Committee are John E. Graham, G. H. Walker & Co., Hartford, Chairman; Roland Burnett, Fahnestock & Co., Hartford; George Dockham, Hincks Bros. & Co., New Haven; Guy Hogarth, Edward M. Bradley & Co., New Haven; Norman Maigret, Coburn & Middlebrook, Incorporated, Hartford, and William Sweeney, Sweeney & Company, New Britain.

### SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of May 10, 1956 is as follows:

| Team: | Points: |
|---|---|
| Serlen (Capt.), Gold, Krumholz, Wechsler, Gersten | 52½ |
| Bradley (Capt.), C. Murphy, Voccolli, Picon, Hunter | 47 |
| Kaiser (Capt.), Kullman, Werkmeister, O'Connor, Strauss | 46 |
| Barker (Capt.), Bernberg, H. Murphy, Whiting, McGovan | 43 |
| Leinhardt (Capt.), Bies, Pollock, Kuehner, Fredericks | 42½ |
| Krisam (Capt.), Farrell, Clemence, Gronick, Flanagan | 42 |
| Donadio (Capt.), Brown, Rappa, Shaw, Demaye | 40 |
| Growney (Capt.), Define, Alexander, Montanye, Weseman | 37½ |
| Meyer (Capt.), Corby, A. Frankel, Swenson, Dawson Smith | 36½ |
| Manson (Capt.), Jacobs, Barrett, Siegel, Yunker | 35 |
| Leone (Capt.), Gavin, Fitzpatrick, Valentine, Greenberg | 29½ |
| Topol (Capt.), Eiger, Neiman, Weissman, Forbes | 28½ |

| 5 Point Club | 200 Point Club | |
|---|---|---|
| Hank Serlen | Jack Barker | 211 |
| | Joe Flanagan | 204 |
| | Walt Bradley | 204 |

# Peaceful Atomic Energy Development Stressed

**First National City Bank draws upon Arthur D. Little, Inc., report in depicting peaceful uses of atomic energy, and impact upon industrial location, labor market, export trade and domestic market. Expects nuclear powered electric plants by 1980 will amount to $25 billion investment, and that this growth rate will require $500 million annual expenditure by 1965 for research and development.**

Nuclear-powered merchant ships, radiation-preserved food and fundamental changes in labor markets and industrial locations are some of the developments expected in the peaceful use of atomic energy, according to The First National City Bank of New York.

These are conclusions in a report prepared for the Bank by Arthur D. Little, Inc., Cambridge, Mass. research and engineering firm. The New York bank has retained the firm as its consultant in the atomic energy field.

The report estimates that nuclear plants by 1980 will represent about 20% of installed electricity generating capacity and a cumulative investment of $25 billion. To achieve this growth rate, research and development expenditures on reactor work should reach $500 million annually by about 1965. Research manpower is one of the most critical problems in the future of nuclear technology and must be met by training a large number of new professional men if the industry is to grow to the size indicated by 1980, according to the report.

**Conventional Fuels' Partner**

"It cannot be emphasized too strongly," the report states, "that nuclear power will be a partner of conventional fuels, rather than a competitor, in meeting the rapidly rising per capita power demands of the world. There is every reason to believe, for instance, that no important phase of the oil business will be adversely affected in the foreseeable future."

The report recommends a study of the economic feasibility of nuclear-powered merchant ships in view of the fact that a large portion of the U. S. merchant fleet may need to be replaced between 1960 and 1965. Nuclear propulsion is technically feasible now.

An important by-product of nuclear technology is the irradiation of foods to preserve their nutritive values. Partial sterilization of food has extended the shelf life of fresh-cut meat at ordinary refrigerator temperatures by more than five times. The storage life of potatoes has been increased from four to 18 months without spoilage by sprouting or softening.

The projected use of radiation-preservation in food processing may well bring about major changes in marketing, distribution and packaging. Light flexible containers, for instance, may show advantages over conventional cans. Nuclear radiation also holds promise of preserving heat-sensitive drugs, such as antibiotics. It is recognized, though, that extensive tests, extending over several years, will have to be carried out, proving absence of toxicity in irradiated foods and drugs, before these can be put on the consumer market.

The report predicts that industrial uses of radioisotopes may bring about a $1 billion savings 10 years hence. Radioisotopes are now estimated to be saving industry $100 million a year.

**Industrial Location**

Besides promising an adequate energy reserve over the next few centuries, nuclear power may also bring about changes in industry location and labor markets on a global scale. It may make available adequate and economic power in isolated regions where heat and electricity have not hitherto been available because of high transportation costs of conventional fuels. As an example, the report states that, "One can envisage integrated mining, refining, and smelting operations for metals at the minehead itself, from which we now have to transport untreated ore hundreds or thousands of miles to areas with cheap electricity for processing."

"The free countries of the world," the report concludes, "are looking to the United States for leadership in the peaceful uses of nuclear energy. Leadership implies participation in world affairs. It requires not only technological pre-eminence but the freeing of traditional channels of trade for atomic hardware. United States industry and finance can and should accept this challenge, once government restrictions are sufficiently relaxed to permit it to take the initiative. Besides being of obvious political and economic importance, the nuclear export market could be a major factor in the establishment of a healthy and vital nuclear industry at home, at least during the decade immediately ahead, before the domestic nuclear-power demand will itself support the industry."

# Charles F. Samson 50 Years on NYSE

Today (May 17) marks Charles F. Samson's golden anniversary as a member of the New York Stock Exchange, a date that coincides with the 164th anniversary of the founding of the Stock Exchange under the fabled buttonwood tree on lower Wall Street. Mr. Samson is now senior partner of Carlisle & Jacquelin one of the leading firms dealing exclusively in odd lots. Carlisle & Jacquelin was formed in 194[illegible] through a merger of Carlisle Mellick & Co. with Jacquelin & DeCoppet, another firm of odd lot dealers.

Mr. Samson now ranks number 15 in respect to years of membership in the Exchange. He stepped up a notch, from number 16, with the recent death of Frank Jay Gould.

Starting his business career with the Stock Exchange firm of Halle & Steiglitz in 1902, Mr. Samson purchased his Exchange membership on May 17, 1906 for $82,000 and for a time operated on the floor as a so-called $ broker. In 1908, as an original partner, he helped organize the firm of Carlisle, Mellick & Co.

## Harris, Upham Expands in Houston, Colorado Spring

Harris, Upham & Co., nationwide investment brokerage firm with 35 offices coast to coast and members of the New York Stock Exchange, has expanded and modernized offices of the firm in Houston, Texas and Colorado Springs, Colorado, "in keeping with increased customer activity and as part of Harris, Upham's over-all policy to provide maximum service facilities in each of our offices across the country," according to an announcement by Henry U. Harris, a senior partner of the firm.

## Merrill Turben Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Nathan F Corning is now with Merrill Turben & Co., Inc., Union Commerce Building, members of the New York and Midwest Stock Exchanges.

# The Broader Monetary Scene And Dangerous Destabilizers

By DR. E. SHERMAN ADAMS*
Deputy Manager, Department of Monetary Policy
American Bankers Association

**Voicing concern about the private—not public—indebtedness pace, Bankers' Research Economist probes such unstabilizing trends as: (1) consumption borrowing being larger than indicated by consumer credit statistics, and the extent of commercial bank credit in the mortgage market; (2) assumption housing cannot be overdone; (3) alarming ratio of sales volume to cash balances; (4) possible dangerously rapid wage increase; (5) further rise or slackening of money turnover; (6) another rise in the price level; (7) monetary illiteracy; and (8) complicating government real estate policies and monetary authorities' inability to pursue restrictive monetary policies single handedly. Suggests six ways to aid the Federal Reserve's efforts in strengthening the money picture.**

Wherever we turn these days, we find a Situation — international, political, economic, or what-have-you. Since our stock in trade is money, it would seem appropriate for us to examine the Money Situation.

Dr. E. S. Adams

Now analyzing the Money Situation is, of course, simply one way of viewing the entire economic scene. Some people think that it is a myopic view, that we should think in terms of resources and human well-being, rather than in terms of money. This is an appealing idea, even to bankers, but it so happens that ours is a monetary economy. Money is our economic lifeblood, and the pulse of our economy can best be measured in monetary terms.

So it may be revealing to consider what can be said about the Money Situation as of early 1956. Is the condition of money and credit sound in all major respects, or are there perhaps some aspects that should give us concern?

### Is This Just a Breathing Spell?

It is a good time for such a stock-taking. We are now having a respite from the acute inflationary pressure of 1955. No one knows how long this period of transition will last or what we are transitioning into. Some believe that before long our economy may again take off on the upside and that we will then enter into the final and perhaps explosive phase of this most prolonged boom in our history. In a word, maybe this is 1927.

Assuming an upturn, what dangers should we guard against to prevent this biggest boom from leading to a depression?

### Perils of Prosperity

A friend of mine recently suggested that a society should be organized for the protection and preservation of the business-cycle economist. Otherwise, he pointed out, this strange bird may soon become extinct.

It is doubtless evident to you already that I belong to this dwindling species which has as its distinctive characteristic the quaint notion that the business cycle is not dead. Its members believe that prosperity cannot yet be classed with death and taxes as one of the inevitabilities of life.

In many circles today, this view is regarded as neolithic. The emphasis is on the built-in stabilizers of our shiny "New Economy," and little attention is paid to the built-in destabilizers of the business cycle.

Now all of us, I feel sure, are aware of the many ways in which our economy has now become more stable than it used to be; and we may be prepared to grant that we have today more knowledge and better weapons for combating instability. But these factors do not add up, at least not in my book, to a depression-proof economy. The date of the end of our last New Era was 1929.

So, if you are willing to concede the possibility that the Perils of Prosperity may be somewhat less outdated than the "Perils of Pauline," let us examine what these perils may consist of, assuming a revival of the boom.

### The Danger of Overspending

From a monetary standpoint, the chief danger for the future may be summed up in a single word: overspending. If the flow of money through our economic system accelerates too fast, it can lead to a period of deceleration, a period of reduced spending that would spell a shrinkage in employment and production.

Over the past decade, spending from current income has been vastly augmented by spending from borrowings. Debt has increased much faster than income. A further rapid rise in debt over the years ahead could lead to serious trouble.

Debt expansion is especially dangerous when it outruns the supply of credit available from current savings to such an extent that it results in an excessive use of bank credit. This causes an inflation of the money supply that undermines economic stability.

It should also be remembered that increased spending can result from an acceleration in the velocity of money turnover. The flow of money depends not only on the quantity of money but also on the rate at which it is spent. Money velocity usually accelerates during a boom and thereby contributes to overspending. Since 1949 about one-third of the increased spending in the United States has been financed by additional money created through the banks and about two-thirds has been financed by the sharp rise in money velocity.

These two factors affecting the volume of money spending, fluctuations in debt and the rate of money turnover, are closely interrelated. Rising demands for credit may activate dollars previously inactive and inject them into the spending stream—as, for example, when corporations purchase Treasury obligations or commercial paper. Also, many businessmen who are forced to borrow may operate with a minimum of cash in order to keep down the amount of their borrowings. The evidence suggests that in recent years debt expansion has not only caused an increase in the volume of money but has also contributed to the acceleration of its rate of turnover.

In analyzing the Money Situation, therefore, we must take into account not only the relationships among debt, savings, and bank credit but also the factor of money turnover.

### Living It Up on Credit

Looking at the debt picture in perspective, it is clear that our chief concern today is with private, rather than public, borrowing. Over the past decade, there has been little change in net public debt, whereas private indebtedness has expanded enormously — considerably more than the wartime increase in the Federal debt. If the boom is renewed, this is where further credit expansion would be concentrated — with individual and business borrowers.

About half of the rise in private indebtedness has been in personal debts. As is well know, a goodly chunk of this has taken the form of instalment credit. What is not so generally realized is that borrowing for consumption purposes has been much larger, especially over the past year, than the consumer credit statistics indicate.

During 1955 more than half of the $16½ billion increase in mortgage debt was on *old* housing—not new homes but houses already in existence. The second mortgage rides again, and its use is not confined to home repairs and modernization. The evidence strongly suggests a rapidly growing tendency on the part of many people to increase their mortgages in order to spend more for current consumption. This monetization of inflated real estate values is hardly an encouraging portent.

As we know, consumer borrowing is financed to a large extent, either directly or indirectly, by bank credit and therefore affects the money supply. It may also influence the rate of money turnover. There is no blinking the fact that wide swings in the volume of this type of indebtedness can have an unstabilizing impact upon our economy.

The experts seem to agree that consumer debt is not likely to rise much during 1956. It is significant, however, that automobile manufacturers have embarked upon vast programs for enlarging their productive capacity. These expansion plans suggest the possibility of a further ballooning of instalment debt in the not-too-distant future.

### The Inflation of Mortgage Debt

Over the past decade, the growth of mortgage debt has been truly spectacular — about four times as large as the increase in instalment credit. Here again some slowing down is predicted for 1956. Even so, it is generally expected that the rise in mortgage debt this year will be more than twice as large as the record expansion in instalment debt during 1955. It may be that the forecasts do not give enough weight to the new tendency, already mentioned, of adding to the mortgage on the old homestead.

One of the disquieting things about the increase in mortgage debt is that it has not been financed entirely from current savings, as it ought to be. Especially over the past year and a half, a substantial volume of commercial bank money has been flowing into the mortgage market. This is reflected not just in the banks' mortgage portfolios but also in their warehousing and construction loans and their holdings of obligations of the Federal National Mortgage Association and the Federal Home Loan Banks. In addition, inflation in housing has doubtless contributed to the increased velocity of money turnover.

### The Housingites

Government policies with respect to housing have been partly responsible, of course, for the swelling of mortgage debt. In this country, as in many others, housing has today become a magic word. It has a built-in halo. One can no more be against housing than one can be against motherhood. In fact, housing is the more sacred of the two because some countries have at least decided that motherhood can be overdone, but they have not yet learned this about housing.

Indeed, a new species has emerged: the housingite. His credo consists of two simple propositions: (1) that housing should always be stimulated more, no matter what, and (2) that those who disagree are anti-social.

Housingites are not concerned about economic consequences. They do not even seem to be much interested in what happens to housing costs. The stimulation of housing in recent years has clearly contributed to the 28% rise in construction costs since 1947-49. This means that home owners have been forced to pay more than they otherwise would have paid to acquire or to modernize their homes. They have received less housing, rather than more, for their money.

This is naturally a matter of concern to many of us who sincerely desire to see the American people enjoy more and better housing. It makes little or no impression, however, upon the housingites.

### Housingitis

Housingitis is an economic inflammation that develops when a people tries to eat too much of its cake and build too many houses with it at the same time. If you look abroad, you will find many countries — Great Britain and Sweden, to cite but two examples —where housingitis has become a major inflationary threat. These countries have simply gone further along the same road that we too have been traveling in recent years.

As for the future, there is little sign of any abatement of private and political pressures on government to stimulate residential construction. Excessive stimulation over the period ahead could further inflate construction costs. It could also result in diverting too much of the available supply of credit into the mortgage market, thereby intensifying the pressure on the money supply. It would lead eventually to a degree of saturation in the housing market that would bring about a drop in real estate values and a sharp decline in residential construction.

In short, spending based on real estate credit could become a menace to the stability of our economy.

### Business Borrowing and Money Turnover

Let us now look briefly at the other big segment of private indebtedness; namely, business borrowing. As we all know, business demands for credit in recent years have been strong and have been met to a large extent by the commercial banks.

It should be noted, however, that the rise in business borrowing has not been as great as might have been expected in view of the

*Contiued on page 14*

*An address by Dr. Adams before the Providence Chapter of the American Institute of Banking, Providence, April 12, 1956.

# Accelerated Depreciation's Use to Stabilize Economic Growth

By JOHN AIREY

**Disputing "handout" contentions, Mr. Airey approves and considers accelerated depreciation an economic governor potentially capable of modifying capital creation swings—i. e., the business cycle. Author does not believe it impossible to adjust tax laws allowing unlimited volitional choice of depreciation rate schedule. Explains inducement to firms to modernize and expand during poorer times by selecting minimum depreciation rate and natural tendency to use maximum rate, dampening capital goods creation, during economic upswing. Interest free loan aspect involved in the first year's complete write-off is held to be of negligible importance.**

There is considerable confused thinking on the subject of accelerated depreciation, with occasional statements or inferences that it is a "handout" to corporations. This is quite quite untrue except in the rare cases where the corporation doesn't have a profit in its future.

John Airey

The analysis can be reduced to mental arithmetic if we make the assumption that the present 52% corporate tax be changed to the figure 50% and also ignore the minor fact that the first $25,000 of profit carries a tax of only 30%.

In the first case, suppose a purchase of equipment is made costing $100 and that the expectation of life without accelerated amortization is 10 years. Assuming straight line depreciation, profits will be decreased by $10 in each of the following 10 years and $5 will be saved each year in taxes.

In the second case, let us consider the extreme limit of complete write-off in the year following purchase. Profits in the year of write-off will be $100 smaller and, therefore, a tax saving of $50 will result instead of a mere $5 in the former case.

In both cases the corporation has paid $50 less total taxes during the 10-year period. In the second case the corporation is $45 better off cashwise in the first year, but is $5 worse off cashwise in each of the succeeding nine years.

### Zero Interest Loan

Compared to straight line depreciation, this sometimes alleged "giveaway" is solely a zero interest loan of $45 by the tax collector to the corporation, which is repaid at the rate of $5 in each of the following nine years. Academically speaking, that statement is not quite correct. The "borrower" pays this loan back, *but only out of profits.* Those companies who do not have a profit in their future will have received a "giveaway." Such cases are so few as to be negligible.

However, practically all politicians and some economists do not object to helping a drowning activity and many even consider it a virture, which it is not. Nevertheless, the frequency and magnitude of such cases is so small as to be of negligible interest and is referred to here only in the interest of complete truth.

Now let us appraise the "virtues" of an interest-free loan. There can be no differences of opinion that if one either must or *would like* to borrow money then a zero rate is superior to any other, whether it is 2% or 6%.

In business operations obtaining a loan is sometimes a necessity, but probably equally frequently it is optional.

If it is a necessity then something unforeseen presumably has happened and a loan is required to get across the valley. Under these circumstances, whether the interest rate is zero or 6% is relatively a trifling matter—the loan will be taken anyway.

When some additional activity or general expansion is contemplated, which clearly cannot be undertaken without a suitable loan, then obtaining a loan is optional because the decision has not yet been made to go through with the proposal. Further, the decision will not be made affirmatively until those concerned have satisfied themselves that a loan on suitable terms is negotiable. Even in this case the interest rate is not a serious factor in influencing the decision providing it is in the conventional region of 3% to 5%. It is doubtful if any businessman *knowingly* undertakes an optional development unless he believes rather strongly that he is going to make 10% plus on the capital employed.

What are the advantages of an interest free loan repayable only out of profits?

If, during the life of this interest free loan the operation does not have to borrow money, the value of the interest free loan is zero and merely swells the cash balance. However, if during this period the operator would have had to borrow money if he had not had this interest free loan, then an increase in earnings would result compared to the condition with no such interest free loan.

It is unlikely that the magnitude of such potential savings would be serious in relation to the financial operation as a whole.

### Investments Equal Savings

Having disposed of the alleged "giveaway" aspect of the accelerated depreciation, it is desirable to look at the recommended proposals of permitting the operator to have complete flexibility of choice in acceleration of depreciation. Carried to the extreme, this would result in complete write off the first year. Those who make such proposals are assumed to be motivated by the maximum welfare of society rather than any alleged benefits to the operators. They have a good case, but with qualifications, which it is desirable to analyze.

It is well known and widely accepted that the Achilles' heel in our free economy is the wide swings in the creation of capital goods. Consumption goods *in comparison* are relatively stable through foul weather and fair.

It is fundamental that for total economic activity to be stable, current savings must be currently invested. The word "invested" is used in the sense of the creation of new capital goods, houses, factories, equipment, *et cetera,* over and above depreciation. If investments exceed savings, economic activity will increase. If investments are less than savings, economic activity will decrease.

A "perfect" economy is that set of conditions which would give the maximum production of goods and services. No one would dispute that statement, although it is probable that no two people would quite agree on a definition of the component conditions which would bring that about. Some unemployment will always exist unless we become a technologically static economy or a welfare State. We except that neither will occur. The best we can hope for is a continuous pulsation in economic activity, and the magnitude of the pulsations will vary — about a "perfect" median.

### Business Cycle Regulator

If we had *unlimited* choice in depreciation rates, operators would tend to use the maximum rate when above the median because:

(1) Profits are presumably higher than average, and

(2) Producing capacity is more likely to be at the limit than when below the median.

An inducement to increase the creation of new capital goods, when the economic pulse is below the median, would help minimize variations in economic activity. Similarly, an inducement to dampen creation of capital goods, when unemployment is less than that which gives the most effectiveness, would be helpful in checking the inflationary tendency and tend toward decreased fluctuations.

It may be difficult, but it certainly does not seem impossible to so tailor the tax laws covering depreciation that a selfish inducement exists for each operator to tend more to renovate and expand his plant in times of lesser economic activity. It has administrative difficulties, but not insurmountable ones, and an improvement toward economic stability potentially lies in that direction.

Too much thought and publicity have been given to purchasing *power* for consumption goods rather than to the governor of the economy, creation of capital goods to offset savings.

The fallacy enters because purchasing *power* is almost invariably regarded as synonymous with purchasing *act.* The facts are that purchasing power plus purchasing *willingness* are required to cause a purchasing *act.* In fact, the purchasing *power* can be substituted by *credit* and the result will be temporarily the same.

Capital goods are the nerve center of our free economy. Additional expenditures in this direction create the additional purchasing power among the consumers, which in turn tends to increase the demand for consumption goods.

In looking toward minimum economic instability, let us get rid of the notion that accelerated depreciation has any "giveaway" feature to it and use this mechanism in that way which will be most helpful in moving toward economic stability.

## Francis I. du Pont to Admit E. A. White

SAN FRANCISCO, Calif.—Edward A. White, resident manager for Francis I. du Pont & Co., 317 Montgomery Street, will become a partner in the firm on June 1.

## Forms Wansker & Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Robert L. Wansker is engaging in a securities business from offices at 4410 East Brookhaven Drive, N.E., under the firm name of Wansker & Co.

# Connecticut Brevities

The Connecticut State Aeronautical Commission has announced plans to enlarge Bradley Air Field at Windsor Locks over a three year period and at a cost of several million dollars. Plans call for extension of three of the present runways and construction of a new 12,000 foot runway. One of the runways will be designed for instrument landings. The expansion will also involve a new freight terminal building and additions to the present passenger terminal. The program is being undertaken to prepare Bradley Field for the coming of jet-powered commercial airliners.

Announcement has recently been made of the proposed formation of a new company, **The Connecticut Water Company,** which will result from the merger of **Guilford-Chester Water Company** and **The Naugatuck Water Company** and the acquisition by the new company of the water properties of **The Connecticut Light & Power Company.** The resulting company proposes, subject to approval of the plan by stockholders of Guilford-Chester and Naugatuck and to approval by the Connecticut Public Utilities Commission, to sell to the public, through an underwriting, about 45,000 shares of its common stock to provide part of the funds necessary to complete the purchase of the water properties of Connecticut Light and Power. The resulting company will serve parts of 16 of the State's 169 towns.

**The Heli-Coil Corporation,** Danbury, has recently purchased production facilities of **Towle and Son Company,** Conshohocken, Penn. These facilities which are used to manufacture aircraft parts will be moved to Danbury where they will be set up as a new division of Heli-Coil.

**Sarong, Inc.** of New Haven has announced plans to move its operations to a 70,000 square foot building in West Haven. The Company, which manufactures womens' foundations, is presently operating at a site which is within an area presently being redeveloped by the city of New Haven at an estimated cost of $7 million.

**Sorenson and Co., Inc.,** whose present operations are located in Stamford, is constructing a 70,000 square foot building in Norwalk. The new plant, scheduled for completion early in 1957, will provide additional space for research and manufacture of electronic control equipment and will provide employment for about 300 persons.

**The Connecticut Power Company** has moved into its new office building in Wethersfield. The building is owned by **Connecticut General Life Insurance Company** and leased on a long-term basis to Connecticut Power.

**The Connecticut Mutual Life Insurance Company** has underway plans to construct a new six-story wing on its present main office building in Hartford. The new building will contain about 90,000 square feet of floor space and is estimated to involve an expenditure of about $3 million.

**American Hardware Corporation** has dissolved its subsidiary, Corbin Lock Company of Canada, Ltd. Some products previously sold by that subsidiary will be marketed by the Corbin Lock Division of the parent company and other products, those formerly sold under the name of Belleville Lock Co., Ltd., will be sold by the Ruswin Belleville Lock Division. A new subsidiary, 'International Hardware Co., Ltd., has been formed to manufacture builder hardware in Canada.

Directors of **Armstrong Rubber Company** have voted to approve a 2½ for 1 stock split of the Class A and Class B common stocks and May 25 has been set as the record date, with the new stock to be issued June 8. On June 11 stockholders will vote on a proposal to increase the authorized numbers of shares of Class A and B stock and to change both classes from no par to $1 par value per share.

## Wilcox Joins Nat'l Securities in California

LOS ANGELES, Calif. — The appointment of Bruce F. Wilcox of Pomona, Calif., as a wholesale representative in Southern California for the National Securities Series of Mutual Funds was announced by H. J. Simonson, Jr., President of National Securities & Research Corporation, which sponsors and manages the Series.

Bruce F. Wilcox

Mr. Wilcox will serve as assistant to Rufus L. Carter, Resident Vice-President in Los Angeles for the corporation.

Prior to joining National Securities, Mr. Wilcox was associated from 1951 to 1955 with Charles W. Scranton & Co., members of the New York Stock Exchange, in New Haven, Conn. He is a former resident of New Haven.

From 1946 to 1951 Mr. Wilcox was in the Service Sales Promotion Division of the General Motors Corp. He is a veteran of the First Marine Division of the U. S. Marine Corps, having served from 1940 to 1945. He attended the New Haven Business College 1936-1937 and the Connecticut College of Commerce 1938-1939.

## G. C. Young Joins Schneider, Bernet

DALLAS, Tex. — George C. Young is now manager of the statistical department of Schneider, Bernet & Hickman, Inc., Southwestern Life Building, members of the New York and Midwest Stock Exchanges. Mr. Young was formerly with De Haven & Townsend, Crouter & Bodine, Philadelphia.

# Evolutionary Atomic Age and Investment Banking Targets

By DR. HAROLD VAGTBORG*
President, Southwest Research Institute and
Southwest Foundation for Research and Education

**Noted Research Institute President points out evolutionary business atomic energy usages, but finds it will be sometime before nuclear power in the Southwest will compete with fossil fuels. To maintain an expanding economy, provide a new surge to our economy similar to past performance of steam and internal-combustion engines; and avoid burning up at a tremendous rate valuable chemical raw materials, Dr. Vagtborg hopes that Government will set a specific long-range policy with respect to making nuclear fuels and radioactive materials available. Shows how creation of Science City lessens competition for scientists and allows separated research facilities for industry.**

I made no suggestions of changing the title of this paper because it offered me an opportunity to speak specifically about the place I feel the atom will take in business in the future. In other words, I immediately have the opportunity to say to you that I don't believe there is any such thing as the "Atomic Age." We have seen innumerable references to this era as the Atomic Age, and, frankly, I am convinced that we are going to find that the atom will fit into our scheme of business, industry and investments by evolution and not in any sense by revolution. The use of the atom comes as a new tool and will bring a new surge in our economic development just as did the coming of the steam engine, the railroad, the electric generator, the internal-combustion engine, the automobile, and the airplane. In other words, science has brought a new factor into the scheme of things which will continue to maintain an expanding economy and a high level of prosperity.

Dr. Harold Vagtborg

Let us look for a moment at some of the aspects of the atom and the manner in which it becomes an important new tool. There are, of course, many different kinds of atoms, but the simplest of these is the hydrogen atom. If we could examine an atom of heavy hydrogen under a superpowerful microscope, we would find at the center a very heavy dense cloud of electricity called a nucleus. Around this cloud, we would find a very thin cloud of electricity called an electron. Within the nucleus at the center would actually be two electrical clouds — one called a neutron and the other a proton.

As a rule, the various forces in an atom are in equilibrium, and the atom is stable. There are some atoms, however, that can be broken up by a neutron hitting the nucleus, and there are some atoms that are not stable and, therefore, constantly disintegrate.

This last type is what we call radioactive. For no reason at all, these unstable atoms fly apart. One or more "pieces" of the atom fly off into space somewhere, and the remaining portion of the atom is different than it was before. The flying off into space of these pieces of the atom constitutes what we call radiation. Atomic radiation is what we measure with the Geiger counter. As we will see later, control of this radiation for science and industrial purposes opens up great new areas of application.

*An address by Dr. Vagtborg before the Texas Group of the Investment Bankers Association of America, Corpus Christi, Texas, April 27, 1956.

Nuclear fission is a phenomenon involving uranium or other fissionable materials, in which the nucleus of the atom is "exploded" by a neutron hitting the nucleus. The fission of one atom produces more than one new neutron which can then break up other atoms. A chain reaction is exactly this process where you put in one neutron and get out more than one along with heat and other radioactive products.

The third atomic energy process is nuclear fusion. In this case, which is possible only at extremely high temperature, atoms are used together to produce heavier atoms, and there is some energy left over which is released. This is what happens in the hydrogen bomb which, as we all know, must be triggered by an atomic bomb to attain sufficiently high temperatures for fusion.

In the sun, the process of nuclear fusion is responsible for production of energy. In this process, four atoms of hydrogen are used into one atom of helium. There is extra weight left over; and although this is only 7/10 of 1% of the weight of the hydrogen, there are so many atoms involved that a tremendous amount of energy is generated as the extra weight is changed into energy.

This action on the sun is responsible for the sustaining of all forms of vegetable and animal life on the earth's surface. It also serves to store up energy for the millions of years to come just as energy has been stored in the millions of years gone by on the earth's surface in the form of coal, petroleum, shales, lignite, and all fossil fuels. The efficiency in production of this type of energy is particularly startling when one realizes that all the sunlight reaching the earth's surface in an eight-hour day is produced by the fusion of only 352 pounds of hydrogen.

### Three Areas of Activity

In order to use the atom successfully in business, however, it is not necessary to know much about the technical details of the phenomena and processes I have just described. There are three large areas of activity in processing and utilizing the atom that are involved in the development situation. The first area, which does not generally concern us in business, is the processing of fissionable ores into radioactive material. These processes are secret and, for the time being, concern only the Atomic Energy Commission and the individuals and organizations working under proper security measures and with the AEC in the production of atomic materials which are made available to the other two large areas.

The second large area is the use of these produced materials for military weapons. Here again, in the interest of national security, we have processes that are carefully guarded secrets. They do not concern the normal broad business aspects of the atom.

The third area is the area that we want to talk about today, for it will have a larger impact on business and industry, and on medicine as well, than either of the others. This is the area of the industrial, agricultural, and medical uses of the atomic materials, produced by AEC in the first area previously mentioned and made available to industry, business, and science by arrangement with the Commission. This is the area of "Atoms for Peace." It involves new vistas in regard to nuclear power, medical and agricultural research, industrial research techniques in general, instrumentation, and engineering structures of many varieties. It is this area that is bringing a new surge to our economy just as the steam engine and the internal-combustion engine did years ago.

You will recall the international conference on "Atomos for Peace," held a few weeks ago in Geneva, Switzerland. Over 1,000 technical papers from 33 countries, including Russia, were presented. These 1,000 papers will produce 16 volumes of 500 pages each as the proceedings of the conference. They dealt with atomic raw materials, reactors for power, economics of atomic power, ship propulsion, medical applications, agricultural applications, biological hazards and their control, disposal of atomic wastes, and other aspects of the almost limitless atomic application picture.

The conference showed conclusively that in the very recent past there has been a marked transition from nuclear science to nuclear technology, energy, and industry. The activities and data reported also revealed a remarkable similarity in research and development activities among the many countries involved.

### Need for Non-Fossil Power Fuels

Nuclear energy is for particular interest in our economic development. Steam generation by the burning of fossil fuels have been by far the greatest source of our energy. Here however we are burning up at a tremendous rate valuable chemical raw materials such as coal, gas and oil. It is pertinent to note that, if the world used energy at the average United States rate, all known reserves of fossil fuels would be used up within 100 years. We can well understand, then, the reason for the great international interest that exists in nuclear energy. Generally speaking, there is only one major difference between a nuclear-generating plant and a conventional fossil-fuel energy-generating plant, namely, a nuclear reactor takes the place of the steam boiler. All other parts of the system, such as turbines, condensers, generators, and transformers, are the same.

In many countries of the world fossil fuels are in very low quantity, and the possibility of obtaining nuclear energy generation become particularly important to such areas. In England, for example, the urgency for nuclear power is much greater than it is in the United States. As stated in the "Wall Street Journal" a short time ago, "The United States, with abundant cheap coal and oil, really has no urgent need for atomic power. Officials of the companies which make reactors say frankly that most of their utilities customers have no early expectation of cutting costs by building atomic plants. Their primary motive is to stake this out as an area of private rather than public power."

This circumstance has caused England to concentrate primarily on one type of nuclear reactor for power generation; however in the United States where the pressure for nuclear power is not so great we are working on five general types and are taking the time necessary to determine what type of reactor is most practical for the purpose.

England hopes to have 40% of her power requirements generated by nuclear reactors by 1975. Her engineers believe that atomic power costs can be 10% below coal-fired costs.

It may be interesting to point out that we currently have three general types of fuel sources—uranium, thorium, and hydrogen. We have been most familiar with uranium, but our scientists have found that thorium can be made radioactive and that it is three times as plentiful as uranium in the earth's crust. Hydrogen, of course, is the most powerful, but generally speaking we have not yet learned how to control it as a fuel source.

### U. S. Atomic Plants

The first atomic electric plant in the world was operating in Arco, Idaho, in 1953. This is a town of 2,000 population where the AEC has had a research program in nuclear reactors under way for the past few years. A research reactor producing steam generated in turn a sufficient amount of electricity to light the entire town.

Major construction work is now in progress on the nation's first civilian nuclear power plant—the 60,000-KW nuclear facility to be operated by the Duquesne Light Company of Pittsburgh, Penn.

The largest nuclear power plant yet scheduled is the 180,000-KW plant to be constructed by Commonwealth Edison of Chicago together with seven other utility companies in that general area. A $45,000,000 contract with General Electric has already been signed, and the work is under way.

Consolidated Edison of New York is completing design details of a 250,000-KW plant to which 140,000 KW will be derived from nuclear power.

### Texan Outlook

Although there is not much nuclear-power activity in Texas, our utility companies are keeping in close touch with nuclear-power developments. Nuclear power will be slower to develop in Texas, as compared to other parts of the country, because here our fuel costs are very low and, in general, about one-third those usual for coal-fired operations in other parts of the country. With rising natural gas costs there will inevitably be a shift to the use of our almost unlimited reserves of lignite. Then, too, our climatic conditions are so mild that outdoor installations at low capital costs have been the usual situation. It is generally believed that it will be sometime before nuclear power will compete with fossil fuels in this immediate area.

It is of particular interest to point out that the first nuclear-powered submarine, the USS Nautilus, was under way on nuclear power on Jan. 17, 1955. At that time, she was just returning from a 25,000-mile cruise during which no refueling of any kind was necessary. A second nuclear-powered submarine, the USS Seawolf, was launched July 21. These successes are accelerating plans for nuclear-powered ships in general, and plans are presently being made for a nuclear-powered merchant ship.

Nuclear power, then, is a burgeoning industry. It has nothing to do with the secrets of processing of ores or military uses. Its increasing application by industry will create a demand for innumerable new industrial products. This demand, in turn, will contribute to an ever-expanding economy. It is interesting to consider that many manufacturers from all the countries participating in the Geneva conference had industrial exhibits in Geneva. In September, 1955, the Atomic Industrial Forum, Inc., conducted its first Trade Fair in Washington, D. C. About 100

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# The Broader Monetary Scene And Dangerous Destabilizers

extent to which business volume has expanded. The answer is that business concerns have been using their cash balances more intensively. Since 1949 the sales volume of all domestic corporations has skyrocketed by 50%, but holdings of cash have risen only 17%. In other words, the volume of sales per dollar of cash on hand has increased about 28%. This accounts for much of the acceleration of the overall velocity of money turnover.

It seems apparent that a renewal of the boom would mean a substantial increase in business demands for credit. The magnitude of the increase may depend in large measure upon what happens to the velocity of money.

Looking at the debt picture as a whole, we can hardly escape the conclusion that there are serious danger signs. In the past, the swings of the business cycle have invariably been accompanied by overexpansion of debt followed by contraction. If the boom revives, we shall again be confronted with this recurring problem.

### More Destabilizers

There are other potential dangers. One possibility is that wages may be boosted too rapidly. Another is that business concerns may follow high price policies to finance larger payrolls and expansion programs.

During a boom, there is naturally a temptation for both trade unions and business management to take undue advantage of their opportunities to profit from the strong demands for their products. Evidence of this has not been lacking in recent years. If the boom is renewed, wage policies and industrial price policies could become seriously unstabilizing factors.

These policies have an important impact, of course, upon the Money Situation. In recent years, they have been reflected more in the rise in the velocity of money turnover than in money expansion.

Perhaps we should now take a closer look at this matter of money velocity.

### Whither Velocity?

The rise in money velocity simply means that individuals and business concerns now hold less money than they used to hold in relation to their greatly increased volume of money spending. Fewer dollars are dormant. In general, money is being handed around faster, being made to do more work. Since 1949 the average rate of turnover of all privately held demand deposits has increased by roughly 40%.

If money velocity continues to accelerate at this pace over the period ahead, it clearly may contribute to boom and bust. On the other hand, there are some indications that much of the slack in the money supply has now been taken up and that the rise in velocity may be starting to taper off.

Unfortunately, however, even if this should happen, it would not solve the situation because under boom conditions the chief effect would be, I believe, a substantial increase in demands for credit.

### Pressure on the Money Supply

Take business concerns, for example. Business men cannot continue indefinitely to do an increasing amount of business relative to their cash on hand. Sooner or later they are bound to reach the limit of their ability to stretch their cash balances over a rising volume of transactions. In fact, the surprisingly strong demand for business loans in recent months may be in part a manifestation that some business concerns are reaching the bottom of the barrel in this respect and that in the future they will have to operate more on credit.

What about individuals? Their cash balances have also been declining in relation to their expenditures, and this too cannot continue indefinitely. When their cash runs low, many people may decide to borrow more money so they can keep on keeping up with each other. Again, the rise in mortgage debt on "used" housing over the past year may be in part a manifestation that many individuals are scraping the bottom of their money barrels too.

It seems probable, therefore, that if we start booming again and if the rise in money velocity does slacken, there would be a strong tendency for debt to increase rapidly, much more rapidly than savings, and that, as a result, there would be heavy demands for more bank money.

In other words, the rise in money turnover has for a number of years been financing much of the increased demands for more money and has thereby cushioned the pressure of these demands on the money supply. If it should slow down when the economy is booming, the pressure to expand bank credit would be intensified.

### The Threat of Rising Prices

If these inflationary possibilities we have mentioned do materialize, they may be accompanied by rising prices. A further rise in the price level at this stage of the boom could have ominous implications.

Unfortunately, this is not widely understood. Many people have fared quite well over the past decade despite the rise in living costs. This being the case, they are not much concerned about price increases and fail to see that further price inflation might be very damaging to themselves as well as every one else. This complacency is in itself a danger.

A further rise in prices over the next few years would probably reflect an accentuation of the imbalances in our economy. In addition, it would tend to intensify and prolong these maladjustments. It might also encourage excessive speculation in various markets. In short, it would enhance the possibility of a serious recession.

### Our First Line of Defense

These, then, are some of the threats that may confront us over the period ahead. The question is: What should be done about them?

Our first line of defense, of course, would be a restrictive monetary policy. The record of monetary policy in recent years has been so good that some people have again come to believe, as they did in the '20s, that the Federal Reserve authorities can assure economic stability. Experience has indeed demonstrated that monetary policy can play an important role, but it is questionable whether it can single-handedly cope with the pressures that may lie ahead.

For example, the monetary authorities clearly cannot regulate the velocity of money. If money turnover should continue to rise sharply, they theoretically might offset its impact by forcing a reduction in the quantity of money. In actual practice, however, this would be a very difficult thing to try to do. It would mean a "credit squeeze" the like of which this country is not prepared to see.

On the other hand, if money velocity stops accelerating, the monetary authorities may be confronted with insistent expansionary pressures on the money supply. Could they, as a practical matter, effectively restrain these pressures?

### Monetary Illiteracy

Under these circumstances, Federal Reserve policy might be seriously handicapped by monetary illiteracy. Although there is considerable acceptance of flexible monetary policy as a theory, many Americans do not understand how credit restraint works and are inclined to be suspicious and critical of it in actual operation. Demagogues and special interest groups have few scruples and little trouble in stirring up opposition to it.

One reason, no doubt, is that in this country we have no balance of payments problem hanging over our heads like a sword of Damocles. In countries like Great Britain, inflationary trends are quickly and obviously reflected in balance of payment difficulties; and the public more readily sees the need at times for heroic monetary measures. In the United States, the immediate effects of inflation are more seductive; and the ultimate destabilizing consequences are less easily discerned.

### Other Limitations of Monetary Policy

Another limitation of general monetary policy is that its influence on some important types of credit is so remote. During 1955, for example, the Reserve authorities pursued an increasingly restrictive general credit policy; but this did not prevent a progressive relaxation of the terms of instalment credit.

Moreover, governmental policies affecting real estate credit may complicate the task of the monetary authorities. When these policies are aimed at stimulating the use of credit, it obviously makes it more difficult for the Federal Reserve to hold total credit expansion within bounds.

Finally, Federal Reserve policy cannot prevent too rapid increases in wages, nor can it offset their inflationary impact. It may have some influence on the atmosphere in which wage negotiations take place but only to a limited degree. Wage settlements reset the valves that control a substantial part of the money flow through our economy. If the valves are opened too rapidly, the monetary authorities cannot tighten other offsetting valves without risking a recession.

### Buttressing Monetary Policy

The conclusion seems obvious that we should not expect the Federal Reserve authorities to do this stabilizing job alone. Their efforts will require supplementation. I should like to suggest briefly six ways in which they should be reinforced:

(1) We should do all we can to educate people with respect to the importance of credit restriction during a boom. To be fully effective, Federal Reserve policy requires enlightened public support or at least tolerance.

(2) Prudence will be called for on the part of bankers and other lenders as well. We should guard against a deterioration in the quality of credit which often develops late in a boom and accentuates the ensuing difficulties.

(3 Restraint may be especially needed, among businessmen as well as lenders, in the field of consumer credit. Some bankers and economists believe that voluntary efforts in this area may not suffice and that the Federal Reserve should have stand-by authority to regulate instalment credit. This is a highly controversial issue, of course; but the problem is clearly one that deserves careful, objective study.

(4) During a boom, the Federal budget should show a surplus for debt reduction. Pressures for excessive tax cuts should be steadfastly resisted.

(5) In the area of wage policies and industrial price policies, there will be need for moderation and a sense of social responsibility on the part of both labor and management.

(6) Saving should be encouraged. This presents a challenge to banks and other savings institutions. It also means that governmental policies should be oriented toward encouraging people to save more rather than to borrow and spend more. In particular, the policies of Federal credit agencies should be better coordinated with national monetary policy.

### It Can Be Done

In concluding, perhaps we should look at the Money Situation in broader perspective. We have been emphasizing the dangers, of course, because it is important for us to be on our guard against them. On the other hand, despite the unstabilizing trends we have noted, there are major elements of strength in the money picture. Our banks and most of our other financial institutions are in strong condition. While our debts have risen substantially, so has our capacity to support them. There is little prospect of drastic debt liquidation or of heavy losses to financial institutions.

Moreover, the American economy has demonstrated a remarkable flexibility and resilience that should stand us in good stead in the future. If we can avoid foolish excesses, there is no reason why we cannot achieve continuing prosperity and reasonable stability over the years that lie ahead.



## Oliver K. Church With A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEARWATER, Fla. — Oliver K. Church has become associated with A. M. Kidder & Co., 405 South Garden Avenue. Mr. Church was formerly Hartford Manager for Shearson, Hammill & Co. Prior thereto he was a partner in Tifft Brothers.

## J. L. Marler Co. Ltd. Formed in Montreal

MONTREAL, Que., Canada—J. L. Marler & Co., Limited, has been formed with offices at 501 St. Peter Street. Officers of the new company which will hold membership in the Montreal and Canadian Stock Exchanges, are Leslie Marler, President; V. Barry Smith, Vice-President; and Douglass V. Rodomar, Secretary-Treasurer. Mr. Marler was previously principal of J. L. Marler & Co. Mr. Smith was President of Hart Smith & Co., Ltd. Mr. Rodomar was a partner in Smith, Thompson.

## F. J. Phillips Now With Shumate & Co.

DALLAS, Tex.—Frank J. Phillips has become associated with the sales department of Shumate & Company, Life of America Building. Mr. Phillips was formerly with the First Southwest Company and prior thereto with the First National Bank of Dallas.

## With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Henry B. Burnett, Jr., has become connected with Paine, Webber, Jackson & Curtis, 24 Federal Street.

## Spear, Leeds Admit

Spear, Leeds & Kellogg, 111 Broadway, New York City, members of the New York Stock Exchange on June 1 will admit William E. Downie to partnership.

## Laird, Bissell Branch

WATERBURY, Conn. — Laird, Bissell & Meeds, members of the New York Stock Exchange, have opened a branch office at 5 North Main Street under the management of John F. Tufel.

## Allied Inv. Co. Opens

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Allied Investment Company has been formed with offices in the Walton Building to engage in a securities business. Officers are Harry I. Stafford, President, Jack R. Parkman, Vice-President, and John W. Chambers, Secretary.

## Form Colonial Investors

WASHINGTON, D. C.—Colonial Investors has been formed with offices at 3445 38th Street, N. W., to engage in a securities business. Robert H. Davis is a principal of the firm.

## McGrath Opens Branch

WASHINGTON, D. C. — McGrath Securities Corporation of New York has opened a branch office in the Warner Building under the direction of Sherley Colbert.

# *From Washington Ahead of the News*

By CARLISLE BARGERON

The experience of Senator Walter F. George of Georgia, should give a lot of sober thought to the Eastern pundits whose minds are attuned to the happenings in Europe and Asia and who no longer consider events in tne United States as of importance unless, of course, they relate to the other hemispheres.


Carlisle Bargeron

Hailed by the Eastern press and commentators generally as one of the greatest men in the United States Senate, if not the greatest, the fact is that George could not be reelected in his native State. He saw the handwriting on the wall, or his friends saw it for him, so he reluctantly decided not to run again after having had an active campaign going on for several months. And one of t..e main reasons he could not be reelected was the cause of his greatness, in the eyes of the Eastern editors and commentators, his international statesmanship.

I have known the Senator more or less intimately for 25 years or so. He was always an able man, a great man in my book. But he did not become a great man in the eyes of my Eastern colleagues until he took over the Chairmanship of the Senate Foreign Relations Committee and accepted the thinking of the Eastern cult, Indeed, for years, through the Roosevelt era when he was a stalwart, later Chairman, on the powerful Senate Finance Committee, in those years when he, along with Senator Byrd and other Southern stalwarts, was struggling to hold Roosevelt in check, to hold back tne tide of socialism, he was frequently jeered at by these Easterners, and generally portrayed as a mossback reactionary.

No, he became great overnight when he threw his weight and influence to the theme that we are global leaders and should be preoccupied with world affairs, with our wealth and industry, to the exclusion of mundane domestic affairs. Observing him closely, I never saw the slightest change in his stature. It was not apparent to me and I am satisfied a tape measurement would have shown no change. But there must have been a growth of five inches, at least, because the Eastern propagandists said there was.

Then what is the result? He could not be reelected in his own State. His successor to be, Herman Talmadge, is an able man but not as able as George and certainly without the experience. Already the Eastern pundits are sharpening up their knives for him. He will not have the concern for Europe that George has, nor the same attitude of generosity. But he will more reflect the views of the people of Georgia. They are sturdy people, predominantly of Anglo-Saxon stock. They are quite entitled to their place in the Union.

George's is not the only case that should give pause to the Eastern pundits. Senator Wiley, of Wisconsin, was long an isolationist. Through two Presidential campaigns, the Republican Presidential candidate passed the test of international mindedness but the propagandists harped on the fact that his election would bring Wiley to a high place in our international relations. Finally, witn Eisenhower's election in 1952, he became Chairman of the Senate Foreign Relations Committee. But he had seen the light. He married an English lady and became a staunch internationalist. Overnight he ceased to be looked upon as the Senate gadfly. Instead, he attained greatness. Well, the gentleman is now up for reelection back in his State and he is in trouble. He has not been defeated yet and may not be. But only recently the Young Republicans of the State denounced him. He is fighting for his political life and he isn't talking Europe and Asia to the voters. He is taiking about milk, butter and cheese.

The people of most States undoubtedly want to send distinguished men to the Senate as their contribution to this national parliament, so to speak. And they undoubtedly take a pride in the distinction they acquire by service. But they want those Senators to continue to represent their States. The rank and file of them, however, are not concerned wit.ı the influence whic.ı a man attains on important committees by virtue of long service. This may be a help in getting an airport or an army installation for the State or assisting a few business friends and getting jobs for a few patronage seekers. But the main thing is to keep attuned to the spirit and thinking of the people.

Two veteran Senators now in retirement in Washington, Tom Connally of Texas, and Ashurst of Arizona, will tell you that.

## With Securities Inv.

(Special to The Financial Chronicle)

DENVER, Colo. — Charles A. Jack, Earl E. Lewis and Wesley Olson have become affiliated with Securities, Inc. Mr. Jack was formerly with Honnold & Co. and Hicks, Newton & Co.

## Shelley, Roberts Adds

(Special to The Financial Chronicle)

DENVER, Colo.—Inez Hjort has been added to the staff of Shelley, Roberts & Co., First National Bank Building. Miss Hjort was formerly with Rogers & Co.

## Joins J. R. McCleskey

(Special to The Financial Chronicle)

CORAL GABLES, Fla.—Donald B. Sittman has joined the staff of J. R. McCleskey, Inc., 5000 Orduna.

## Joins Goodbody Staff

(Special to The Financial Chronicle)

CHICAGO, Ill. — Randolph H. Pomeroy has become affiliated with Goodbody & Co., 1 North La Salle Street.

## With McGhee & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Meade C. Harris has become affiliated with McGhee & Co. of Cleveland.

## Two With Henry Montor

(Special to The Financial Chronicle)

CHICAGO, Ill.—John W. Gardner and Theodore Weinstein have joined the staff of Henry Montor Associates, Inc., 134 South La Salle Street.

# Outlook for Railroads

By ROGER W. BABSON

**Economist discusses the ability of railroads to survive and forecasts: rails will not recapture, in spite of cost-cutting efforts, business lost to competing forms of transportation, and outstanding rails will be the transcontinental roads.**

Railroads are still considered as a rather undesirable stepchild in this country. Abused, browbeaten, discriminated against—they seem to be on the receiving end of whatever ill fortune can be thrown their way. Does this mean that railroads will ultimately disappear from the American scene?

### Rails Still Necessary


Roger W. Babson

Despite the heavy taxation of the rails to finance highways for competing truck and bus lines; despite the failure time and again to increase fares and freight rates so that the road's expanding operating expenses could be covered; despite union restrictions which encourage "make work" jobs, the rails have managed to survive. No longer a transportation monopoly, its roadbeds are paralleled by fast-moving buses and autos. Huge trucks race beside freight cars, mile after mile. In the air, passengers and freight move over tremendous distances at five times the best rail speed.

But two world wars showed the necessity for a strong rail network. In World War I, the government found it necessary to take over the job of placing the rail system in a sound condition. By World War II, managements had completed several years of building up the physical property of the rails. They were in a good position to handle the sudden sharp expansion in passenger and freight traffic which followed our entry into the war.

### Cost-Cutting Progress

Young blood is currently lacking in most rail managements. In several cases, however, virile managements have succeeded in cutting costs, through mechanization and automatic controls. New diesels, piggy back freight cars, use of electronics in freight classification yards and signaling equipment have helped earnings. Efforts are now being made to put new life into the passenger business by developing ultra-modern high-speed trains. I forecast, however, that these efforts will fail to recapture more than a relatively small percentage of the business lost to other forms of transportation.

In the matter of finances, also, aggressive managements have succeeded in cutting down unwieldy high-interest bond capitalizations. Corporate reorganizations, reduced inventories, and the dropping of small, money-losing branch lines also have boosted income. Finally, the ICC has lifted the rails out of the poor stepchild class by authorizing more reasonable rate increases during the past few years.

### Certain Rails Sound

The "bread-and-butter" activity of the rails continues to be in the heavy-commodity-type freight. Efforts to promote passenger and other income with gadgets and door-prize promotions will not prove permanently profitable. Those roads which stick to doing what they can do best, and with the greatest profit, will win out in the long run. Management success will best be demonstrated by how well it controls total labor and material costs.

The faster growth of the Southern area of the United States has been the principal factor in the impressive gain shown by the roads operating in that region. There is nothing in sight to indicate an end to this superior growth factor. The Eastern "gravity" coal roads also have had an impressive year.

I forecast that in the light of world conditions, the outstanding rail group will be the transcontinental roads, especially those with major operations in the South, Southwest, West, and Northwest. Their freight traffic is heavy and well diversified. Their finances are strong, their prior liens well protected. Management, in most cases, is improving. I forecast that some transcontinental rails, especially those with substantial holdings of land, mineral rights, and securities will prove to be sound investments. They are in a position to benefit from any sharp expansion in business activity. At the same time, good management should enable them to ride out any temporary interruption in the longer-term growth trends.

## Texas IBA Meeting Announced for 1957

DALLAS, Tex. — The Texas Group of the Investment Bankers Association will hold their annual meeting in 1957 at the Statler-Hilton Hotel in Dallas, April 21-23.

## Robert Borden Joins Union Securities

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Robert W. Borden has become associated with Union Securities Corporation of New York City. Mr. Borden was formerly Vice-President of R. H. Moulton & Co.

## Now With Goodbody Co.

(Special to The Financial Chronicle)

DETROIT, Mich.—William L. Russow is now with Goodbody & Co., Penobscot Building.

# THE MARKET . . . AND YOU

By WALLACE STREETE

**Stocks finally bumped bottom in this week's market after a month of indecision that came to a climax with half a dozen losing sessions in a row.** It was largely a technical performance, widely regarded as a testing of the support level around the 490 area for the industrial average.

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In the process the industrial average dipped under the 500 line for the first time in two months, which, obviously, wiped out all the progress since early in March. The rails, which were quietly posting highs for the average for more than a quarter century, weren't spared in the moments of pressure but their average only fell back to the area that prevailed a couple of weeks ago.

### Rail Values

Moreover, the market analysts culling through the rail section were still able to come up with some better apparent values than among the high-priced industrials that have performed so well up to here. Chesapeake & Ohio, for one, which was once more likely than not to be included in any list of prime investment-grade issues, had its fanciers, particularly since the carrier has been extremely active both in modernizing its equipment and in locating new businesses along its lines. The concrete effect took the form of records last year for operating revenues as well as profit.

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As several researchers pointed out, C. & O. which ranks 16th in mileage among the nation's roads is outclassed as a profit-maker only by the blue chip lines, Union Pacific and Santa Fe, and so far this year their leadership is in jeopardy. A good share of this is due to the rapid growth of its merchandise traffic, on which the line has concentrated to lessen its dependence on soft coal. It hasn't been any hardship, naturally, that the coal business has been picking up both for export and for domestic use. Marketwise, the stock has done little to reflect the rapid strides made and has been available at a yield of well above 5%.

### Special Interest in Airlines

Airlines are another out-of-favor group that is held in high regard by the statisticians but not overly attractive yet to the public. To some of the forecasters, record profits could be recorded by most of them this year which would be no great revelation to those who had to struggle desperately to get seats during the Florida season. Probably the biggest drawback to market progress of the airlines is the fact that dividends have necessarily been conservative. In fact, American Airlines holders were told at the annual meeting this week that there has been no consideration of a change in the dividend rate. This stems largely from the fact that large equipment outlays are ahead when the carriers shift to the new jet transport era shortly.

* * *

A case where low dividend payout might be the principal reason that enthusiasm elsewhere hasn't yet centered on it could be Sun Oil. Despite a good increase in profit last year, Sun has yet to carve out a 10-point range which would be a minimum for an issue selling in the 70 bracket. Even recent merger rumors have failed to stir up much ado. The stock pays only a dollar dividend, making a yield of less than 1½%, but lards it with stock payments.

* * *

Sun, being largely a family-owned enterprise, doesn't even bother to make the favorable adjustments that other companies do to enhance their results. The company reported earnings of $4.72 last year against $4.17 in 1954, not even bothering to adjust the earnings for a 6% stock dividend paid last year which would have reduced the 1954 earnings further to $3.93 and pointed up the increase.

### Transamerican Awakens

Transamerican actually came in favor with at least erudite investors, following enactment of a Federal bill aimed at breaking up some of the bank holding companies and a good portion of it was pointed at Transamerican. The seeming contradiction actually was a belief that the nonbanking parts of this holding company, when spun off, will have a greater independent value than is reflected in the price of the holding company stock itself. Not the least of these is a wholly owned subsidiary, Occidental Life Insurance Co. which ranks importantly among the domestic insurance outfits.

* * *

A more specialized bank holding company is Marine Midland which operates solely in New York, but nevertheless has a dozen units with a gross of offices serving nearly three quarters of a hundred communities. The company has shown steady growth over the years largely due to a policy of adding small individual units to its chain, with the accent on banks in areas where there is a better growth potential than in the more established centers. Yet the issue has been available at a 5% yield which is above average judging by the yields offered by other bank issues. The company is on the verge of forging into the $2 billion asset class with earnings more than doubled in the last decade.

### Sinking Motors

Motors were definitely out of favor as production cutbacks continue long after a strong spring upsurge in new car buying had been predicted. Except for Studebaker Packard, around which high hopes are held of government intervention to step up defense orders and pull it out of a rut, the usual rule was for the Big Three and the independents to appear at new lows together when the market was heavy, a rare show of unanimity.

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Building equipment firms, too, were shunned for the most. But unlike the solid front in the auto section, a special situation here or there was able to kindle interest, including Certainteed, which plans to spin off its gypsum and paper operations. The company organized a new subsidiary, Bestwall Gypsum Co., to take over these phases of its operations and will distribute the stock to its holders.

Celotex, too, was eyed favorably in some quarters, since among its important lines are acoustical and insulation equipment for which demand from industrial applications is expected to more than bridge any moderate decline in demand from residential construction. The firm is starting to reach the payoff stage of expansion plans only completed last year by a new management. It also helps that the company sells on a more favorable statistical basis than other building material firms which could be in part a carryover from the indifferent performance record prior to the new management.

Libby, McNeill & Libby, which successfully fought off a proxy fight last year, has been able to show some good gains in its operations, which could have been spurred to a measure by the realization that there was holder dissatisfaction. Then, too, increased consumer demand is helping along mightily, particularly for frozen foods, which currently account for about a quarter of the firm's sales.

*[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.]*

# Curtice Cuts Passenger Car Sales Estimate

**General Motors President estimates output at 5,800,000 rather than 6,500,000 units, and, in asking reversal in policy, criticizes Federal Reserve's "very restrictive" credit policy as a major cause for the downturn of automobile sales and threat to business generally.**

President Harlow H. Curtice of General Motors reviewed his estimate of 1956 passenger car sales by the automotive industry, May 15, but said this year still can be the third best in the industry's history.

Harlow H. Curtice

He told a news conference preceding Wednesday's dedication of the General Motors Technical Center that "it would appear that the demand for cars this year will not exceed 5,800,000" in the domestic market.

The new estimate compared with Mr. Curtice's January estimate of 6,500,000 passenger car sales in the domestic market. Trucks sales, he said, currently are running at an annual rate of about 950,000, not far from his January estimate of 1,000,000.

If his current estimates are realized, Mr. Curtice said, 1956 "still may be considered a very good year," exceeded only by 1950 and 1955—record years for the industry. It would be slightly better than 1953 and considerably better than 1954.

The GM president criticized the "very restrictive" current credit policy of the Federal Reserve Board as a major factor in the downturn of automotive sales.

If the policy is not reversed soon, he warned, business generally may decline from the current level, which if maintained will result in a Gross National Product of about $400 billion. A more liberal policy also would tend to support long-range expansion programs by industry, needed to keep pace with the growing population, he said.

### Deferred Purchases

"If people are able to decide to buy now, or delay, I think that the restrictive money policy causes them to defer, just as it causes industry at times to defer undertaking certain capital investments," Mr. Curtice said.

"I have seen no evidence that would indicate the necessity to fight pressures of inflation," he said. "I think they are nonexistent . . ."

Mr. Curtice also denied rumors of "revolutionary" 1957 car models and of introduction dates earlier than those last year.

### New Models

"I recognize that as being a negative factor in the sale of motor cars, and therefore at each opportunity I define the General Motors policy on the basis that the changes that will take place for 1957 will continue to be evolutionary, not revolutionary, and that the introduction dates will be approximately the same time for the 1957 models as for the 1956 models — in other words, about Nov. 1, plus or minus 10 days," he said.

Answering questions from approximately 250 newsmen from all parts of the United States and Canada, Mr. Curtice also said:

(1) General Motors car dealers "are in the main operating on a profitable basis," although profit levels are somewhat lower than they were a year ago.

(2) General Motors does not wish to see any other automotive firms go out of business, but even if this should happen the industry would remain highly competitive.

(3) Because of rising material and labor costs, the public "can assume that the 1957 General Motors cars will carry a somewhat higher price tag."

(4) Despite revised production schedules, General Motors hopes to maintain its employment on a 40-hour week basis. Some additional layoffs are planned for this week but they will be "not large." Current GM employment is within about 50,000 of the total a year ago when the industry was nearing an all-time peak.

(5) General Motors has no plans to enter any additional fields.

(6) All General Motors divisions are expected to continue operating profitably and some — including the Electro-Motive, Allison and AC Spark Plug Divisions — are exceeding their 1955 levels of operation.

(7) General Motors' capital expenditures in 1956 will be "slightly over" $1 billion. Mr. Curtice announced the $1 billion figure in January.

(8) Both the free piston and gas turbine engines are "being thoroughly explored for whatever purposes they may fit best." This statement was in reply to a question about their possible use in railroad locomotives.

(9) General Motors never has "over produced." At the end of the 1955 model year, cars still in the hands of its dealers averaged only 2% of their yearly supply—better than the goal of 3%.

Because GM's production was more closely geared to demand than that of some other firms it has not had to cut back production as much. The result is that GM currently is accounting for 55% of total automotive production, but "at the retail demand level, our penetration of the market so far this year is not 55%, it is 52%."

Dr. Lawrence R. Hafstad, GM Vice-President and director of the GM Research Staff, said the firm has no projects in the atomic energy field except two which he described as "essentially study projects . . . projects for observing progress in this field, rather than moving into this field in a way to compete with other organizations already in it." GM, he said, has an access agreement with the Atomic Energy Commission, and also is working with the Detroit Edison Company on its breeder reactor — GM's only two atomic energy activities.

## Morton Globus Dir.

Morton Globus of Dreyfus & Co., members of the New York

Morton Globus

Stock Exchange, was elected on May 9 to the board of directors of Starrett Corporation. Mr. Globus is also a director of the Seagrave Corporation and BSF Company.

## R. J. Ozol Branch

LINDEN, N. J.—R. J. Ozol & Co. has opened a branch office at 401 North Wood Avenue.


Exciting
step...

# News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

LeRoy W. Campbell has been promoted from Vice-President to Executive Vice-President of **Chemical Corn Exchange Bank of New York** it was announced on May 11 by Harold H. Helm, Chairman. Mr. Campbell continues in charge of the Metropolitan Division where, since 1950, he has directed the expansion of the bank's branch office system throughout New York City. Mr. Campbell began his career with an investment banking firm in 1907. In 1921 he went with City Bank & Trust Co. of Hartford, Conn., and became its President in 1924. In 1929 Mr. Campbell joined Chemical Bank as Vice-President.

LeRoy W. Campbell

* * *

A new branch office of the **Chase Manhattan Bank of New York** opens for business today (May 17) in the recently completed 711 Third Avenue Building, corner of 44th Street, in Manhattan. John T. De Palma, Assistant Vice-President, heads the staff. Chase Manhattan now has 94 offices in New York City including 36 in Manhattan, 35 in Queens, 15 in the Bronx and eight in Brooklyn.

* * *

The appointment of Peter J. Cuddy as a Vice-President of **Manufacturers Trust Company of New York** is announced by Horace C. Flanigan, President. Mr. Cuddy began his banking career as a creditman with National City Bank of New York. He joined Manufacturers Trust Company in 1929, was appointed an Assistant Secretary in 1941, and an Assistant Vice-President in 1949. He is presently assigned to the bank's Branch Administration Department, 100 Park Row, New York.

* * *

**Irving Trust Company of New York** announced on May 14 the election of George A. Murphy to its Board of Directors. Mr. Murphy is a Senior Vice-President of Irving. Associated with the bank since 1931, Mr. Murphy heads the loan administration division in which the bank's loaning functions are centered and in that capacity is senior loaning officer.

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**"Portrait of America"** is the title of the 68-foot mural which dominates the main banking floor of the **First National City Bank's** new office in the Socony Mobil Building, New York, located at Lexington Avenue and 42nd Street. Painted by the famed muralist, William G. Palmer, it depicts the interdependence of many important American industries such as tobacco, oil, iron and steel, paper, chemicals, electrical equipment and merchandising. Robert S. Emison, Vice-President, will be in charge of the new office, which opens May 21.

* * *

**City Bank Farmers Trust Company of New York** has appointed W. Lawrence Marsh an Assistant Vice-President. Mr. Marsh was formerly an Assistant Trust Officer.

William Hecker has been appointed Advertising Manager of **Sterling National Bank & Trust Company of New York.** Mr. Hecker formerly was with the American Management Association.

* * *

The Board of Trustees of **The Bowery Savings Bank of New York** on May 14 appointed Robert Lundon, Deputy Controller. Mr. Lundon was promoted from Principal Executive Assistant.

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**The Bowery Savings Bank of New York** opened a new branch office on 145th Street at St. Nicholas Avenue on May 12. The new office will provide complete savings service from 8 a. m. to 8 p. m. on every banking day. It is The Bowery's fifth office, and the first new office of a mutual savings bank, it is stated, opened in Harlem since 1908. A preview of the uptown area, for the press —and trustees, officers and staff of The Bowery was held on May 10 from 4 to 8 p. m. Hulan E. Jack, Borough President of Manhattan and Earl B. Schwulst, President of The Bowery, cut the ribbon that launched the new office. Miss Dorothy Gordon, representing the Heights Business Association, and Chester W. Schmidt, Vice-President of The Bowery, who will be in charge of the new office, also participated. A feature of the opening period relates to new accounts. To all opening new savings accounts of $5 or more at the new office on opening day—or up to and including May 18—The Bowery gives a check for $1 which the new depositor can make payable to any religious, charitable, fraternal, civic, or other non-profit organization. The "check-for-community-betterment" will be in addition to the gift of a wallet to such new depositors. The bank is located in a residential housing project, completed by the Bowery Savings Bank. The building occupies an entire block front at West 145th Street from St. Nicholas Avenue to Edgecombe Avenue. It is stated that it is the first non-subsidized or non-FHA insured housing project built in Harlem since 1938.

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Edward J. Barber, President of the Barber Steamship Lines, Inc., has been elected a Trustee of **Dollar Savings Bank of the City of New York,** it was announced on May 14 by Robert M. Catharine, the bank's President. Mr. Barber is a director of a number of other companies in, or associated with, the shipping industry. He is a member of the Board of Managers of Seamen's Church Institute of New York and a Trustee of Manlius School at Manlius, New York.

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Francis S. Bancroft, President of the **Excelsior Savings Bank of New York,** announced on May 11 that Marie J. Darcy, Personnel Officer, is resigning from the bank, effective as of the end of May. Miss Darcy has been associated with the bank for the past 17 years. Prior thereto, she served as Special Assistant to the Majority Leader of the N. Y. State Senate. Miss Darcy is currently serving as Chairman of the Metropolitan N. Y. Group of the National Association of Bank Women. She has been a member of the Employer-Employee Relations Committee of the Savings Banks Association of the State of N. Y. for the past seven years, and is a past President of the Savings Bank Women of New York.

* * *

Albert E. Fay has been promoted to Assistant Branch Manager of the **Long Island Trust Company's Great Neck Branch,** it is announced by Fred Hainfeld, Jr., President. Mr. Fay has been associated with the Long Island Trust Company for the past eight years.

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Increased from $$810,000 the capital of the **Peninsula National Bank of Cedarhurst, Long Island, N. Y.,** was enlarged to $900,000 as of May 4 by the sale of $90,000 of new stock.

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The enlarged and renovated drive-in office of **The County Trust Company of White Plains, N. Y.,** at 211 Irving Avenue, **Port Chester,** opened on May 12 with the public invited to visit the bank during the day. J. Purdy Ungemack, Assistant Treasurer, is in charge of the office.

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Plans, it is reported, are under way for a merger of the **First National Bank of Cedar Grove, N. J.,** with the **National Newark & Essex Banking Co. of Newark,** according to the Newark "Evening News" of May 8 which indicates that announcements to this effect were made by the respective Presidents of the banks, viz. G. F. A. Meier and Robert G. Cowan. According to the "News" the directors of both banks will recommend to their stockholders next month that they approve a merger agreement under which Cedar Grove stockholders would receive four shares of National Newark stock for each share of their Cedar Grove stock; National Newark stockholders for their part would get a stock dividend of one share for each 20 shares held.

The "News" adds: "The stock exchange and dividend would increase the outstanding stock of the National Newark from 260,000 to 285,000. This addition of 25,000 new shares would come from the 12,000 shares to be exchanged for 3,000 shares of outstanding Cedar Grove stock, and 13,000 shares representing the dividend to present holders of National Newark stock. National Newark stock has a par value of $25, while Cedar Grove's is at $50."

It is added that "the Cedar Grove bank was founded in 1927. As of April 10, its resources were $10,121,529 and its deposits $9,534,492. On the same date, National Newark's resources were $268,529,636 and its deposits $242,373,082."

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William C. Siebert, President of the **Summit (N. J.) Mortgage & Finance Co.,** and a director and one of the founders (in 1923) of the **Citizens Trust Co. of Summit,** died on May 1. He was 68 years of age. Press advices also indicate that he was a former President of the Businessmen's Association, now the Summit Chamber of Commerce.

* * *

Announcement is made that majority control of the **Gallatin National Bank of Uniontown, Pa.** has been purchased by a group of Fayette County residents for an undisclosed amount. The group, which is headed by Orville Eberly of Uniontown, it is stated is made up entirely of present members of the bank's board of directors. The advices state that the stock involved in the transaction was purchased from various charitable and educational foundations established by the Mellon family of Pittsburgh. The sale of the stock it is added is part of a program which enables foundations to make contributions out of capital as well as income. According to Mr. Eberly, who made the announcement, the purchase of the stock by present directors assures the continuance of the former policies of the bank. No changes are contemplated, he said, either in personnel or in membership on the board of directors. The bank will also continue its close correspondent relationship with the **Mellon National Bank & Trust Company of Pittsburgh,** with which it has been dealing for many years. William E. Howard, Mellon Bank Vice-President, will continue to serve as a member of the Board of Directors of the Gallatin National Bank, Mr. Eberly said.

The Gallatin National Bank, organized as the **Second National Bank of Uniontown,** on Dec. 11, 1895 with capital of $100,000 opened for business in March, 1896. Today, it reports a combined capital, surplus and undivided profits of more than $3,000,000 and total resources of approximately $60,000,000. The bank's name was changed to the Gallatin National Bank in January, 1955.

Mr. Eberly, who heads the group of new owners, is a native of Fayette County and is also President of the Uniontown Hospital Association, a Director of the Greater Uniontown Industrial Fund, the Fayette County Planning Commission, etc. The present officers are: Paul Malone, President; John A. Buck, Vice-President; John G. Alex, Vice-President; W. K. Hamer, and David McConkey, Assistant Vice-Presidents; R. N. Shaffer, Cashier; L. W. Weaver and W. W. Price, Assistant Cashiers; J. A. Murin, Auditor.

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Directors of **Harris Trust and Savings Bank of Chicago, Ill.,** voted on May 9 to increase the rate of interest paid on all savings accounts from 1½% annually to 2%. The new rate will be effective July 1, it was announced by President Kenneth V. Zwiener.

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As of May 2 the **Michigan National Bank of Lansing, Mich.,** enlarged its capital to $7,500,000, having increased the amount from $6,000,000, as a result of a stock dividend of $1,500,000.

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Samuel C. Davis was elected a Vice-President and a director of **St. Louis Union Trust Company of St. Louis, Mo.,** on May 10 at a meeting of the company's board of directors, it was announced by David R. Calhoun, Jr., President of the company. Mr. Davis, formerly an Assistant Vice-President, joined the trust company in 1935 and has been an officer for the past twelve years. He is a director of the Houston Oil Company, Houston, Tex., and is identified with various business activities.

* * *

The Board of Governors of the Federal Reserve System reports that as of May 1 the **Trust Company of Georgia, of Atlanta, Ga.,** a State member, merged under its charter and title with the **East Atlanta Bank of Atlanta,** an insured nonmember. A branch was established in the former location of the latter bank.

* * *

The Comptroller of the Currency in Washington, D. C., has approved the merger of the **First National Bank in Madera, Cal.,** and **The First National Bank of Scotia, Cal.,** into **Crocker-Anglo National Bank of San Francisco,** subject to the completion of necessary formalities, it was announced jointly on May 9 by Paul E. Hoover, President of Crocker-Anglo, A. J. Grasmoen, President of the Madera institution, and A. S. Murphy, President of the Scotia bank. Directors of all three banks concerned, it is announced, have approved the merger transaction in principal and it will now be presented to shareholders concerned for ratification. Officers and staff members of the Madera and Scotia banks will be retained in the Crocker-Anglo organization and will participate in Crocker-Anglo's pension plan, group life and other personnel benefits, Mr. Hoover said. The proposed merger of the Madera institution was first made known on Jan. 4 of this year and referred to in our Jan. 29 issue, page 539. With the announcement on April 30 of a new office in the Cherry Chase Shopping Center in Sunnyvale, and the addition of the Madera and Scotia Offices, the Crocker-Anglo system will number 54 offices in 35 California communities. The First National Bank in Madera, established in 1934, had on Dec. 31, 1955, it is indicated, total deposits of more than $9 million and total assets exceeding $10 million. The First National Bank of Scotia, established in 1910, had total deposits, it is said, of more than $7,500,000 and assets of over $8 million as of the same date.

* * *

**First Western Bank and Trust Company of San Francisco** opened the 78th office in its statewide system on May 14, it was announced by T. P. Coats, Chairman of the bank's Board of Directors. The new office is in the Crenshaw district of Los Angeles and brings to 19 the number of First Western offices in the Los Angeles metropolitan area. Simultaneously, J. Arthur Taylor, Vice-Chairman of the bank's board of directors and its senior executive in Southern California, announced that First Western will open its Los Angeles main office shortly. It will also serve as First Western's administrative headquarters for Southern California.

* * *

**The First National Trust & Savings Bank of San Diego, Calif.** increased its capital, effective April 27 from $2,160,000 to $4,320,000. Following the payment of a 100% stock dividend the 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.

* * *

**The Toronto-Dominion Bank of Toronto, Ont.,** is offering shareholders rights to subscribe for 500,000 additional shares of capital stock at $32 per share in Canadian currency, A. C. Ashforth, President, announced on May 12. The rights are being offered on the basis of one additional share for each three shares held at the close of business May 11. Expiration date for the rights is Aug. 14, 1956. The new issue is not registered under the U. S. Securities Act, it is announced, and in consequence, shares are not being offered to shareholders whose recorded addresses are in the United States or any territory or possession thereof, but we quote, "there are being provided for such shareholders subscription rights which, though not exercisable by them, are transferable and can be sold. It is expected that rights will be traded on one or more stock exchanges in Canada."

During the month of April, 1956, $1,000,000 was transferred by the bank from tax paid reserve and $2,000,000 from undivided profits to rest account, bringing the total of the latter to $33,000,000. The sale of the 500,000 shares to be issued will result in an increase in capital account of $5,000,000 and in rest account of $11,000,000, bringing capital account to $20,000,000 and rest account to $44,000,000. The purpose of this issue, it is stated, is to bring the shareholders' equity more in line with the volume of business being transacted and the total assets and liabilities of the Toronto-Dominion Bank.

# Towards a Lower Bank Rate?

By PAUL EINZIG

**British Economist attributes inflation to consumers' failure to resist higher prices, and, accordingly, advises the monetary authorities to make credit much tighter, in the course of exploring the possible lowering of the British Bank Rate. Refers to U. S. A. to show that credit squeeze can prevail with a lower bank rate. Believes the resulting larger stock price profits from a lowered bank rate would have a negligible inflationary effect since most of the profits would be saved and reinvested.**

Dr. Paul Einzig

LONDON, Eng. — Notwithstanding the unpromising economic outlook, the London Stock Exchange has been reasonably steady during recent weeks. The popular explanation is that the market anticipates further inflation. Yet it should be obvious that further inflation must mean more disinflationary measures which would affect unfavorably Stock Exchange prices. The real reason why the trend has been reasonably favorable is the wide-spread belief that the next change in the Bank Rate would be in a downward direction. In face of the inflationary trend that continues unabated this may appear absurd. Nevertheless, there are several reasons why the possibility should not be excluded.

### Lower Treasury Bill Rate

The speculation on the possibility of a reduction of the Bank Rate was the result of a perceptible decline in Treasury Bill rates, which now stand under 5% against a Bank Rate of 5½%. It is assumed that the decline has taken place with the approval of the monetary authorities, and possibly on their initiative. There is no doubt that it is to the advantage of the Treasury to lower Treasury Bill rates, not only because of the high cost of their floating debt, but also because of the difficulties in funding any substantial part of the floating debt. So long as short-term money rates are so high the Treasury will have to offer even higher rates for any medium-term or long-term issue.

### Refers to United States

On the other hand, it is widely assumed that any reduction in the Bank Rate would let loose a fresh flood of inflation, partly through the effect of easy money on the volume of credit, and partly through the Stock Exchange boom that it would generate. There is room, however, for two opinions on the effect of a lower bank rate on the volume of credit. Under the automatic system high Bank Rate necessarily means tight money and low Bank Rate easy money. Under the existing system, however, the authorities are well in a position to make money tight even if the Bank Rate is kept relatively low by means of the various devices of monetary policy at their disposal. The example of the United States shows that there is no need for raising the Bank Rate to an almost prohibitive level in order to bring about disinflation.

The British authorities would be well in a position to keep money tight even if the Bank Rate were to be reduced well below its present figure. They could do so by means of open market operations or by instructing the banks not to relax the credit squeeze. It is true the number of people who are now deterred from borrowing by the high interest rates would then become reduced. This would only mean, however, that the credit squeeze would depend less on the unwillingness of the borrowers to borrow as on the inability of lenders to lend.

The change would not be popular among bankers who would be compelled to refuse applications for credit to an even larger extent than they are now. But, given the powers of the authorities to bring about tight money and to instruct banks to limit the volume of their credits, it would be quite feasible to keep down, and even to reduce further, the volume of credits even on the basis of a 3% Bank Rate.

### Stock Profits Non-Inflationary

Of course, such a drastic reduction of the Bank Rate would be followed by a sharp rise on the Stock Exchange. This would result in large profits to speculators and investors. The actual inflationary effect of such profits would be, however, negligible. A large part of it would be saved and reinvested. To the extent to which beneficiaries of the Stock Exchange boom would increase their expenditures, it would affect the prices of luxuries, but its effect on the prices of necessities would be negligible.

The favorite argument against Stock Exchange profits that it gives rise to additional wages demands has become utterly untenable in the light of Britain's experience during the last six months. The fact that holders of equities and Government loans suffered heavy capital depreciation during that period has not prevented the Unions from stepping up their wages claims which have been more exaggerated and more frequent than at any time during the previous Stock Exchange boom. Wage rates increased by six points in six months. This in spite of the fact that the cost of living index rose only by one point during the same period.

### Wages and Stock Profits

The fact of the matter is that the phase in which wages demands are put forward as a result of reasonable arguments has long been passed in Britain. Wages demands are put forward on the basis of the industrial balance of power which has changed heavily in favor of the workers as a result of over-full employment. So long as the Government is unwilling to carry the credit squeeze far enough to bring about a certain degree of unemployment, the Unions will continue to press their excessive wages claims, irrespective of the ups and downs of the Stock Exchange.

It is quite feasible to bring about a sufficient degree of credit scarcity even on the basis of a much lower bank rate. What matters is that industrial firms should be made to realize that they may not be able to secure the necessary amount of credit to finance their business on the basis of a higher level of wages. Unfortunately, as things are at present, they can rely on being able to pass on to the consumer any additional wages they may have to pay out.

It is becoming increasingly obvious that the real solution of Britain's inflationary prices rests not with the monetary authorities or with the Unions or with the employers, but with the consumers themselves. So long as they put up meekly with the endless succession of increases in prices and services charges inflicted upon them, there is the utmost temptation for producers to concede wages claims, and for Unions to put forward such claims. If only a certain degree of consumer resistance could develop it would make employers and employees halt in their pursuit of the inflationary spiral. Failing any inclination on the part of the consumers to resist, it is for the authorities to make credit conditions much tighter, and hope for the best.

# Edw. D. Jones Installs 400th Automatic Quotation Board

ST. LOUIS, Mo.—Edward D. Jones & Co., 300 North Fourth Street, members of the New York Stock Exchange and other leading exchanges, is installing an automatic electric stock quotation board, the 400th to be installed by the manufacturer, The Teleregister Corporation. These boards link brokers all over the country by direct wire to a central transmitting station in New York City and enable the brokers to provide instantaneous display of prices on stocks and commodities within seconds after the new price has been established by a sale. The system gives in addition to coverage of the New York Stock Exchange, listings for the American Stock Exchange, and commodity and bond quotations.

Edward D. Jones

# $10,000,000 Celotex Debentures Offered

A new issue of $10,000,000 Celotex Corp. 4⅛% convertible subordinated debentures, due May 1, 1976, was offered publicly yesterday (May 16) by an underwriting group headed jointly by Hornblower & Weeks and Union Securities Corp. at 101.625% and accrued interest to yield 4.015% to maturity. The debentures are convertible into common stock at $48.75 per share. They are callable at prices ranging from 105% to par in 1975.

The proceeds from the sale will be applied to the construction of a new plant for manufacturing fiberboard at L'Anse, Mich., and the acquisition of 242,000 acres of timber lands and rights from the Ford Motor Company Fund and the Ford Motor Co. Estimated cost of the new plant and property is $13,000,000. The total construction program, slated for completion within the next two years, will cost an estimated $22,000,000.

Celotex is engaged in the building materials business; its principal products are: insulation, acoustical, roofing, gypsum and hardboard products. The company owns 10 plants located in eight states.

Net sales for the four months ended Feb. 29, 1956 were $23,487,669, contrasted with $19,569,247 recorded for the comparable 1955 period. Net income for the four months ended Feb. 29, 1956 was $1,606,947, compared with $1,024,816 for the comparable 1955 period.

*Continued from page 5*

# Bank Assets in Prosperity

such things as schools and roads than to paying the obligations they have already occurred.

### Debt of Individuals

I now come to a class of debt which is of great importance, from the standpoint both of bank portfolios and the general economy, and that is the debt of individuals, consisting primarily of consumer debt and residential mortgages. And here we find a class of debt that has been rising not only more rapidly than the general economy but also more rapidly than the specific economic factors which generate most of the debt, namely,

(1) consumer purchases of automobiles, household appliances and equipment, and other durable goods, and

(2) residential construction.

We are frequently assured by apologists for the debt that while it cannot go on rising at recent rates, its present level is not too "high" in relation to some standard or other and therefore is no cause for worry. Frequently such contentions are based on the assumed continued high level of income or on the greater margin of income which is available now for so-called "discretionary" spending.

Such thinking misses a very important point. Income should not be thought of as something that comes into being without regard to what is happening in the area of debt creation and payment. If one grants that the debt cannot continue rising at recent rates, he should ask himself what effect the slackening will have on the amount of income that is being generated.

Things which are sold to consumers on an instalment-payment basis, whether they be automobiles or houses or household equipment or other goods, pump money into the income stream a long while in advance of taking an equal amount of money out of it. The money injected into the income stream consists largely of wages and salaries paid to the persons who make, transport and sell the things destined for consumer instalment-purchase, and, to a lesser extent, it consists of dividends and interest paid from the business earnings generated by these processes. The money taken out of the income stream consists of down-payments and instalment-payments by the ultimate purchasers.

### Income-Debt Flow

To illustrate, take what happens in connection with an automobile. The workmen who make the automobile and the materials entering into its manufacture will have received their wages probably before the automobile even reaches the ultimate buyer and in any event long before he has finished paying for it. The same will largely be true of salaries of supervisory and executive personnel. Also investors in the concerns involved will usually have received their reward in the form of dividends and interest well before the ultimate buyer has finished his payments.

In the economy as a whole at any given time the making, transporting and marketing of a multitude of new things destined for consumer instalment-purchase will be tending to enlarge the income stream and the instalment-paying for a multitude of things previously sold will be tending to reduce it. The net effect will depend on which element is dominant, and this is likely to be reflected in increases or decreases in the total amount of debt outstanding.

Any increase in either the dollar volume of instalment - debt financing or the period of time over which instalments are to be paid provides a stimulus to the economy by widening the gap between money income created and money income used up, but it can be demonstrated mathematically that, in the absence of new changes, the effect of such a "shot in the arm" lasts no longer than the term of the new debt brought into existence at the time of the change and is of diminishnig importance before the end of that period.

To illustrate, assume that for some years a particular type of personal debt has been coming into existence at the rate of $100 million a month at the beginning of each month and has uniformly been payable over 20 months. This would mean that a total of $100 million would be paid each month and the total debt outstanding at the end of any month would be $950 million. This would represent the unpaid residue of debt created over 20 months, consisting of $95 million for the most recent month, $90 million for the month before that, and so on. Now assume that at the beginning of a particular month new debt starts coming into existence at the rate of $120 million a month and the period over which the new debt is required to be paid is lengthened to 30 months. The changed rates of debt creation and debt payment would cause the outstanding debt to rise gradually from $950 million to $1,740 million at the end of 30 months, at which point it would become stationary. Debt payment and debt creation would then be in balance, and, in the absence of new changes, the transitional stimulus to the economy would be at an end. If new changes should occur but should be in the direction of a reduced volume of borrowing or more rapid rates of repayment, then not only would the stimulus be gone but instead there would be a drag operating against the economy.

I am aware that the money injected into the income stream by the processes I have been describing is not new or additional money unless it is borrowed from banks and that it does not go out of existence when repaid unless it is repaid to banks. This, however, is frequently the case. And even when the money used consists of nonbank funds previously in existence, its employment in financing instalment - buying transforms it from the status of capital in certain hands into income flowing into other hands. It becomes capital again when repaid to the lenders and does not automatically reenter the income stream.

The dollar volume of consumer purchases of durable goods was only about one-fourth larger in 1955 than in 1950, but the amount of consumer goods instalment debt outstanding at the end of 1955 was nearly double the amount outstanding at the end of 1950. Similarly, mortgage debt on non-farm 1-to-4 family residences was almost twice as large at the end of 1955 as at the end of 1950, although the dollar volume of residential construction was only about 60% greater during the five years ended with 1955 than during the five years ended with 1950.

In the year 1955 alone consumer instalment debt went up nearly 25% and mortgage debt on non-farm 1-to-4 family residences rose 17%.

The Federal Reserve Bank of Cleveland has computed that, if instalment debt and disposable income were each to continue increasing at approximately the average percentage rate of the past four years, instalment debt by 1965 would be over three times as large in relation to disposable income as at the end of 1955, and in 1965 would require more than one-third of disposable income for its servicing.

**Debt Creation—Repayment Gap**

The recent rates of increase in consumer and residential debt are obviously unsustainable; they simply cannot continue indefinitely. The arithmetic of debt-payment schedules, if nothing else, will inevitably reduce the gap between debt creation and debt payment.

I will venture the opinion that at least half of the rise in personal income in 1955 originated in or was supported by unsustainable increases in personal debt.

Income which originates in a growth of debt that cannot be kept up is unreliable income. One wishes that as it circulates through the economy it could be made to bear a label reading somewhat as follows:

*This income originated in an unsustainable source. Don't count on its being repeated.*

Such a label would afford a better appreciation of economic realities. For example, the automobile worker who is receiving large wages in a period in which automobile instalment debt is climbing rapidly can perhaps understand that his income may be reduced if such debt levels off, but people who at second-, third- or fourth-hand receive income created by his spending are usually not aware of the element of undependability in it. If they were warned of this undependability, they might order their affairs differently.

**UNstabilizer**

We talk much about the automatic stabilizers that have been built into our economy in the last quarter - century and I do not think they should be minimized. But I also think that before we accept the philosophy that we are in a completely new era we should take a good, hard look at the possibility that personal debt will prove to be an automatic unstabilizer.

If trouble does develop in the area of personal debt, I think the repercussions will be felt not so much in the form of defaults on personal debt as in a reduced volume of consumer purchases, particularly of durable goods. Most people, I believe, will keep up their debt payments even in a period of declining income. Both by inclination and to keep their records clear, they will reduce their purchases of new goods before they default on their outstanding obligations. They can do this all the more readily because a high but reducible standard of living and a large stock of durable goods already on hand make more wants postponable than ever before.

If trouble originating in the area of personal debt causes a reduced volume of consumer purchases, the effects will be felt most severely by business concerns of marginal strength, particularly in the durable goods field. All of which reemphasizes the importance of not relaxing standards in making loans to business enterprises.

**Conclusion**

I do not intend to imply that I expect a period of liquidation comparable to the early 1930's, because the contrary is the case. But I do suggest that in our lending it would be well to take in account the possibility of a set-back within the next few years of more severity than any readjustment that has occurred since the war. One does not have to be a bear on the future of this country to believe that such a set-back is possible. If it were just a matter of material resources and human capabilities and desires, we could dismiss the possibility of a downturn; we have everything of that sort that we need to keep our economy expanding continuously. But we must remember that these fundamental factors have almost always been favorable to economic expansion, and yet we have never been able in the past to proceed without interruption. To my way of thinking, these interruptions have occurred primarily because what I call the financial statement of things has been allowed to get out of kilter with the physical and human potentialities of the economy, requiring us every now and then, as Will Rogers said, "to stop and pay up."

If we adhere to conservative standards of lending and investing we may not only serve our own direct interests in avoiding trouble in our own portfolios but also contribute to the public welfare by mitigating those distortions in the financial system which produce economic dislocations. By throwing our weight against inflation now, we may be helping to avoid deflation later on and perhaps still later a renewed push toward inflation which might originate in governmental deficits incurred during the deflation. In other words, we may be doing our part in facilitating orderly and constructive economic progress.

## H. A. Riecke Adds

PHILADELPHIA, Pa.—H. A. Riecke & Co., Inc., 1519 Walnut Street, members of the Philadelphia-Baltimore Stock Exchange, announces that John D. Wallingford is now associated with them in their trading department.

## A. C. Allyn Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill. — James B. Sallman has been added to the staff of A. C. Allyn & Company, Incorporated, 303 North Main St.

## Three With FIF

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edward H. Cooke, Jr., Norman T. Johnson and Alfred J. Lee are now associated with FIF Management Corporation. All were previously with Investors Realty Fund, Inc.

## Morgan Davis to Admit

Gouverneur M. Phelps will become a limited partner in Morgan Davis & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, on May 17.

## N. Y. S. E. to Honor Harold W. Scott

Members of the New York Stock Exchange will give a testimonial dinner Tuesday, May 22, in honor of Harold W. Scott, who is retiring as Chairman of the Exchange's Board of Governors, Richard H. Moeller, Chairman of the Dinner Committee, announced.

Harold W. Scott

Mr. Scott, a partner in the Stock Exchange and investment banking firm of Dean Witter & Co. and a member of the Stock Exchange since 1929, will complete his second one-year term as Chairman and his seventh successive year as a Governor on May 21. In January this year he announced that because of the demands and responsibilities of his own business, he would not be available for renomination as Chairman or Governor.

More than 800 people—including government officials, members of the Exchange, and leaders in the financial community — will join in honoring Mr. Scott at the dinner, which will be held at the Biltmore Hotel.

James Crane Kellogg, III, Chairman-elect, will act as toastmaster.

Among the distinguished guests will be The Rev. Dr. Paul Wolfe, Pastor of Brick Presbyterian Church; The Rt. Rev. Msgr. Richard J. Pigott, Pastor of the Church of Our Lady of Victory; Keith Funston, President of the New York Stock Exchange; Edward T. McCormick, President of the American Stock Exchange; James Dyer, Chairman of the American Stock Exchange; James J. Lee, President of the Association of Stock Exchange Firms; Harry Besse, President of the Boston Stock Exchange; Emil Schram, former President of the New York Stock Exchange; Charles E. Wilson, a Public Governor of the New York Stock Exchange; the Honorable Clarence H. Adams, the Honorable Earl F. Hastings, the Honorable Andrew Downey Orrick, and the Honorable Harold C. Patterson, all Commissioners of the Securities & Exchange Commission.





## Bank and Insurance Stocks

By ARTHUR B. WALLACE

### This Week—Insurance Stocks

Preliminary earnings figures of the more actively traded fire-casualty insurance stocks for 1955 bring out the fact that that year suffered somewhat by comparison with 1954. The accompanying tabulation gives a comparison between the year-end dates of 1954 and 1955 of the ratio of net earnings after Federal taxes, to liquidating value. In about 60% of the companies the 1955 ratio was lower than that of a year earlier. The earnings figures consist of adjusted underwriting results, plus income from investments, minus Federal income taxes, for net. Now, as in practically every instance income from investments was higher for 1955 than for 1954, it becomes apparent that what shrinkage there was in over-all earnings was in the underwriting portion of the business.

When we come to a breakdown of the adjusted underwriting gain or loss data into its components of statutory result plus or minus the stockholder's equity in the change in the unearned premium reserve, there are but six of the 42 companies listed that showed a minus sign opposite the equity figures. Thus it boils down to the fact that where the results were less satisfactory than in 1954, the reason for it was the poorer statutory showing. Earlier comments had brought out that 1955 could be expected to turn in a less favorable year. Indeed, most of the more important lines (using all of the larger, leading groups of companies as an indication) showed a definitely higher combined loss and expense ratio for 1955 than for 1954:

| | 1954 | 1955 |
|---|---|---|
| Auto Physical Damage | 84.3% | 87.5% |
| Inland Marine | 95.9 | 100.0 |
| Ocean Marine | 83.6 | 88.2 |
| Auto Bodily Injury Liability | 97.4 | 102.8 |
| Auto Property Liability | 88.7 | 93.2 |
| Straight Fire | 91.6 | 94.0 |
| Miscellaneous Bodily Injury Liability | 96.9 | 96.5 |
| Extended Coverage | 143.2 | 115.0 |

The last two listed lines accounted among the principal fleets for about $662,000,000 of premium volume, while the other six totaled some $3,580,000,000.

Also listed in the accompanying schedule are the increases in liquidating values of the 42 companies. While some of the larger gains are to be traced to higher common stock values in 1955 (Insurance Co. of North America, America Fore companies, for example), a number of companies that emphasize fixed income investment media also chalked up good gains (Continental Casualty, Hartford, Seaboard, St. Paul, Aetna Casualty).

| | Ratio of Net Earnings to Liquidating Value 12/31/54 | 12/31/55 | Increase in Liquidating Value 12/31/54-12/31/55 |
|---|---|---|---|
| Aetna Casualty | 9.5% | 7.2% | 16% |
| Aetna (Fire) | 3.4 | 4.5 | 5 |
| Agricultural | 2.2 | 1.9 | 5 |
| American Equitable | 3.3 | 2.6 | 5 |
| American Insurance | 3.7 | 2.8 | 7 |
| American Surety | 6.6 | 4.9 | 1 |
| Bankers & Shippers | 3.4 | 5.0 | 8 |
| Boston Insurance | 2.7 | Def. | 5 |
| Continental Casualty | 11.0 | 10.9 | 17 |
| Continental Insurance | 4.0 | 3.5 | 14 |
| Federal Ins. | 6.3 | 5.8 | 9 |
| Fidelity & Deposit | 6.4 | 6.7 | 8 |
| Fidelity Phenix | 3.3 | 3.2 | 15 |
| Fire Ass'n | 2.2 | 3.9 | 8 |
| Fireman's Fund | 6.2 | 5.5 | 5 |
| Firemen's Ins. | 4.4 | 4.0 | 11 |
| General Re Insurance | 5.9 | 5.8 | 7 |
| Glens Falls | 5.1 | 3.5 | 6 |
| Great American | 4.0 | 3.9 | 11 |
| Hanover Fire | 2.3 | 3.7 | 6 |
| Hartford Fire | 6.1 | 6.2 | 8 |
| Home Insurance | 0.4 | 4.0 | 10 |
| Insurance Co. No. Amer. | 5.3 | 5.1 | 16 |
| Massachusetts Bond. | 7.2 | 8.0 | 7 |
| Merchants of N. Y. | 3.8 | 4.0 | 12 |
| National Fire | 2.4 | 3.1 | 5 |
| National Union | 5.1 | 3.8 | 7 |
| New Amsterdam | 6.6 | 3.9 | 1 |
| New Hampshire | Def. | 2.4 | 8 |
| Northern Insurance | 4.6 | 7.1 | 15 |
| North River | 4.2 | 3.8 | 8 |
| Pacific Fire | 3.3 | 4.6 | 9 |
| Phoenix Insurance | 0.7 | 2.0 | 9 |
| Providence Washington | Def. | 2.8 | 1 |
| St. Paul Fire & Mar. | 7.5 | 7.4 | 9 |
| Seaboard Surety | 6.7 | 7.3 | 10 |
| Security Insurance | 4.2 | 3.5 | 2 |
| Springfield Fire | 2.4 | 2.4 | 7 |
| Standard Accident | 12.9 | 5.5 | 5 |
| United States Fid. & Gty. | 10.2 | 7.6 | 8 |
| United States Fire | 3.9 | 3.9 | 7 |
| Westchester Fire | 4.2 | 4.1 | 7 |

## Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The shift from common stocks into fixed income bearing obligations appears to be growing and, as a result, the market action of bonds has been better in the last two weeks or so. It is evident that the cautious attitude which has been so prevalent in the bond market is showing signs of being dissipated a bit. The fact that institutional investors are making somewhat enlarged commitments in selected issues of municipals, corporates and government bonds has improved the tone and market action of these securities.

The limited supply of government bonds available in the market has been responsible in some measure for the better prices which have been in evidence in the past two weeks. To be sure, a somewhat enlarged demand from investors has also helped to improve the position of the government market. The demand for shorts is still very large.

### State Funds Active Buyers

The government market has been displaying a better tone on not too much larger volume or activity, even though there have been some fair sized orders around for selected issues. State funds, according to reports, have been buyers of some of the longer-term obligations, with the highest yielding 2½s, and the 3s being the most favored ones. Orders have also been around for the 3¼s of 1978/83, and this resulted in fairly sharp run-ups in quotation of this issue since it is not easy to acquire not too sizable amounts of this bond.

### Governments Seen in Buying Area

The ability of the government market to get off its back and rally as it has done in the past fortnight, has had a favorable influence upon money market followers. To be sure, there are no out and out predictions that prices of Treasury issues have seen their lows. Yet, on the other hand there seems to be a growing feeling that, even with a test of the year's lows, quotations of most government issues will come out of it without making new lows. In other words, the opinions are that further set-back in quotations of government obligations will bring in buying and purchases made under such conditions should turn out to worthwhile ones for those that have funds for investment.

### Institutions Paring Equity Holdings

Despite the tightness in the money market, there is money around for investment and not a small part of these funds are coming from the sales of common stocks. It is indicated that institutions with large holdings of equities have been taking advantage of the high prices in the common stock market to reduce somewhat their holding in order to get funds which are being put to work in fixed income obligations. Some of this money has been reinvested in short-term government securities and a lesser amount has been put to work in the intermediate- and longer-term issues. The amount of money which is being shifted from equities into bonds is not too sizable as far as purchases of Treasury securities are concerned, because it is reported that the tax-free and corporate issues have been getting the bulk of these funds.

### Tax Swops Provide Activity

According to reports, quite a few tax swops are being made, with the tendency more evident now to extend maturities. Because of the thinness of the market in certain issues of government securities, these tax switches in some cases have taken considerable time to consummate mainly because the issues which are being switched into have not been easily obtainable in volume. Holders of government obligations in many instances are not being readily separated from their securities and this does not make switching as easy as it has been in the past.

### Loan Trend Key to Credit Policy

The next four weeks will be watched very closely by money market specialists, because the trend of loans during this time will do much to indicate whether there will be any changes in monetary policy. If the peak in loans comes by the middle of next month, and there should be a decreasing trend from there on, it is believed that the monetary authorities will not take too much time to pull some of the pressure off from the money market.

### Sizable Demand for Short-Terms

The demand from institutional investors for short-term governments is still sizable, even though the competition from tax-free securities is getting stronger. Also, there are reports that the buying in the intermediate-term issues has been improving both in quality and quantity. The 1961 maturities appear to be the ones in which this growing interest is now being expressed.

### Join Franklin Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Herbert G. Cody, Robert P. Davis, Louis E. Deutsch, George A. Ferbeck, Murray Handler, David A. Lesser and John T. Troll, III, are now connected with Samuel B. Franklin & Co., 215 West 7th Street.

### Hay, Fales Admits

Hay, Fales & Co., 71 Broadway, New York City, members of the New York Stock Exchange, on May 17 will admit William Specht, Jr., and George H. Moss, Jr., member of the Exchange to partnership in the firm.

### H. M. Wreszin & Co. To Be Formed in NYC

Henry M. Wreszin and John A. Wreszin, both members of the New York Stock Exchange, on May 15 will form H. M. Wreszin & Co. with offices at 71 Broadway, New York City. Both are partners in Hay, Fales & Co.

### Form Hiegel & Co.

Edward J. Hiegel, member of the New York Stock Exchange, and Nan Beebe Simmons will form Hiegel & Company with offices at 63 Wall Street, New York City as of May 10.

### D. D. Weston Incorporates

(Special to THE FINANCIAL CHRONICLE)

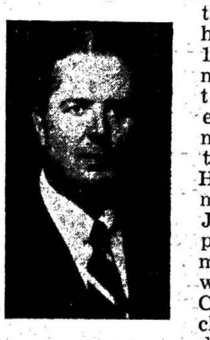
BEVERLY Hills, Calif.—Daniel D. Weston & Co., Inc., has been formed to succeed to the investment business of Daniel D. Weston & Co., 9235 Wilshire Boulevard. Officers are Daniel D. Weston, President; Milton Toboco, Vice-President, and Leo E. Bromberg, Secretary-Treasurer.

### With First New Hampshire

PORTLAND, Maine — John E. Largay, Frank J. O'Connor and Archer Scribner are now with First New Hampshire Corporation, 5 South State St., Concord, N. H.

## Honor John J. Mann at Testimonial Dinner

John J. Mann, recently retired Chairman of the American Stock Exchange, the only individual to serve five consecutive terms in that post, was honored May 10 at a testimonial dinner tendered by exchange members at the Park Lane Hotel. Remarks by James R. Dyer, present Chairman, and Edward T. McCormick, exchange President, reviewed the record of Mann's 23 years as a member, eight years as a board member and five terms in the chair. Mann was presented with a sterling silver tea service.



John J. Mann

About 350 people attended the affair. Among the honored guests were Earl F. Hastings, Securities and Exchange Commissioner; Keith Funston, President, and Harold Scott, Chairman, of the New York Stock Exchange; James E. Day, President, Midwest Stock Exchange; Frank Newburger, Jr., President, Philadelphia-Baltimore Stock Exchange; James J. Lee, President, Association of Stock Exchange Firms; and William Moran of the Securities and Exchange Commission, New York Regional office.

## Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc., on May 11 headed a syndicate offering $4,800,000 of Chesapeake & Ohio Ry. Co. 3⅜% serial equipment trust certificates, maturing annually June 4, 1957 to 1971, inclusive. These certificates, first instalment of an issue not exceeding $12,900,000, were priced to yield 3.40% for all maturities.

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

The entire issue of certificates is to be secured by 60 diesel electric road switching locomotives and 486 50-ton box cars, estimated to cost $16,241,932.

Participating in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; L. F. Rothschild & Co.; Baxter, Williams & Co.; Freeman & Co.; Gregory & Sons; Ira Haupt & Co.; The Illinois Co. Inc.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co.; McMaster Hutchinson & Co.; Mullaney, Wells & Company; and F. S. Yantis & Co. Inc.

## Consolidated Cigar Places Debentures

Consolidated Cigar Corp. has placed privately with 16 institutional investors a new issue of $5,000,000 of 4¼% sinking fund debentures due May 1, 1976. Arrangements for the placement of the loan were negotiated by Eastman, Dillon & Co.

Consolidated Cigar Corp. will use the proceeds for its expansion program to retire short-term loans.

The purchasing institutions were as follows: Massachusetts Mutual Life Insurance Co., The Lincoln National Life Insurance Co., Aid Association for Lutherans (Appleton, Wis.), Jefferson Standard Life Insurance Co., State Farm Mutual Automobile Insurance Co., Continental Assurance Co., Home Life Insurance Co., State Mutual Life Assurance Co. of Worcester (Worcester, Mass.), Pilot Life Insurance Co., Equitable Life Insurance Co. of Iowa, Northwestern National Life Insurance Co., Central Life Assurance Co., State Farm Life Insurance Co., Pan-American Life Insurance Co., Mutual Trust Life Insurance Co. and The Western & Southern Life Insurance Co.

### With A. L. Albee

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Teofil P. Rodowicz is now with A. L. Albee & Co., Inc., 4 Liberty Square.

### Barret Fitch Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Garlans J. Owens has been added to the staff of Barret, Fitch, North & Co., 1006 Baltimore Avenue, members of the Midwest Stock Exchange.

### With Shuman, Agnew

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif.—Merrill D. Anderson is now with Shuman, Agnew & Co., 177 East Fifth St.

### With Cosgrove, Miller

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Edward L. Rickard is now with Cosgrove, Miller & Whitehead, Hanna Building. Mr. Rickard was formerly with Green, Erb & Co., Inc.

### Joins Ross, Borton

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Richard P. Seager is with Ross, Borton & Simon, Inc., The 1010 Euclid Building. Mr. Seager in the past was with Perry T. Blaine & Co.

## Hendrickson Is V.-P. Underwood, Neuhaus

HOUSTON, Texas—William H. Hendrickson has joined Underwood, Neuhaus & Co., 724 Travis Street, as Vice-President in charge of research, according to an announcement by Milton R. Underwood, President of the investment banking firm.

Mr. Hendrickson was until recently Vice-President, Treasurer and a director of the Texas Gulf Producing Co. Prior to joining Texas Gulf in 1941, he was associated with two New York Stock Exchange member firms in New York City for 14 years.

A graduate of Princeton in 1920, Mr. Hendrickson is a member of the University's graduate council. He is a member of the Houston Club, the Petroleum Club and the River Oaks Country Club.

### Joins McKee & Jaeckels

(Special to THE FINANCIAL CHRONICLE)

APPLETON, Wis. — Claude N. Bowlby is now with McKee & Jaeckels, Inc., Irving Zuelke Building. In the past Mr. Bowlby was with The Milwaukee Company and was Appleton manager for Gillespie & Wouters.

### Boren Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Edwin O. Blalock, Jr., and Frederick Tillinghast III are now with Boren & Co., 9640 Santa Monica Boulevard. Mr. Blalock was formerly with Leo Schoenbrun; Mr. Tillinghast was with J. Logan & Co.

# Problems and Activities of Texas Securities Dealers

By W. E. TINSLEY*

Executive Director, Municipal Advisory Council of Texas
Austin, Texas

**Executive Director of Texas municipal securities dealers sums up the organization's objective as "making it easier for a bondman to make a living." Describes functions dealing with: financial statistics, credit information, publications, public relations, legislative screening and proposals, code of ethics, grievances and practices.**

The idea of a strictly business organization concerned with the problems of the Texas municipal securities dealers was conceived during 1954. On Sept. 27, 1954, the idea had gained such momentum that a meeting was held in the auditorium of the American National Bank in Austin and was attended by representatives of 40 firms. For the first time in our lives those of us who were in attendance witnessed something which approached a miracle: forty bond men agreed on one point! There was a unanimity of opinion which was heartening.

W. E. Tinsley

The next few months were devoted to organizational matters, and it was on Jan. 3, 1955, that the Council's office was opened in Austin and it is from that date that the Council has existed as a working organization. That is 16 months. What I want to do today is to tell you exactly what the Council is, how far we have come in these 16 months, and where it looks like we are headed from here.

### Purpose

The Council is a trade association, an organization of business competitors which has been put together for the prime purpose of improving the climate in which our business is conducted. I was a delegate at the September, 1954, meeting in Austin. I was pinch hitting for Al Allison, and I was authorized to ask this question: "Is the main objective of the Council that of making it easier for a bond man to make a living?" If the answer was "Yes," then I was authorized to vote our firm in favor of it. That was and still is the Council's objective.

The Council is made up of 69 Texas dealer firms who comprise its regular membership. Except with one or two exceptions every firm within the State which is eligible for membership is a member. It is a boast of mine that as to percentage of membership from total firms eligible there is no other business or professional group within the State of Texas which approaches ours if membership be voluntary and the entrance fee substantial.

### Organization and Structure

Then in addition to our regular membership we have 52 out-of-State dealer firms which are non-resident members. These are firms which from time to time deal in Texas issues. We are proud to have them and we feel that any accomplishments of the Council which inures to the benefit of Texas dealers also benefit these out-of-State dealers.

The over-all affairs of the Council are governed by a Board of Trustees composed of 12 executive representatives of different firms. As you know there is geographical representation on the Board of Trustees as well as representation of the large and small firms. The Board of Trustees is elected annually at our business meeting during the last week in October.

Under the Board of Trustees comes our Austin staff which I head as your Executive Director. Our Austin staff is composed of 18 employees, plus our own attorney who is on a regular retainer. Our office is well equipped; it maintains statistical files on almost 3,000 units of local government in Texas and we have our own printing plant. Our budget for the current fiscal year is approximately $147,000. Ours is no small undertaking.

At the outset there were those skeptics who had some apprehension as to just what the Council idea could lead to. They approved heartily of the idea of the Council if it would limit its activities to the fields of financial statistics and public relations. But there are things to be done in this business of making it easier for a bond man to make a living other than providing financial statistics and improving public relations although these are still the major fields of endeavor.

### Publications

It is fitting and proper that this convention has formally recognized the years of meritorious service rendered our industry by George Culler, one of the founders and for many years publisher of the "Texas Bond Reporter" Inc. We bought out George's operation on July 1, 1955. We eloped with his only daughter, and that stings, I know, but George has been very gracious about it and we love him for it.

With the files and publication rights purchased from "Texas Bond Reporter" Inc., we have established three publications: "Texas Bond Reporter," our weekly news magazine; "Texas Municipal Reports," which are individual financial analyses prepared on each unit of local government that has bonds outstanding; and "MAC Special Reports," which are comprehensive studies of matters of general interest to the industry.

All of you receive "Texas Bond Reporter" weekly as a right of membership. Of course it also goes to all of our non-resident members at no cost to them. This is a highly effective medium for reporting the current news from week to week as to forthcoming bond elections, bond sales and the like.

Our "Texas Municipal Reports" is a subject on which I am going to dwell at length because I am afraid that some of you are overlooking an excellent bet in those reports. Frankly, we need more subscribers because this is the only one of our publications for which there is a charge and our publications are not self-supporting. We need your subscription.

If you are not now a subscriber to "Texas Municipal Reports" or if you are a subscriber and do not order extra copies for your customers, then you are overlooking one of the most effective public relation gimmicks at your disposal. You may buy your customer a steak dinner, a case of whiskey, or take him fishing to show your

*Continued on page 32*

*An address by Mr. Tinsley before the Annual Convention of Investment Bankers Association, Texas Group, Corpus Christi, Texas, April 28, 1956.

## Smutny Appointed By Webb & Knapp

The election of Rudolf Smutny, senior partner in the investment banking firm of Salomon Bros. & Hutzler, as Chairman of the Executive Committee of Webb & Knapp, Incorporated, was announced by William Zeckendorf, President of the real estate company.

Rudolf Smutny

Webb & Knapp also announced that William C. Warren, Dean of the Columbia University Law School, and Arthur T. Roth, Chairman of the Board and President of The Franklin National Bank of Franklin Square, New York were elected to the Board of Directors.

## Joshua A. Davis Dir.

CLEVELAND, Ohio — C. W. Haller, President of Victoreen Instrument Co., manufacturer of radiation measuring instruments for therapeutic and industrial uses, announces that Joshua A. Davis has been elected a director of the company. Mr. Davis is Vice-President and a director of Blair & Co., Incorporated, New York investment house.

Joshua A. Davis

Mr. Davis also is a director of Godfrey Engineering Co. Ltd., Coastal States Gas Producing Co., First California Co., and Pepsi-Cola Bottling Co. of Los Angeles.

## With F. P. Ristine

PHILADELPHIA, Pa. — F. P. Ristine & Co., 123 South Broad Street, members of the New York and other leading stock exchanges, announce that Oscar E. Robin has become associated with their Philadelphia office.

Mr. Robin graduated from Philadelphia schools and Temple University. He saw service in the U. S. Army, leaving with the rank of Lieutenant Colonel in January, 1956.

## Link Director

SAN GABRIEL, Calif.—Election of Richard M. Link, Los Angeles investment banker, to the board of directors of Clary Corporation has been announced by Hugh L. Clary, President.

Mr. Link is a Vice-President of Blyth & Company, Inc., and has been with the investment banking firm since 1945.

## LOYALTY

If — You work for a man, in Heaven's name work for him. Speak well of him, and stand by the firm he represents. Remember an ounce of loyalty is worth a pound of cleverness. If you must growl, condemn, and eternally find fault, why not resign and when you are on the outside, damn to your heart's content. But as long as you are part of the firm do not condemn it. If you do, the first high wind that comes along will blow you away, and probably you will never know why.—Reprinted from the March Issue of "FINAL PROOF," official organ of the Printing Utilities Branch of Typographical Union No. 6.

# *Public Utility Securities*

By OWEN ELY

## Central Illinois Light Company

Central Illinois Light is a former subsidiary of the old Commonwealth & Southern System, with annual revenues of about $33 million. It is one of three "Central Illinois" utilities, with headquarters at Peoria. It serves electricity to 90 municipalities (as well as some at wholesale), natural gas in 22, and steam and hot water in 2; revenues are approximately 60% electric, 37% gas and 3% heating. The area served is divided into three divisions: Peoria, Springfield, and Lacon-Aledo, the electric properties of the three divisions being interconnected except for the Aledo District which receives electricity from Commonwealth Edison. The company's transmission lines in the Peoria and Springfield Divisions interconnect with those of Commonwealth Edison, Illinois Power and Central Illinois Public Service.

In January the company conveyed its DeKalb electric property to Commonwealth Edison and the heating property to Northern Illinois Gas, receiving in exchange the Lacon and Aledo District electric properties of Commonwealth. This move was logical, as the area served by the DeKalb properties was surrounded by the service area of Commonwealth Edison. Both the DeKalb area, and the Lacon-Aledo area received in exchange for it, produce annual revenues of about $2.1 million. The new era is considered more stable, since it has more residential and commercial business.

The areas served comprise about 2,800 square miles with a population estimated at over 425,000. The principal cities served are Peoria, Springfield and Pekin. In Springfield the company competes with an 80,000 kw. municipal plant, the company's operations providing annual revenues of about $3.1 million vs. $2.8 million for the municipal plant; the latter has a somewhat larger proportion of the residential business while the company has the greater part of the industrial business.

The service area has widely diversified industries including the processing of cereals, meat and other food products, chemical and petroleum products, farm tractors and equipment, diesel engines, wire products, electrical equipment and machinery, distilling, brewing, coal mining, and other varied manufactures. Agriculture is also important in the company's territory, 10,164 farms being served at the present time. Caterpillar Tractor, the principal industrial unit in the area contributes about 7% of the company's revenues—$2,219,000 electric and $215,000 gas. The company has been increasing its operations and now is planning to concentrate in the Peoria area.

The company's gas business should show continued growth, since gas house-heating is cheaper than use of oil or coal; saturation is now only 65% and they have a waiting list of about 2,000 homes. They are hopeful of getting more gas from Panhandle Pipe Line and are also interested in developing gas storage. They are allowed to adjust gas rates to any increases made under bond by the supplier (they have escalator clauses for fuel costs in the electric service also). The company is receiving a $2.2 million gas refund from Panhandle and will return $1.5 million to its own customers over a two-year period.

The company recently sold 100,000 shares of common stock through a 1-for-10 subscription offering. On a pro forma basis capital structure is approximately as follows:

| | Millions | Pct. |
|---|---|---|
| Funded Debt | $30 | 40% |
| Preferred Stock | 11 | 15 |
| Common Stock | 34 | 45 |
| Total | $75 | 100% |

The company expects to spend about $43 million during 1956-58 for construction. They expect to sell $8 million preferred stock later this year and $18 million bonds in 1957, with no financing in 1958-59. The next equity financing is expected to be in 1960, and during the intervening period the equity ratio is not expected to drop below 37%.

Like some other electric utilities the company has experienced a summer peak due to the increasing air-conditioning load, which they don't particularly favor. While in the past they have not promoted the heat pump, three pumps are being placed this year for testing. With 6,000 degree days, the area is not very well adapted to heat pumps without the use of considerable supplementary "resistor heat" on cold days, but the company expects to look into the possibilities of the New York machine said to be adapted to cold weather.

The company's earnings were retarded during 1952-53 by a poor rate of return on electric properties, and difficulties with gas rates (higher costs being only partly offset by rate increases). After making some readjustments in the City of Springfield in connection with the municipal competition, the company filed an application for an electric rate increase in November, 1954, and in September, 1955, received about $1,450,000, or nearly all the amount requested. This amount was equivalent to roughly 64¢ a share on the present 1,100,000 shares. About half the increase was reflected in the earnings for the 12 months ended March 31, which were $4.01 on 1,000,000 shares compared with $3.15 in the previous corresponding period. Earnings were also stimulated by cold weather and better house-heating sales. Earnings are estimated at $4.14 for 1956 and are expected to continue to improve in 1957, according to President Schlink.

This stock has been quoted recently around 55 and pays $2.60 to yield 4.7%. The price-earnings ratio is 13.7%.

## Pasadena Corp. Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Edward Edison is with the Pasadena Corportation, 618 East Colorado Street. He was formerly with J. Logan & Co.

## With Davidson Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert W. Canon is now with Davidson & Co., 155 Sansome Street, members of the San Francisco Stock Exchange. He was formerly with Brush, Slocumb & Co.

## Joins Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Melvin C. McArthur is now with Hannaford & Talbot, 519 California Street.

## E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Don G. Hopper has been added to the staff of E. F. Hutton & Company, 160 Montgomery Street.

# TWENTY-FIRST ANNUAL MEETING

# *Texas Group*

## INVESTMENT BANKERS ASSOCIATION OF AMERICA
## CORPUS CHRISTI, TEXAS
### APRIL 26-28, 1956

## EXECUTIVE COMMITTEE

**CHAIRMAN**

**W. Wallace Payne**
*First of Texas Corporation, San Antonio*

**VICE-CHAIRMAN**

**Taylor B. Almon**
*Rauscher, Pierce & Co., Inc., Dallas*

**VICE-CHAIRMAN**

**Earl G. Fridley**
*Fridley, Hess & Frederking, Houston*

**SECRETARY-TREASURER**

**John P. Henderson**
*M. E. Allison & Co. Inc., San Antonio*

**EXECUTIVE SECRETARY**

**R. B. (Brud) Smith**
*Keith Reed & Company Dallas*

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**J. Wesley Hickman**
*Schneider, Bernet & Hickman, Inc., Dallas*

**Joseph R. Neuhaus**
*Underwood, Neuhaus & Co., Incorporated, Houston*

**William F. Parvin**
*Austin, Hart & Parvin, San Antonio*

**Edward Rotan**
*Rotan, Mosle & Co., Houston*

**Milton R. Underwood**
*Underwood, Neuhaus & Co., Incorporated Houston*

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**EDUCATION**

**William C. Porter**
*Dittmar & Company San Antonio*

**LEGISLATIVE**

**Charles C. Pierce**
*Rauscher, Pierce & Co., Inc., Dallas*

**MUNICIPAL SECURITIES**

**Eugene D. Vinyard**
*Central Investment Company of Texas Dallas*

**MEMBERSHIP**

**Jesse A. Sanders**
*Sanders & Newsom Dallas*

**MEETINGS AND ENTERTAINMENT**

**Milton E. Allison**
*M. E. Allison & Co. Inc., San Antonio*

Mr. & Mrs. Russell E. Siefert, *Stern Brothers & Co.*, Kansas City, Mo.; Mr. & Mrs. George W. Davis, *Davis, Skaggs & Co.*, San Francisco; Mr. & Mrs. W. Wallace Payne, *First of Texas Corporation*, San Antonio; Mr. & Mrs. M. E. Allison, *M. E. Allison & Co., Inc.*, San Antonio

Mr. & Mrs. A. C. Black, *Henry, Seay & Black*, Dallas; Mr. & Mrs. Robert Sledge, *Southwestern Securities Company*, Dallas; J. Ries Bambenek, *Dallas Union Securities Company*, Dallas; Mr. & Mrs. Paul Creson, *Southwestern Securities Company*, Dallas; Mr. & Mrs. Robert R. Brinker, *John Nuveen & Co.*, Chicago

David F. Anderson, *Muir Investment Corp.*, San Antonio; Mr. & Mrs. Clarence E. Sample, *Mercantile National Bank*, Dallas; Gus Nelson, *Texas National Corp.*, San Antonio; Allison R. Peirce, *Harold S. Stewart & Company*, El Paso, Tex.; Mrs. William N. Edwards, Ft. Worth, Tex.; William P. Sharpe, *Mercantile Trust Company*, St. Louis; Jesse R. Phillips, *J. R. Phillips Investment Company, Incorporated* Houston

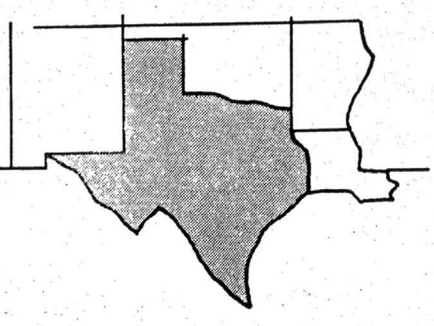
Mr. & Mrs. G. A. Hufnagel, *Singer, Deane & Scribner*, Pittsburgh; John Ahbe, *Distributors Group, Incorporated*, New York City; Mrs. John B. Cornell; Walter Sorenson, *Rotan, Mosle & Co.*, Houston; J. Wesley Hickman, *Schneider, Bernet & Hickman, Inc.*, Dallas; Mrs. Walter Sorenson; John B. Cornell, Jr., *Distributors Group, Incorporated*, Dallas

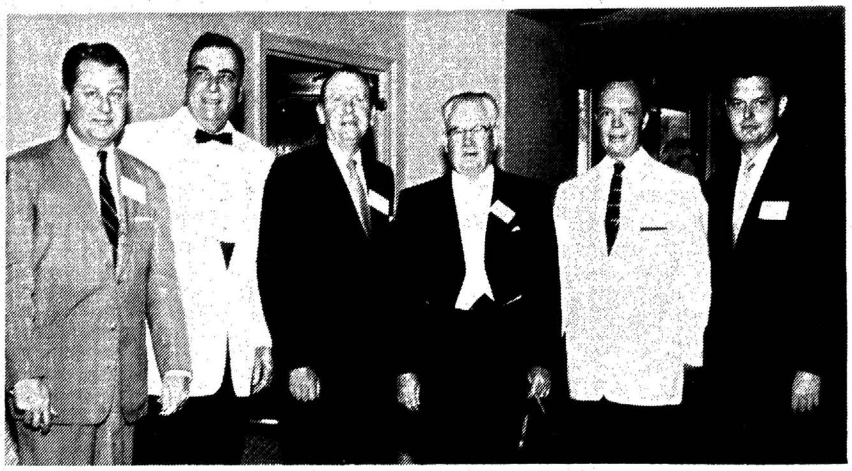
Speakers' Table—First Session

Speakers Table—Second Session

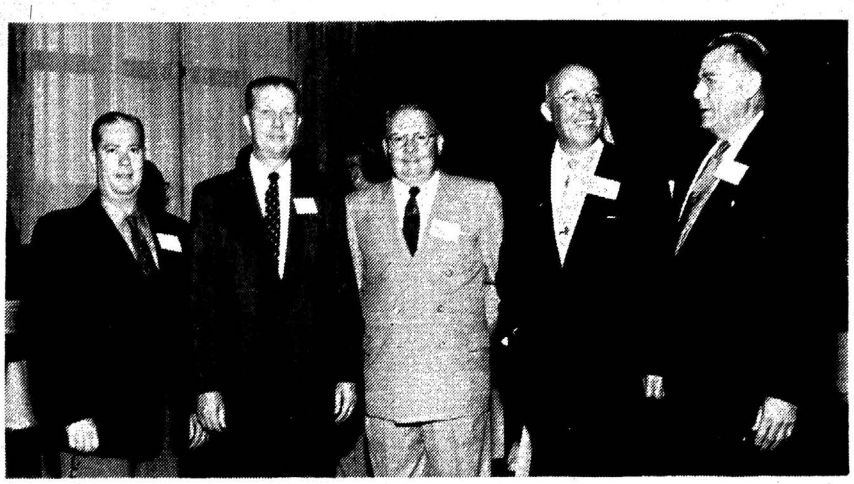
Allison R. Peirce, *Harold S. Stewart & Co.*, El Paso; Harley Carswell, *Austin, Hart & Parvin*, San Antonio; J. Ries Bambenek, *Dallas Union Securities Company*, Dallas; William J. Lau, *J. M. Dain & Company, Inc.*, Minneapolis; Rollin C. Bush, *First National City Bank of New York*, New York; William F. Parvin, *Austin, Hart & Parvin*, San Antonio; Charles E. Kimball, *Wellington Fund, Inc.*, Dallas



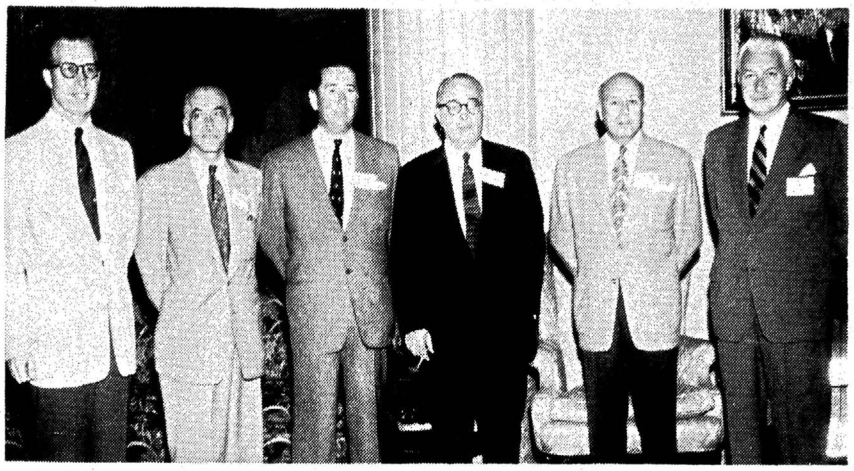




John P. Henderson, *M. E. Allison & Co., Inc.*, San Antonio, Tex.; J. L. Bates, *Central Power & Light Co.*, Corpus Christi; Sam H. Ranson, *Ranson & Company, Inc.*, Wichita, Kans.; Lon C. Hill, Chairman of the Board, *Central Power & Light Co.*, Corpus Christi; Clarence E. Crowe, *McCall, Parkhurst & Crowe*, Dallas; Paul B. Horton, *McCall, Parkhurst & Crowe*, Dallas



Edward H. Keller, *Texas National Corp.*, San Antonio; Dwight Carlsen, *Central Power & Light Co.*, Corpus Christi; John W. Stephens, *Perkins & Co., Inc.*, Dallas; Gus Nelson, *Texas National Corp.*, San Antonio; F. Vincent Reilly, *Commercial & Financial Chronicle*, New York City



John R. Jamieson, *Television Shares Management Corporation*, Chicago; Jack Culbertson, *Television Shares Management Corporation*, Chicago; Gavin H. Watson, *Value Line Fund, Inc.*, New York; Wayne R. Benzing, *Granbery, Marache & Co.*, New York; Arthur J. C. Underhill, *Arthur Wiesenberger & Co.*, New York; John McG. Dalenz, *Calvin Bullock, Ltd.*, New York City

Eugene Vinyard, *Central Investment Company of Texas*, Dallas; Harry Ratliff, *McClung & Knickerbocker*, Houston; Tom Anderlitch, *First of Texas Corporation*, San Antonio; Mrs. Eugene Vinyard; J. R. Dodds, *R. A. Underwood & Co.*, Edinburg, Tex.; R. A. Underwood, Jr., *R. A. Underwood & Co.*, Dallas; David Barnes, *Ranson & Company, Inc.*, San Antonio; Van H. Howard, Jr., *Dobbins & Howard*, San Antonio

John McG. Dalenz, *Calvin Bullock, Ltd.*, New York City; Mrs. Frank E. Austin, Jr.; Kenneth Drummond, *Calvin Bullock, Ltd.*, St. Louis; Mrs. and Mr. Nelson Waggener, *Walker, Austin & Waggener*, Dallas; Frank E. Austin, Jr., *Walker, Austin & Waggener*, Dallas

Mr. & Mrs. Steve Denning, *Garrett and Company*, Dallas; William P. Sharpe, *Mercantile Trust Company*, St. Louis; Mr. & Mrs. Milton Fox-Martin, *Wellington Fund, Inc.*, Philadelphia; Charles E. Kimball, *Wellington Fund, Inc.*, Dallas

L. Smiley White, *Frost National Bank*, San Antonio; Mr. & Mrs. William A. Jeffers, *Dittmar & Company*, San Antonio; Mr. & Mrs. William Minar, *Rotan, Mosle & Co.*, Houston; Mr. & Mrs. Ed Walton, *Moroney, Beissner & Co.*, Houston; W. E. Knickerbocker, *McClung & Knickerbocker*, Houston

Arthur E. Goodwin, *Rowles, Winston & Co.*, Houston; Mr. & Mrs. Jack C. Payne, *Dallas Union Securities Company*, Dallas; Mr. & Mrs. Lockett Shelton, *Republic National Bank*, Dallas; Einer Nielsen, *J. C. Bradford & Co.*, Nashville; W. E. Tinsley, *Executive Director, Municipal, Advisory Council of Texas;* B. W. Lucas, *Fort Worth National Bank*, Ft. Worth, Texas

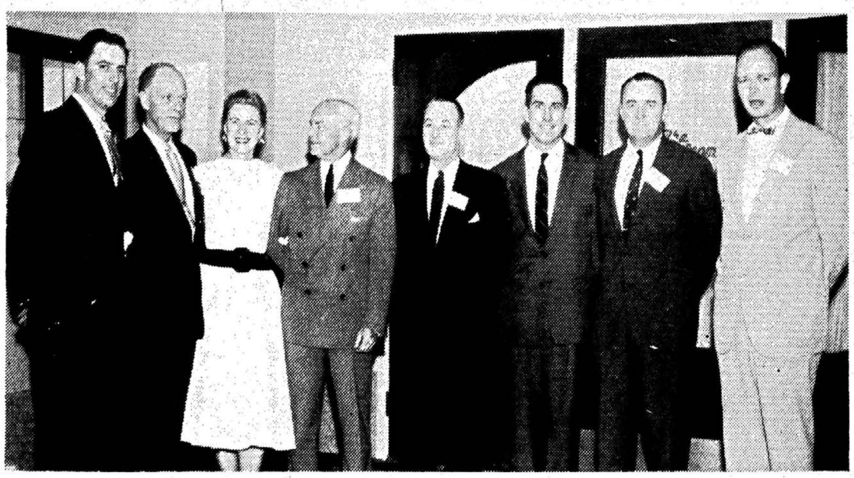
John P. Henderson, *M. E. Allison & Co., Inc.*, San Antonio; Mr. & Mrs. William C. Jackson, Jr., *First Southwest Company*, Dallas; Mr. & Mrs. Neill T. Masterson, *Charles B. White & Co.*, Houston

Mr. & Mrs. William C. Jackson, Jr., *First Southwest Company*, Dallas; Mr. & Mrs. Anthony Tomasic, *Thomas & Company*, Pittsburgh; Mr. & Mrs. Barron McCulloch, *Barron McCulloch & Company*, Ft. Worth; Mr. & Mrs. William P. Smallwood, *First Southwest Company*, Dallas

Earl G. Fridley, *Fridley, Hess & Frederking*, Houston; Mr. & Mrs. Allen L. Oliver, *Sanders & Newsom*, Dallas; Mr. & Mrs. Jesse A. Sanders, *Sanders & Newsom*, Dallas; Mr. & Mrs. Fred J. Bolton, *Muir Investment Corp.*, San Antonio; Paul Fagan, *National Association of Securities Dealers, Inc.*, Dallas

Mr. & Mrs. William N. Edwards, *William M. Edwards & Co.*, Ft. Worth; Mr. & Mrs. J. Warren Day, *William N. Edwards & Co.*, Ft. Worth; Mr. & Mrs. Landon A. Freear, *William N. Edwards & Co.*, Ft. Worth; William L. Read, *Investors Diversified Services, Inc.*, Minneapolis

Mr. & Mrs. George W. Davis, *Davis, Skaggs & Co.*, San Francisco; Lon C. Hill, *Central Power & Light Co.*, San Antonio; Mr. & Mrs. W. Wallace Payne, *First of Texas Corporation*, San Antonio



James A. Russell, *Van Alstyne, Noel & Co.*, New York City; Mr. & Mrs. Manley A. Hagberg *M. A. Hagberg, & Co., Inc.*, Dallas; George W. Davis, *Davis, Skaggs & Co.*, San Francisco; Frank H. Hunter, *McKelvy & Company*, Pittsburgh; Dean Guerin, *Eppler, Guerin & Turner*, Dallas; Fred W. Fairman, Jr., *Bache & Co.*, Chicago; Avery Rockefeller, Jr., *Dominick & Dominick*, New York City

Avery Rockefeller, Jr., *Dominick & Dominick*, New York City; Richard B. Walbert, *Blyth & Co., Inc.*, Chicago; Charles C. Pierce, *Rauscher, Pierce & Co.*, Dallas; Hal H. Dewar, *Dewar, Robertson & Pancoast*, San Antonio; Judson S. James, *Judson S. James & Co.*, Dallas; Murray A. Hansen, *Investment Bankers Association of America*, Washington, D. C.; W. Perry McPherson, *Merrill Lynch, Pierce, Fenner & Beane*, Dallas

Richard B. Walbert, *Blyth & Co., Inc.*, Chicago; Mr. & Mrs. Walter Sorensen, *Rotan, Mosle & Co.*, Houston; Mr. & Mrs. Fuller H. Harrington, *Harrington & Co.*, Jackson, Miss.; Mr. & Mrs. Russell E. Siefert, *Stern Brothers & Co.*, Kansas City, Mo.; Taylor B. Almon, *Rauscher, Pierce & Co., Inc.*, Dallas; Joe Binford, *Goodbody & Co.*, Dallas

*Continued from page 24*

# Problems and Activities of Texas Securities Dealers

appreciation for his business, but I tell you that none of these things will be as effective as furnishing him routinely as published with a "Texas Municipal Report" on each block of bonds in his portfolio which you have sold him. I know whereof I speak because I have talked to many of your customers.

As I am sure you know, "Texas Municipal Reports" have been approved as adequate credit file information for banks, the National Bank Examiners, the State Bank Examiners, and the Federal Deposit Insurance Corporation.

And at this point let me explain a very important policy decision which was made by your Board of Trustees concerning just who is eligible to buy these "Texas Municipal Reports." They are sought after by banks, a number of our State Departments, and several institutional investors. Shortly after the reports became known and had been accepted we were beseiged by inquiries from those who would like to obtain them. The question was whether or not these investors, principally banks, should be allowed to purchase our reports. We needed the money because, as I have already said, our publications are not self-supporting; but the Board of Trustees made a very wise decision: Customers of Texas dealers should ask those dealers as a favor to secure for them, i.e., from the dealer's own organization supported by his own money, the report containing current financial information indicating the security in the bonds which the dealer had sold. For the dealers of Texas this policy will undoubtedly pay off many fold.

Of course, as I indicated there are those few larger institutions who subscribe for our publications direct, but they pay the same price for them as do dealer members.

We also number among our subscribers "Moody's Investors Service" which, incidentally, pays a higher rate than do other subscribers due to the fact that Moody's is allowed to make the freest use of our information. And makes a profit on it.

I am going to turn now to the field of public relations, but let me tell you how our publications do us all some good in that field. As an example, each time a "Texas Municipal Report" is prepared we mail to each responsible fiscal officer of the unit of local government concerned a copy of the report. We transmit it with a letter which says in it: "This is a service supported by the municipal securities dealers of Texas which has as its objective the improvement of the credit standing of all public borrowers within the State through dissemination of credit information." I wish you could read some of the acknowledgments that we receive of these letters. You would realize the effectiveness of this little phase of our public relations program in the appreciation which is expressed by the public officials. We frequently receive, on your behalf, expressions of appreciation from investors for the thoughtfulness of Texas dealers in providing current financial information on their securities.

**Public Relations**

What is public relations? There are a number of high flown definitions for it, but the one that I like best is "doing the right thing and getting credit for it." Last year we embarked on what I call a small public relations program. We engaged public relations counselors but we found that it took a lot of time and a lot of money to make such a program effective. We decided to abandon that program although it may be good business to revive it later on. In the meantime I am your sole paid public relations man, and I can tell you that I think we are making definite strides in that field. I dislike to mention legislative matters in connection with public relations because some of the leading lobbyists in Austin call themselves public relations counselors, and this business of our Council not becoming known as just another Austin lobby amounts to a near phobia with me.

But we must have a positive and dynamic legislative program and except that it might be in defense of a threat which strikes at the very foundation of our industry, may Heaven grant that our efforts with legislative matters shall be limited to those for the mutual benefit of the issuers of municipal bonds and our customers, the purchasers of municipal bonds. Only by such a course can we avoid being branded with the term "lobbyist," a term which today has come to have unsavory connotations.

During the 1955 session of the Legislature we got off to a late start but we were still able to screen and report all bills introduced which appeared to have an interest to our industry and to chart their progress from week to week and at the end of the session to publish a digest of all those enacted. A similar screening service will be re-established for the 1957 session and reporting will be by medium of "Texas Bond Reporter."

**Legislative Acts**

Due to our late start it was a little short of miraculous that we were able to get anything passed at the 1955 session. Actually we were able to get passed the Facsimile Signature Bill and we are indebted to the Washington Office of IBA for a draft of such a bill prepared by it. We changed it somewhat for local application, but it is being extensively used and effects savings for all of us as well as the issuing municipality.

Another bit of legislation which we sponsored is that which I still call the "Knickerbocker Act" which allows the issuance of refunding bonds without the cancellation of outstanding called bonds, provided funds are deposited with the State Treasurer. I know that this is widely used and that it is a convenience to all concerned.

We also had a part in the act which made utility system revenue bonds in the portfolios of Texas banks eligible to secure the deposit of State funds.

Our 1957 Legislative program is not an ambitious appearing one because we would much prefer to select two or three bills, as your Board of Trustees has already done, to concentrate on them and see them enacted than to sponsor a half dozen pieces of legislation and see them all fail from lack of attention.

The Board of Trustees has selected the following as the most urgently needed pieces of legislation:

(1) A bill to correct inequities resulting from the operation of the statute which grants to the State Board of Education an option on eligible bonds. I might add that the chances appear favorable that we will see something accomplished in this vein even before the Legislature convenes. A great deal of effort has been devoted to this matter in cooperation with a working committee composed of representatives of the League of Texas Municipalities, and the Association of School Business Managers and the Association of School Superintendents. A committee appointed within the State Board of Education now has under study a suggested set of operating procedures which would result in the purchase or waiver of new issues of eligible bonds between the bimonthly meetings of the State Board of Education. This would result in the sale of bonds by municipal subdivisions whose bonds are eligible during any week of the entire 52 weeks of the year rather than just six weeks of the year as is the case now.

(2) A bill to discourage nuisance suits filed to harass the issuance of bonds, and again we are indebted to the Washington Office of IBA for a draft of such a bill. We expect to adopt this for local application as to afford a vehicle for the validation of time warrants.

(3) General Validating Acts. Our efforts on this which are, of course, customary at each legislative session will be coordinated with the several firms of municipal bond attorneys in Texas.

(4) We expect to cooperate with the Water Resources Committee if it decides to sponsor the financing of a Statewide water program again in 1957, and it is my understanding that that committee will do so. The Water Resources Committee is studying the situation with respect to water control and improvement districts and has in mind sponsoring some restrictive legislation with respect to the creation of that which I think is justly called "bald prairie districts." These things are going to mean trouble to all of us unless the brakes are applied. As your representative I have already given some testimony at hearings conducted by the Water Resources Committee and I believe that some of our suggestions have been incorporated into bills which have already been drafted.

**Ethics and Standard Practices**

Now what else besides publications and public relations has your Council been doing? There is one field of effort on which I want to report to you and which you know little about even though many, many hours have been devoted to it. That is the drafting of a code of ethics and standard practices; guide-posts, if you please, which we have needed in this business for longer than I have been in it, and that, incidentally, has been 22 years.

In each of the ten meetings which the Board of Trustees has held since January, 1955, several hours have been devoted to the study of committee reports dealing with the many subjects which such a code should include. In addition to this the individual Trustees have spent countless hours in their own offices between meetings perfecting committee reports.

Finally the code is being completed and it will be unwrapped within a few weeks. There is nothing else like it in existence in the country today. I think you will like it.

The Board of Trustees has authority under the bi-laws to adopt the code for compulsory observance of all members, but the Council was born in an atmosphere of true democracy and before adoption all members will have a chance to vote on it. It will be released for study by all before too long, but present plans are that it will not be voted on until the annual meeting in October.

**Grievances**

I should mention in passing that the code will incorporate the existing procedures for handling grievances. I am glad to be able to say to you that during the 16 months of the Council's existence there have been only two small grievances. One of these involved a former skeptic of the effectiveness of the whole Council idea; however, when his grievance was settled he had this to say: "If the Council never does anything else, then it has already proved its worth to me."

In addition to working on the code which I called a set of guide-posts the Council has provided a number of those things which for the lack of a better name I will call tools of the trade. These are such things as the model forms for the preparation of offering circulars and the standard forms for fiscal agency contracts with which you have been furnished.

You are urged to use the model circular forms in the preparation of circulars in your offices. The use of fiscal agency contract forms is recommended whenever possible. From the number of requests for these latter which we have received in our office I would say that they have been proven to be useful.

There is another tool of the trade which you will receive very shortly and which is even now at the printers. This is a standard form of Account Letter for use by bidding accounts managed by a Texas dealer. Sample copies should be available to all of you within a week. The use of this form is not compulsory but is urged whenever possible.

You have been an attentive audience even though I have already run over my time. I cannot close, however, without paying sincere tribute to our Board of Trustees and the 19 men who have served or are now serving on it. All of my adult life have been spent in continually meeting with boards of one sort or another and I can truthfully say that I have never seen a board which approached its duties as seriously and which devoted as much effort to its problems as has the Board of Trustees of your Council.

Most of the members of our present Board are here today. They ask no credit for what they have done, although they should all stand as I call their names and receive the ovation which is due them. I won't ask them to do that, but I will call the names of those who have already served and are now serving: W. Wallace Payne; W. Travis Sikes; D. E. Walton; Russell R. Rowles; Louis W. Stayart; Charles L. West; R. E. Whitlock; W. E. Knickerbocker; W. C. Jackson, Jr.; Wilbur H. Frederking; Lockett Shelton; Henry M. Beissner; Baker Duncan; John M. Hamilton; W. A. Jeffers; Arnold J. Kocurek; William F. Parvin; Eugene D. Vinyard; M. E. Allison.

I am your servant; a servant does not admonish the master, but I have been around this business for a long time and while I have not accumulated enough years nor worldly goods to qualify as a senior statesman, I have accumulated more gray hairs than a lot of you younger fellows out there, so from where I sit in this muncipal bond picture in Texas, and it is a unique spot, let me repeat these words of advice with which the TV star, Gary Moore, closes each of his programs: "Be very kind to each other."

## Bond Club of N. Y. Receives New Slate

Robert J. Lewis of Estabrook & Co. has been nominated for President of The Bond Club of New York for the coming year, to succeed George H. Walker, Jr. of G. H. Walker & Co. The election and annual meeting will take place at the Bond Club Field Day to be held at the Sleepy Hollow Country Club, Scarborough, N. Y. on June 8.

Robert J. Lewis

Sumner B. Emerson of Morgan Stanley & Co. has been nominated for Vice-President to succeed Mr. Lewis. Robert C. Johnson of Kidder, Peabody & Co. has been nominated for Secretary and Avery Rockefeller, Jr. of Dominick & Dominick for Treasurer.

Nominated for new members of the Board of Governors are: William B. Chappell of The First Boston Corporation, Sydney G. Duffy of Blyth & Co., Inc., and William S. Renchard of Chemical Corn Exchange Bank.

## Midwest Stock Exch. Receives Nominations

CHICAGO, Ill. — George E. Barnes, partner of Wayne Hummer & Co., Chicago, was renominated for the office of Chairman of the Board of the Midwest Stock Exchange, it was announced by Chancellor Dougall, Chairman of the Nominating Committee.

It was also announced that Frederic P. Barnes, partner of H. O. Peet & Co., Kansas City, Mo., was nominated for the office of Vice-Chairman, to serve one year, succeeding Guybert M. Phillips, partner of Caldwell, Phillips Co., St. Paul, Minn.

Nominations to the Board of Governors for the first time were Scott Davis, partner of Ralph W. Davis & Co., Edde K. Hays, Vice-President of Central Republic Company, and Gerald V. Hollins, Jr., partner of Harris, Upham & Co. Irving E. Meyerhoff, partner of Freehling, Meyerhoff & Co. and Edward F. Thompson, Jr., partner of Lamson Bros. & Co., were renominated to a second term.

New members of the board from other cities were Joseph B. Reynolds, partner of Benj. D. Bartlett & Co. of Cincinnati, Ohio, which is the first occasion for this city to be represented; John M. Marston, partner of Ball, Burge & Kraus of Cleveland; James G. Peterson, Vice-President, J. M. Dain & Co., Inc., Minneapolis and Jerome F. Tegeler, partner of Dempsey-Tegeler & Co., St. Louis.

Reuben Thorson, Chicago senior partner of Paine, Webber, Jackson & Curtis, was named Chairman of next year's Nominating Committee, with the following members of the committee: John W. Billings, John R. Burdick, Joseph E. Dempsey of Dempsey & Co., William H. Morse, all of Chicago; Lloyd O. Birchard, Prescott & Co., Cleveland; Charles L. Grandin, Jr., Piper, Jaffray & Hopwood, Minneapolis; and Harry Theis of Albert Theis & Sons, Inc., St. Louis.

Members of the Nominating Committee issuing this report are: Chancellor Dougall, Chairman; Joseph P. Brown, Arch C. Doty, George F. Noyes, Leonard J. Paidar, all of Chicago; Daniel M. Hawkins of Cleveland, Paul R. Doelz of Minneapolis and Edwin R. Waldemer of St. Louis.

The annual election of the Exchange will be held Monday, June 4, 1956.

## Philippines Economic Development Reported At Accelerated Tempo

An accelerated tempo of economic development in the Philippines was reported by David L. Grove, Bank of America economist, upon his recent return from the Far East.

"Philippine post-war economic progress has been astounding," Grove said, "but the prospects for greater growth are even more remarkable."

Particularly important, Grove pointed out, is the fact that the country's recovery has been accomplished without resort to inflation, heavy borrowing abroad or reduction in dollar reserves to dangerous levels.

While in Manila, Grove discussed current economic conditions with President Ramon Magsaysay. Grove first visited the Philippines in 1948 when he assisted in drafting a central banking statute and in revising existing banking legislation.

In 1953 he served as one of a group of five businessmen appointed by President Eisenhower to evaluate the United States Aid Program in the Philippines.

The Bank of America economist credited Miguel Cuaderno, Sr., Governor of the Central Bank of the Philippines, with guiding the country's policies in its program of economic recovery and development.

"Theirs has been a policy of courage and determination," Grove stated, "as they have undertaken to free themselves from complete dependence on exports of coconut products, sugar and hemp and to produce a larger proportion of required manufactured goods."

Grove also pointed out that Philippine industry now is producing glass products, plywood, some textiles, clothing and sacks and is establishing many other light manufacturing industries. The tremendous mineral resources of iron ore, chrome, nickel and copper also are being developed, he stated.

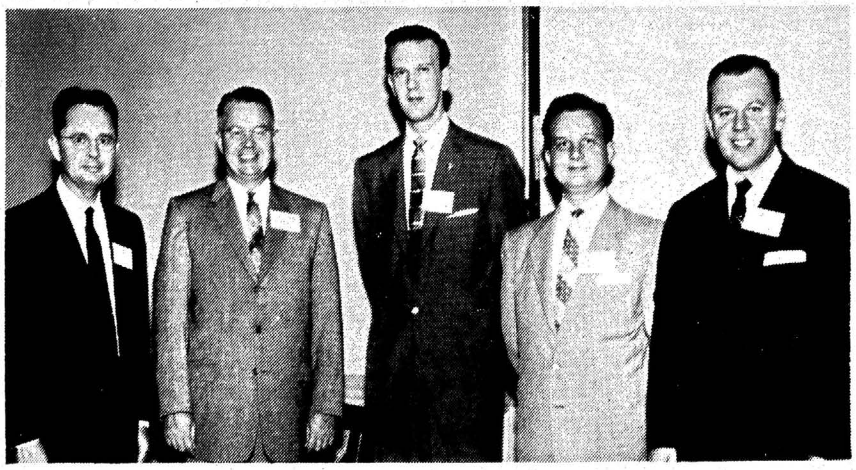
After visiting the Philippines, Grove was in Thailand and Japan, conferring with Bank of America executives and economic officials of the countries.

## Clark Associates Opens

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Clark Associates has been formed with offices at 404 North Roxbury Drive, to engage in a securities business. Partners are Aaron C. Clark, Norman Slott, and Henry S. Gross, Jr.

Mr. & Mrs. P. J. McNeel, Mr. & Mrs. Harold J. Sigler, Mr. & Mrs. Leslie L. Lentz, Mr. & Mrs. Frank R. Newton, Jr., Mr. & Mrs. W. E. Jauer, and Dion R. Holm, Jr., all of *Lentz, Newton & Co.*, San Antonio

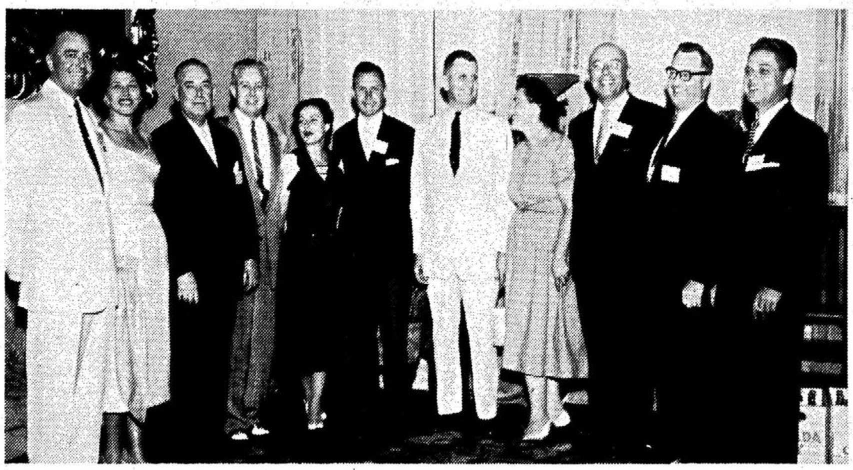


Weldon Carter, *First of Texas Corporation*, San Antonio; Victor H. Hardin, *Russ & Company, Inc.*, San Antonio; Alan C. Snodgrass, *First National Bank*, Ft. Worth; Edward A. Jilek, *Schneider, Bernet & Hickman, Inc.*, Dallas; William Beinhorn, Jr., *Russ & Company, Inc.*, San Antonio

Mr. & Mrs. William C. Porter, *Dittmar & Company*, San Antonio; Mr. & Mrs. Jake T. Martin, *Shearson, Hammill & Co.*, Dallas; Mr. & Mrs. E. W. Franklin, *Dittmar & Company*, Dallas, Tex.; Mr. & Mrs. John B. Clayton III, *First National Bank in Dallas;* Mr. & Mrs. M. M. Hatcher, *First National Bank in Dallas*

Fred W. Fairman, *Jr., Bache & Co.*, Chicago; Paul W. Fairchild, *First Boston Corporation*, Chicago; J. Wesley Hickman, *Schneider, Bernet & Hickman, Inc.*, Dallas; Joseph R. Neuhaus, *Underwood, Neuhaus & Co., Incorporated*, Houston; John Favor, *Southwestern Securities Company*, Dallas

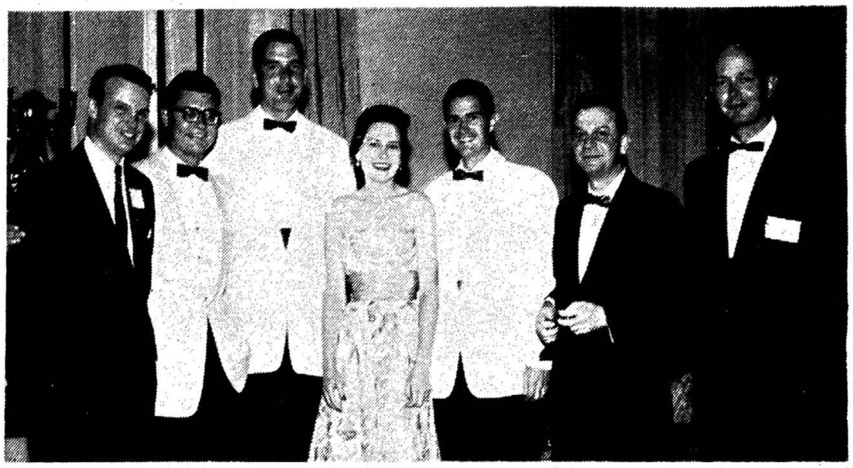
N. A. Easter, *Central Power & Light Co.*, C rpus Christi; D. Acheson Keeler, *Lord, Abbett & Co.*, Chicago; Mel F. Cooke, *Central Republic Company*, St. Louis; John G. Parker, *Lord, Abbett & Co.*, Chicago; William J. Sloan, *Texas Fund Management Company*, Houston; Dean P. Guerin, *Eppler, Guerin & Turner*, Dallas; Mrs. William Minar; James A. Russell, *Van Alstyne, Noel & Co.*, New York City; William B. Eppler, *Eppler, Guerin & Turner*, Dallas; John W. Coles, Jr., *Texas Fund Management Company*, Houston



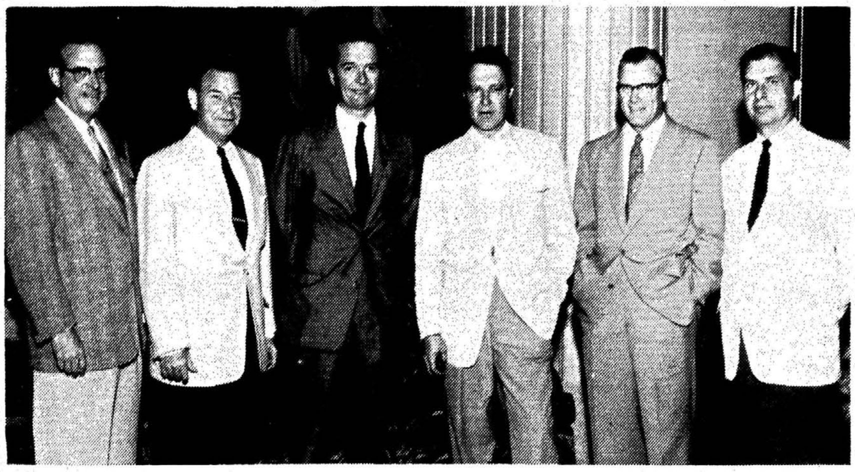
Mr. & Mrs. Arnold J. Kocurek, *Rauscher, Pierce & Co., Inc.*, San Antonio; H. F. Burkholder, *Equitable Securities Corporation*, Nashville; Mr. & Mrs. Edward D. Muir, *Muir Investment Corp.*, San Antonio; Marquette de Bary, *F. S. Smithers & Co.*, New York; Mr. & Mrs. John Gatti, *Muir Investment Corp.*, San Antonio; Gus Nelson, *Texas National Corp.*, San Antonio; David F. Anderson, *Muir Investment Corp.*, San Antonio; Fred D. Malsbury, *Muir Investment Corp.*, San Antonio

Harry Ratliff, *McClung & Knickerbocker*, Houston; Claud O. Boothman, *Dumas, Huguenin & Boothman*, Dallas; George W. Sparks, *Vinson, Elkins, Weems & Searles*, Houston; Mrs. Claud O. Boothman; Edward T. Volz, *Rauscher, Pierce & Co., Inc.*, San Antonio; Mrs. Clarence E. Crowe; O. V. Cecil, *Merrill Lynch, Pierce, Fenner & Beane*, New York City; Clarence E. Crowe, *McCall, Parkhurst & Crowe*, Dallas; John M. Mitchell, *Caldwell, Marshall, Trimble & Mitchell*, New York City

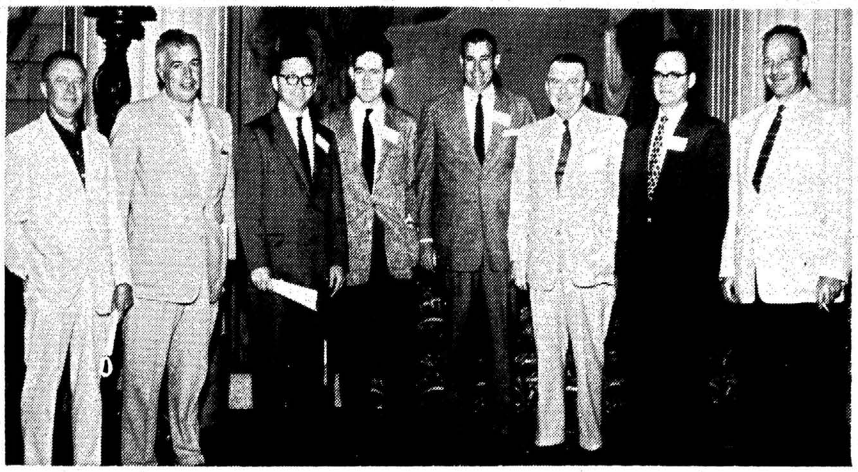
William P. Dobbins, *Dobbins & Howard*, San Antonio; Mr. & Mrs. E. James Seal, *M. E. Allison & Co., Inc.*, San Antonio; Mr. & Mrs. E. Ray Edsel, *Smith, Barney & Co.*, Chicago; Mr. & Mrs. Henry Keller, Jr., *Henry Keller & Son*, Ft. Worth



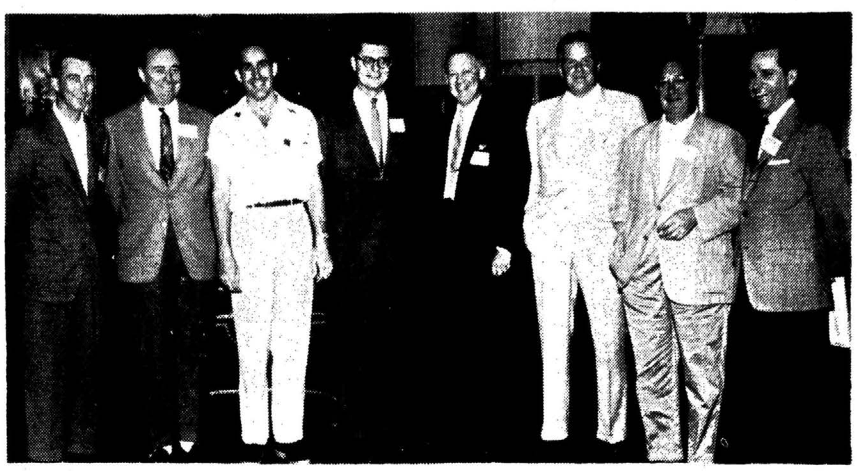
Philip Sweet, *Northern Trust Company,* Chicago; John H. Rauscher, Jr., *Rauscher, Pierce & Co., Inc.,* Dallas; Robert M. Gardiner, *Reynolds & Co.,* New York City; Mrs. John H. Rauscher, Jr.; *Joseph* R. Neuhaus, *Underwood, Neuhaus & Co., Incorporated,* Houston; O. V. Cecil, *Merrill Lynch, Pierce, Fenner & Beane,* New York City; Avery Rockefeller, *Dominick & Dominick,* New York



Frank E. Austin, Jr., *Walker, Austin & Waggener,* Dallas; Lovett Abercrombie, *Lovett Abercrombie & Co.,* Houston; George D. Aldrich, *Parker Corporation,* Boston; Edward Warren, *J. P. Morgan & Co., Incorporated,* New York; Nelson Waggener, *Walker, Austin & Waggener,* Dallas; Einer Nielsen, *J. C. Bradford & Co.,* Nashville

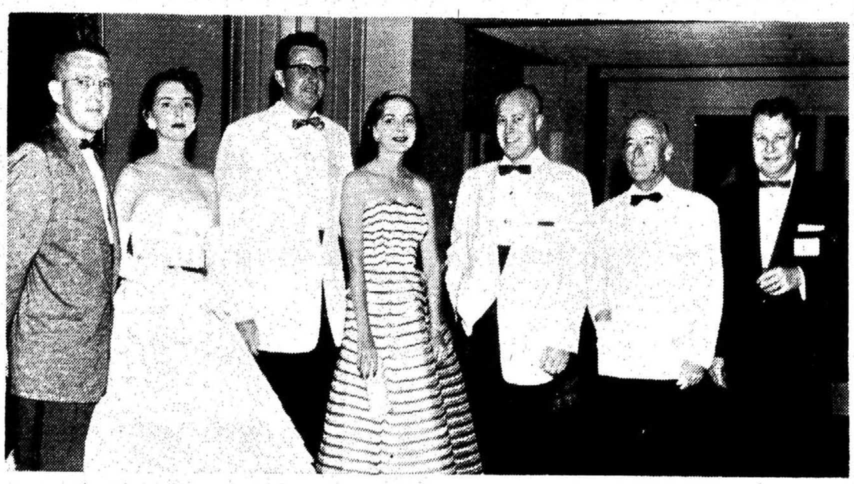


Harold C. Taylor, *Chase Manhattan Bank,* New York; Arthur P. Nazro, *Parker Corporation,* Dallas; Jesse R. Phillips, Jr., *J. R. Phillips Investment Company, Incorporated,* Houston; Jack C. Payne, *Dallas Union Securities Company,* Dallas; John Jay Fosdick, *Eddleman-Pollok Co.,* Houston; R. A. Underwood, Jr., *R. A. Underwood & Co., Inc.,* Dallas; Ted Alexander, *Texas Bank & Trust Co.,* Dallas; Milton Halpern, *Rauscher, Pierce & Co., Inc.,* San Antonio



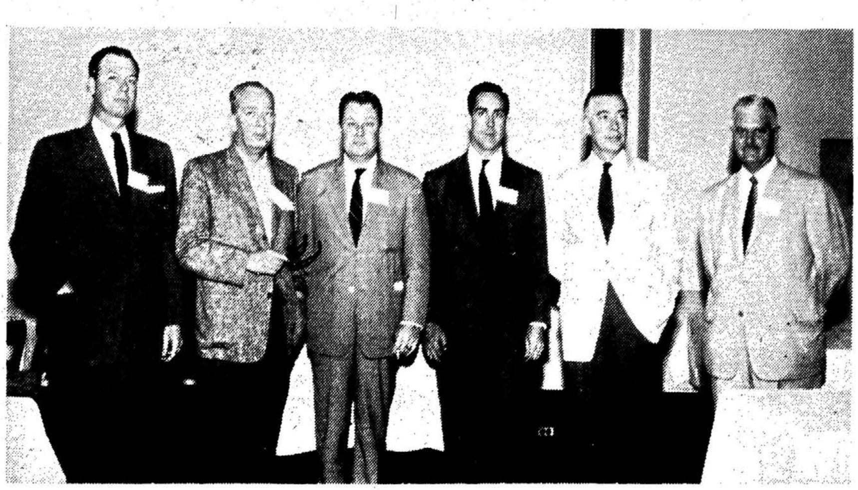
John W. Coles, *Texas Fund Management Company,* Houston; Fred W. Fairman, Jr., *Bache & Co.,* Chicago; Dean Guerin, *Eppler, Guerin & Turner,* Dallas; John H. Rauscher, Jr., *Rauscher, Pierce & Co., Inc.,* Dallas; Paul W. Fairchild, *First Boston Corporation,* Chicago; Warren Ruxton, *First Boston Corporation,* New York; John S. Weatherston, *J. R. Phillips Investment Company, Incorporated,* Houston; John C. Senholzi, *Chase Manhattan Bank,* New York City

T. E. Graham, *First National Bank*, Ft. Worth; Jack F. Perkins, *Perkins, Clark & Co., Inc.*, Dallas; Mrs. Edward D. Muir, San Antonio; Lewis F. Lyne, *Mercantile National Bank*, Dallas; R. E. Whitlock, *James C. Tucker & Co., Inc.*, Austin, Tex.; Arthur E. Goodwin, Jr., *Rowles, Winston & Co.*, Houston; Walter Todd, *B. V. Christie & Co.*, Houston

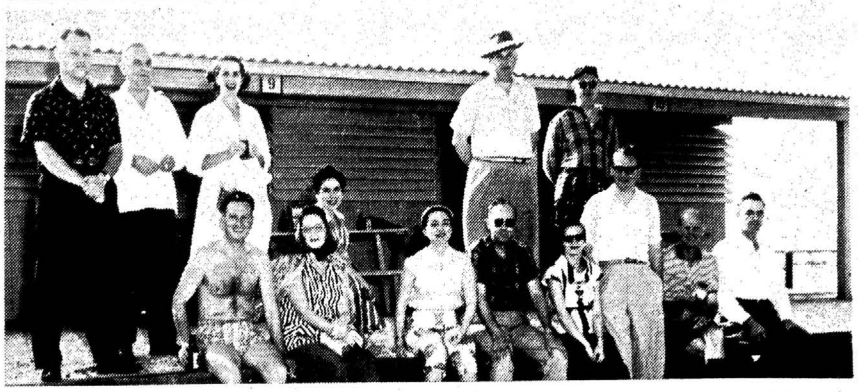


Mr. & Mrs. John C. Favor, *Southwestern Securities Company*, Dallas; Mr. & Mrs. Steve Denning, *Garrett and Company*, Dallas; Edward D. Muir, *Muir Investment Corp.*, San Antonio; John W. Pancoast, *Dewar, Robertson & Pancoast*, San Antonio; John P. Henderson, *M. E. Allison & Co., Inc.*, San Antonio

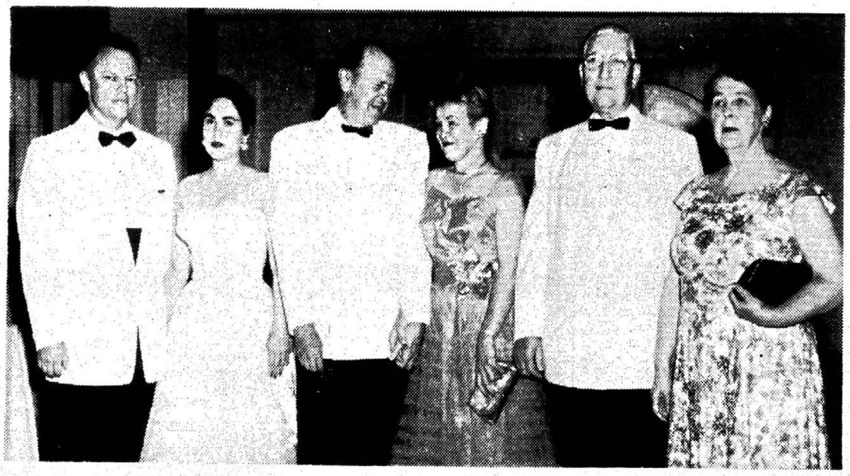
Mr. & Mrs. Landon A. Freear, *William N. Edwards & Co.*, Ft. Worth; Gordon Crockett, *Crockett & Co.*, Houston; Mrs. Timothy H. Dunn; George Dedrick, *Joseph McManus & Co.*, New York City; Timothy H. Dunn, *Joseph McManus & Co.*, New York City; John Stephens, *Perkins & Co., Inc.* Dallas



New Executive Committee of Texas Group of IBA: Taylor B. Almon, *Rauscher, Pierce & Co., Inc.*, Dallas, Chairman; Earl G. Fridley, *Fridley, Hess & Frederking*, Houston, Vice-Chairman; John P. Henderson, *M. E. Allison & Co., Inc.*, San Antonio, Vice-Chairman; Dean P. Guerin, *Eppler, Guerin & Turner*, Dallas, Secretary-Treasurer; William F. Parvin, *Austin, Hart & Parvin*, San Antonio, Committeeman; W. Wallace Payne, *First of Texas Corporation*, San Antonio, Committeeman, Ex-Officio



Beach Party at Padre Island



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Alec B. Stevenson, *Vance, Sanders & Co.*, Nashville; Jack R. Munger, *Keith Reed & Company*, Dallas; Brud Smith, *Keith Reed & Company*, Dallas; Lewis F. Lyne, *Mercantile National Bank*, Dallas; J. Ries Bambenek, *Dallas Union Securities Company*, Dallas; John M. Crane, *Merrill Lynch, Pierce, Fenner & Beane*, San Antonio

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# In Attendance at Texas Group IBA Meeting

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San Antonio, Texas
ALMON, TAYLOR B.
Rauscher, Pierce & Co.
Dallas, Texas
ANDERLITCH, TOM
First of Texas Corp.
San Antonio, Texas
ANDERSON, DAVID F.
Muir Investment Corp.
San Antonio, Texas
ANDERSON, W. J., JR.
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Nashville, Tennessee
ANTHONY, FRANCIS W.
National Securities & Research Corp.
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Walker, Austin & Waggener
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Dallas, Texas
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Ranson & Co., Inc.
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Corpus Christi, Texas
BEAUDRY, ROLFE W.
Fridley, Hess & Frederking
Houston, Texas
BEINHORN, WILLIAM A., JR.
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BENZING, WAYNE R.
Granbery, Marache & Co.
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Goodbody & Co.
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BLACK, A. C.*
Henry-Seay & Black
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BOLTON, FRED J.*
Muir Investment Corp.
San Antonio, Texas
BOOTHMAN, CLAUD O.*
Dumas, Huguenin & Boothman
Dallas, Texas
BOULDIN, VICTOR W.
Vinson, Elkins, Weems & Searls
Houston, Texas
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Texas Securities Commissioner
Austin, Texas
BRADLEY, RICHARD*
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Houston, Texas
BRANDENBERGER, JOHN W.
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Houston, Texas
BRIGHT, HIRAM F.
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BRINKER, ROBERT*
John Nuveen & Co.
Chicago, Illinois
BROWN, E. KELLY*
E. Kelly Brown Investment Co.
Dallas, Texas
BUESCHER, GEORGE B., JR.*
William N. Edwards & Co.
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Austin, Hart & Parvin
San Antonio, Texas
CARTER, WELDON
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San Antonio, Texas
CARTWRIGHT, O. E.
Merrill Lynch, Pierce, Fenner & Beane
Dallas, Texas
CECIL, O. V.
Merrill Lynch, Pierce, Fenner & Beane
New York, New York
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Dallas, Texas
COLES, JOHN W., JR.*
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COOKE, MEL F.
Central Republic Co.
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COX, CLARK
Harris Trust & Savings Bank
St. Louis, Missouri
CRANE, JOHN M.
Merrill Lynch, Pierce, Fenner & Beane
San Antonio, Texas

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Crockett & Co.
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CROWE, CLARENCE E.*
McCall, Parkhurst & Crowe
Dallas, Texas
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CURRIE, JACK
J. Marvin Moreland & Co.
Galveston, Texas
DALENZ, JOHN McG
Calvin Bullock, Ltd.
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Davis Skaggs & Co.
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DAVIS, JOSHUA A.
Blair & Co.
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Dewar, Robertson & Pancoast
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Dobbins & Howard, 1707 Transit Tower
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c/o Clark, Dodge & Co.
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Houston, Texas
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Franklin, Dittmar & Co.
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Fridley, Hess & Frederking
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Fridley, Hess & Frederking
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FULTON, WALLACE H.
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Rowles, Winston & Co.
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Yoakum, Texas
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Eppler, Guerin & Turner
Dallas, Texas

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Rauscher, Pierce & Co.
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Harrington & Co., Inc.
Jackson, Missouri
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Schneider, Bernet & Hickman
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HILGER, SCAN*
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Lentz, Newton & Co.
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JAMES, JUDSON S., JR.*
Judson James & Co.
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JEFFERS, WILLIAM A.*
Dittmar & Co.
San Antonio, Texas
JILEK, EDWARD J.
Schneider, Bernet & Hickman
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JUST, PAUL A.
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Lord, Abbett & Co.
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KEITH, NORVAL
Schneider, Bernet & Hickman
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KELLER, EDWARD H.
Texas National Corp.
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KELLER, HENRY, JR.*
Henry Keller & Son
Fort Worth, Texas
KELLY, LILLIAN
Teacher Retirement System
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White, Weld & Co.
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KEVIN, THOMAS L.*
Glore, Forgan & Co.
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Hugh W. Long & Co.
Elizabeth, New Jersey
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Wellington Fund, Inc.
Dallas, Texas
KIRKLAND, RUSSELL
Merrill Lynch, Pierce, Fenner & Beane
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Houston, Texas
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Harry Downs & Co.
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Allstate Insurance Co.
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A. C. Allyn & Co.
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Shearson, Hammill & Co.
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Charles B. White & Co.
Houston, Texas
MAUZE, DR. GEORGE
Minister, First Presbyterian Church
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Barron McCulloch & Co.
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San Antonio, Texas
McPHERSON, W. P. (PERRY)*
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Dallas, Texas

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MONROE, HAROLD
"Star Telegram"
Fort Worth, Texas
MOORE, CAYCE
Hearne, Texas
MOORE, MURRAY
Murray Moore & Co.
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MOSLE, JON
Rotan, Mosle & Co.
Houston, Texas
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Muir Investment Corp.
San Antonio, Texas
MUNGER, JACK R.
Keith Reed & Co.
Dallas, Texas
NAZRO, ARTHUR P.*
The Parker Corp.
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NEIL, WILLIAM H.
North American Securities Co.
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NELSON, GUS
Texas National Corp.
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NELSON, JOE P.
Dewar, Robertson & Pancoast
Corpus Christi, Texas
NEUHAUS, JOSEPH R.
Underwood, Neuhaus & Co., Inc.
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NEWTON, FRANK*
Lentz, Newton & Co.
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NIELSEN, EINER
J. C. Bradford & Co.
Nashville, Tennessee
NONGARD, RICHARD C.
Nongard & Co.
Chicago, Illinois
OLIVER, ALLAN L., JR.*
c/o Sanders & Newsom
Dallas, Texas
OWEN, A. GENE*
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Houston, Texas
PANCOAST, JOHN W.
Dewar, Robertson & Pancoast
San Antonio, Texas
PARVIN, WILLIAM F.
Austin, Hart & Parvin
San Antonio, Texas
PARKER, J. G.
Lord, Abbett & Co.
Chicago, Illinois
PAULS, LOUIS E.
Louis E. Pauls & Co.
Galveston, Texas
PAWEL, TOM*
R. J. Edwards & Co.
San Antonio, Texas
PAYNE, JACK C.*
Dallas Union Securities Co.
Dallas, Texas
PAYNE, W. WALLACE*
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PELIKAN, MILES
John Nuveen & Co., Inc.
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PERKINS, JACK F., JR.
Perkins & Co.
Dallas, Texas
PIERCE, ALLISON R.
Harold S. Stewart & Co.
El Paso, Texas
PIERCE, CHARLES C.
Rauscher, Pierce & Co.
Dallas, Texas
PHILLIPS, J. R., JR.
J. R. Phillips Investment Co.
Houston, Texas
PORTER, WILLIAM C.*
Dittmar & Co.
San Antonio, Texas
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San Antonio, Texas
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Ranson & Co., Inc.
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RATLIFF, HARRY
c/o McClung & Knickerbocker
Houston, Texas
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READ, W. L.*
Investors Diversified Services, Inc.
Minneapolis, Minnesota
REED, JOHN J.
Straus, Blosser & McDowell
Chicago, Illinois
REILLY, F. VINCENT
"Commercial and Financial Chronicle"
New York, New York
ROCKEFELLER, AVERY
New York, New York
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Keith Reed & Co.
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ROWLES, RUSSELL R.
Rowles, Winston & Co.
Houston, Texas
RUSSELL, JAMES A.
Van Alstyne, Noel & Co.
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SAGE, ANDREW G. C., II
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Dallas, Texas

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Sanders & Newsom
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Mercantile Trust Co.
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First Southwest Co.
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Keith Reed & Company
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SMITH, WILHELMINA D.
Fridley, Hess & Frederking
Houston, Texas
SNODGRASS, ALAN
c/o First National Bank
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SPARKS, GEORGE W.
Vinson, Elkins, Weems & Searls
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STEPHENS, JOHN W.
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STEVENSON, ALEX. B.
Vance, Sanders & Co.
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STEVENSON, STUART D.
Bankers Trust Co.
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SWEET, PHILIP
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TAYLOR, HAROLD C.*
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TEMPLE, ROBERT E.
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TINSLEY, W. E. (BUCK)
Municipal Advisory Council of Texas
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B. V. Christie & Co.
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Thomas & Co.
Pittsburgh, Pennsylvania
UNDERHILL, ARTHUR J. C.
Arthur Wiesenberger & Co.
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WALBERT, RICHARD B.
Blyth & Co., Inc.
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Moroney, Beissner & Co.
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J. P. Morgan & Co.
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Blair & Co.
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WATSON, GANIS H.
Value Line Fund, Inc.
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Houston, Texas
WHITE, L. SMILEY
Frost National Bank
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WHITLOCK, R. E.
James C. Tucker & Co.
Austin, Texas
WHITLOCK, R. E., JR.
Ranson & Co., Inc.
San Antonio, Texas
WOOD, KENNETH H.
J. C. Bradford & Co.
New York, New York

*Continued from page 13*

# Evolutionary Atomic Age and Investment Banking Targets

United States corporations were represented by their processes and products concerned with nuclear power and the use of radioactive materials in medical, agricultural, and industrial research.

**Need for Long Term Policy**

One of the problems about which industry in general is concerned is the fact that government, both in the United States and Britain, has control of nuclear fuel. Under such circumstances, political factors are important, and the industries are asking for a specific long-term policy with respect to making nuclear fuels and radioactive materials available.

Considering some of the technical factors that involve the availability of nuclear fuel, it must be remembered that atomic power means the fission or splitting of uranium atoms and that hydrogen power means the fusion or cooking together of hydrogen atoms. This latter fusion process is presently uncontrollable and has had application only in military weapons. In the best judgment of our scientists it appears that it will be sometime before there is any possibility of controlled hydrogen power.

Barring the breakthrough of hydrogen power, however, thorium seems to be the future fuel. I would like to point out that thorium is what is termed a "breeder" fuel. In other words, thorium has the characteristic that when surrounding the uranium reactor core, neutrons from the core transmute thorium into useful uranium fuel. In this process, steam is also produced by the reactor for power generation. Since thorium is three times more available than uranium as has been previously pointed out, we can well understand the great interest in this substance. Hydrogen, on the other hand, is available to all nations. Its use does not involve the radioactive waste disposal problems characteristic of the other materials. For this reason, therefore, a great deal more research effort is being expended on hydrogen even though nothing promising with respect to its control is indicated.

**Other Atomic Uses**

Let us look at some of the other applications of radioactive materials. In research in the fields of agriculture, industry, and medicine, there are numerous applications of radioactive atoms that we usually refer to as tracers. Being radioactive these materials can be detected and traced regardless of whether they are in a blood stream, a pipeline, or the root system of a tree. When used in metallurgical processes they enable us to determine the manner in which metals wear. In the automotive field, for example, there is wide use of radioactive materials in the study of lubrication problems because when engine parts that have been made radioactive gradually wear down, they give up particles of their substance to the lubricating oil. The extent of radioactive "pick-up" is a measure of the rate or total wear.

There are many applications in the field of agriculture. A single example is in the study of fertilizers whereby the addition of tracers enables us to determine how the fertilizer affects the plant. I recall an interesting example where, in studying brush clearance in Texas, sprays containing radioactive material were used, and the scientists were able to study the manner in which the "killer" moved from the foliage to the branches and into the roots. In industry, we can measure the flow of materials in pipelines by measuring quantitatively the flow of minute quantities of radiocative tracers which have previously been harmlessly mixed in the fluid. Likewise, we can measure the thickness of paper or steel and control it as necessary. As a locating medium, radioactive materials are very useful. By spotting radioactive material at intervals along a pipeline one can detect its exact location whether it be underground or underwater. Again, in medicine and health, the radioactive tracer finds numerous applications. It can tell us how bones grow in children and in the case of our work at our own Southwest Foundation for Research and Education it gives us a great deal of information about the movement of cholesterol in the blood stream. These examples are only representative of what is being done and what can be done.

Considering radiation, which is another form of atomic energy referred to previously, we all remember vividly Hiroshima and what happened to human life under uncontrolled radiation conditions. On the other hand, when we bring this phenomenon under control by, for example, proper shielding, we open up a whole new area of scientific phenomena about which we have not yet learned too much.

In agriculture, for example, we can use controlled radiation to kill insects in grain, to sterilize food in containers, and to develop better plant varieties. In industry we can speed up chemical processes, and we seem to have found a phenomenon that brings about unique chemical reactions just as the catalyst did when it was discovered. This means that we will be able to make brand new materials from substances with which we have long been familiar.

I could go on describing other applications involving the techniques of tracers and radiation, but the purpose of this paper is primarily to point out that this is a great area of peace-time use of atomic energy.

In July, 1951, the Atomic Energy Commission issued a very interesting report on its non-military operations. These are considerable and varied. With respect to reactor types for power generation, a five-year program involving an appropriation of $200 million is under way to ascertain which of five different types of reactors is best suited to these purposes. By 1960, we should be able to determine the most promising approach to power generation.

In June, 1954, there were 795 producing uranium mines. By June, 1955, their number had increased to 850. Likewise, in 1955 there were 17 AEC stations where uranium products can be sold. Incidentally, the Karnes County area in Texas is mentioned in the report as one that may be promising.

The Commission has cooperative agreements with 23 nations and has sent radioactive tracers to practically all of these countries on request. A few months ago a research reactor was sold to Switzerland for $180,000.

Each year, for the past six years, the AEC conducted six four-week courses in the safe handling of isotopes and tracers so that the personnel of the laboratories of the United States can become familiar with these techniques.

Effective July 1, 1955, the Commission charge for radio isotopes and tracers for research in industry, agriculture, and medicine was reduced to 20% of the established previous price, indicating lower cost of production and greater availability of these materials for research purposes. As of such date, approximately 70,000 shipments of these atomic materials had been made.

The annual report of the Atomic Energy Commission also describes the technical services that the Commission is providing to help industry find its place in this great new program, points out that the aircraft nuclear propulsion program is being accelerated, and reveals that the number of individual industrial corporations in the power-reactor demonstration program now stands at 81.

From July 1, 1951, to March 3, 1955, AEC cost-type contracts to the extent of $2.44 billion had been awarded. In subcontracts, small business concerns received almost $1 billion of this business or about 40% of the total.

I would like to quote a statement from "Business Week," September 3, 1955, that aptly describes where we are in the atomic energy peace-time picture: "Indeed you can compare the events of the past year in atom use —capped by the Geneva Atoms-for-Peace meeting—with the beginnings of world-wide railroad building a century ago."

We all know how the railroad expansion era in 1855 began opening up lands and resources to a degree beyond human imagination at the time. I believe it is safe to say that nuclear developments beginning today will gradually unfold for us within the atom resources and a world as far beyond our own ability to foresee what the future holds.

**Science City**

I have been also asked to tell you briefly about Science City which is being developed on the 3,000 acres which surround our non-profit institutions on the outskirts of San Antonio.

This unique development includes industrial laboratories, joint-use facilities, recreational and residential areas.

We believe it is an answer to many of the problems which face American industry today. Industry has found you can't do much creative thinking in a boiler factory. It has found that men doing advanced research are hampered by present-day production problems when their research facilities are located in the same place the product is manufactured. Scientists must have a place where they can dream up the products and the processes of the future.

An additional problem which industry must face is the keen competition for scientists. One need only pick up a paper in any of our large metropolitan centers to see the drive industry is making to recruit scientists.

We have found that we have had little difficulty in attracting the best scientific minds to our institutions. Scientists want to live in San Antonio. It has the community advantages these men and women demand.

For this reason we have set aside 40 large plots within Science City for separated research facilities for industry. We will construct modern, air conditioned laboratories which will be available to industry on a long-term lease basis. If an industry so desires, it may build its own laboratories and we will lease them the ground. One such laboratory is already under construction and we are negotiating with several other companies.

Angus Wynne, Jr., of Dallas, whose Wynnewood won national acclaim is developing the first 860 acre residential area which will include 2,200 homes, a shopping center, churches and schools. This is truly a community of science for the benefit of all.

## Joins Zilka, Smither

(Special to The Financial Chronicle)

PORTLAND, Oreg.—Searles G. Bragg has become connected with Zilka, Smither & Co., Inc., 813 S. W. Alder, members of the San Francisco Stock Exchange.

## Two With Harry Pon

(Special to The Financial Chronicle)

AZUSA, Calif.—Jack A. Lindstrom and William F. Wilson are with Harry Pon, 711 North Azusa Avenue.

## Joins Lloyd Arnold

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Sam H. White is now with Lloyd Arnold & Company, 404 North Camden Drive.

# Railroad Securities

## Western Pacific

After having traded in a fairly narrow range for a year or more, while most other similarly situated rails had advanced fairly steadily, Western Pacific common has recently assumed a position of leadership in the advance. Despite the sharp run-up, which amounted to more than 20 points in a period of about a month, many analysts are of the opinion that the long-range potentialities of the situation have by no means been exhausted. The long period of price stagnation that has just come to an end is generally attributed to highly conservative dividend policies under which the distribution was held to $3.00 a year regardless of earnings. This policy had been dictated by the physical needs of the property and the heavy capital improvement program. While statements of the management indicate that the heavy outlays will be continued another two or three years, it is felt that the peak of such expenditures has been passed and some more liberal treatment of stockholders is implicit in the recent declaration of a 2% stock dividend.

Basically Western Pacific has much to recommend it as a railroad operation. It is well up among the leaders of the industry from the point of view of operating efficiency. Its advantages in this respect are of a fundamental nature. The mileage it operates is largely main line, with little in the way of low density branch lines to support. It is to a large degree a bridge line which also makes for efficient operation. It has little passenger business. Density is heavy and despite the relatively small size of the property the average haul of freight is one of the longest in the country. With these natural advantages, augmented by 100% Dieselization and improvements to the property in recent years, the company's gross-ton miles per freight train-hour figure is among the best in the country and the 1955 transportation ratio of 30.8% was well below the industry average of 37.3%.

Another strong feature of the Western Pacific picture is the highly favorable long-term trend of traffic and revenues, in which respect the company has far outpaced the industry. The rapid population growth and the trend toward industrialization in the service area and in contiguous territory have been important factors in this growth. Last year, for instance, there was the opening up of a large Ford plant local to Western Pacific lines which alone is expected to bring in about $5 million in annual revenue. Corollary benefits from this one plant will be the influx of workers and probable establishment of satellite plants. The physical improvement of the Western Pacific plant, and those of its connections, has also been an important traffic stimulus in bettering the company's competitive position with respect to the lucrative transcontinental freight. All indications point to the fact that the traffic growth has by no means run its full course.

Earnings on the common stock during the past six years, based on the present capitalization, have ranged between a high of $12.55 in 1950 (reflecting the Korean traffic boom) and a low of $6.13 in 1954 when earnings of all railroads were adversely affected by general economic conditions. Last year the earnings amounted to $8.13 a share, a notable achievement in view of the serious service disruptions caused by the December floods. It is estimated that the flood caused a loss of at least $1 million in revenues, besides undisclosed expenses. Floods again affected operations in January and for more than two months the road was saddled with higher wages without compensating rate increases. As a result, earnings for the first quarter dropped nominally to $1.16 a share from $1.20 a year earlier. From here on comparisons should be considerably better and for the year as a whole analysts are now estimating that as much as $10.00 a share may be realized. In addition, the company is claiming a tax credit of some $5 million in connection with the reorganization of its subsidiary, Sacramento Northern, last year and if this matter is settled quickly it could result in boosting reported 1956 earnings close to the $16.00 a share level. Also, the settlement would appreciably bolster the road's cash position, thus improving the prospects for liberalization of cash dividends.

# Business Man's Bookshelf

**American Interests in Sumatra, 1784 - 1873** — Abstract of a Thesis—James Warren Bould—Fletcher School of Law & Diplomacy, Tufts University, Medford, Mass. (paper).

**Anglo American Diplomatic Relations with Argentina, 1945-1954** — Abstract of a Thesis — John Preston Rudy — Fletcher School of Law & Diplomacy, Tufts University, Medford, Mass. (paper).

**Bank and Its Publics, The**—Philosophy and Technique of Bank Public Relations—Robert Lindquist — Harper & Brothers, 45 East 33rd Street, New York 16, N. Y. (cloth), $5.

**Blueprint for Neighborhood Conservation**—National Association of Real Estate Boards, 1737 K Street, N. W., Washington 6, D. C. (paper).

**Board of Trade of the City of Chicago**—98th annual report for the year ended Dec. 31, 1955—Board of Trade of the City of Chicago, Chicago, Ill. (cloth).

**Commentary On the Civil Liberties Provisions of the Universal Declaration of Human Rights**—Abstract of a Thesis — Chase Kimball — Fletcher School of Law & Diplomacy, Tufts University, Medford, Mass. (paper).

**Corporation Giving in a Free Society** — Social and Economic Aspects of Business Philanthropy—Richard Eells—Harper & Brothers, 45 East 33rd Street, New York 16, N. Y. (cloth), $3.50

**Domestic & Foreign Factors in Egyptian Foreign Policy—1919-1939** — Abstract of a Thesis — Virginia H. MacLean—Fletcher School of Law & Diplomacy, Tufts University, Medford, Mass. (paper).

**Electronics Industry:** Los Angeles Metropolitan Area—Industrial Department, Los Angeles Chamber of Commerce, 1151 South Broadway, Los Angeles 15, Calif. (paper), $2.

**Federal Estate and Gift Taxes Explained**, Including Estate Planning—1956 Edition—Commerce Clearing House, Inc., 214 North Michigan Avenue, Chicago 4, Ill. (paper) $3.

**Foreign Exchange Quotations**—Folder listing current quotations of currencies of 137 countries throughout the world; also contains tables showing decimal equivalents of shillings and pence and common fractions.—International Banking Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.—On request.

**Free Man's Library, The**—Henry Hazlitt — Bibliography of outstanding books on the philosophy of individualism, free trade, free enterprise, free markets, and individual liberties—D. Van Nostrand Company, Inc., 250 Fourth Avenue, New York, N. Y. (cloth), $3.50.

**Getting and Spending:** An Informal Guide to National Economics — Burton Crane — Harcourt, Brace & Company, 383 Madison Avenue, New York 17, N. Y. (cloth) $4.95.

**How Free Enterprise Has Helped to Make America Great**—Prize Essays by New York City School Children — New York Chamber of Commerce Educational Foundation, Inc., New York City (paper).

**Indian Relations and Attitudes in Regard to Southeast Asia, 1947-1952** — Abstract of a Thesis — Satya Swarup—Fletcher School of Law & Diplomacy, Tufts University, Medford, Mass. (paper).

**International Economy, An** — Problems and Prospects—Gunnar Myrdal—Harper & Brothers, 45 East 33rd Street, New York 16, N. Y. (cloth), $6.50.

**International Law for the Administration of Non-Self-Governing Territories**—Abstract of a Thesis — Barbara B. Burn — Fletcher School of Law & Diplomacy, Tufts University, Medford, Mass. (paper).

**Let's Make Basic Steel** — Booklet on converting acid electric furnaces to basic—Public Relations Department, Basic Incorporated, Hanna Building, Cleveland 15, Ohio (paper) on request.

**Manual of Excellent Managements, 1956**—American Institute of Management, 125 East 38th Street, New York 16, N. Y. (cloth), $20 to non-members.

**1956 Fact Book** of the New York Stock Exchange — Department of Public Relations and Market Development, New York Stock Exchange, 11 Wall Street, New York 5, N. Y.

**Organized Labor and the Tariff**—Abstract of a Thesis — Charles W. Vear — Fletcher School of Law & Diplomacy, Tufts University, Medford, Mass. (paper).

**Professional Engineers and Collective Bargaining** — A bibliography—Selected References—Industrial Relations Section, Princeton University, Princeton, N. J. (paper), 20 cents.

**Role of Government in Developing Peaceful Uses of Atomic Energy**—Arthur Kemp—American Enterprise Association, Inc., 1012 14th Street, N. W., Washington 5, D. C. (paper), single copies $1; quantity prices on request.

**Schedule of Par Values** — International Monetary Fund—22nd issue — Internatonal Monetary Fund, Washington, D. C. (paper).

**State Tax Rates and Collections, 1950 and 1955**—Government Finance Brief No. 3—Tax Foundation, 30 Rockefeller Plaza, New York 20, N. Y. (paper), single copies free (quantity prices on request).

**Structural Interdependence of the Economy** — Edited by Tibor Barna—John Wiley & Sons, 440 Fourth Avenue, New York 16, N. Y.—$7.50.

*Continued from first page*

# What's the Outlook for Construction Industry

were crowding the nation's total capacity rather hard. The nation's over-all total of goods and services produced, the so-called Gross National Product, made an all-time record in 1955 and registered an increase of 7.4% over the preceding year; it continues to rise. Personal consumption expenditures also reached an all-time high last year and they also continue to rise.

During the second half of last year total employment continued close to 65,000,000 persons, an all-time high. In spots certain key materials were in tight supply from time to time; steel and cement, for example.

### Cement Demand

Although last year's cement shipment total of 300,000,000 barrels was nearly three times the 1945 volume, it wasn't quite enough for the 1955 demand; cement supplies were tight in various places. Mr. Charles Baker, President of Universal Atlas Cement Company, has stated that the 6% increase in total output expected this year will probably not eliminate the shortages, but that the situation should ease in 1957. This same authority has estimated that total current capacity at the beginning of 1959 will be 370,000,000 barrels, about 15% over present capacity of 320,000,000 barrels. The United States Bureau of Mines anticipates, somewhat more optimistically, a 20% capacity increase in the same period. In view of anticipated programs of highways and other public works, increased outlays for private industrial building and other potential construction demands, there is a question whether the anticipated capacity increase, large as it is, will be adequate.

The nation's economic growth since World War II has been so spectacular that it is very difficult to accept the idea that the economy may move ahead too fast in some important sectors. Yet that is just what appears to be happening. With regard to the latest rise in interest rates, the "Wall Street Journal" quoted a Federal Reserve man as saying that it was "a move to discourage marginal borrowers at a time when the economy is close to capacity. Further increases in lending could only lead to higher prices."

More than ever before our recent prosperity has been based upon a tremendously broad diversification of activities without major reliance on one bellwether industry. To maintain our growth and our prosperity we must move ahead on many fronts at the same time — savings, investment, industrial development, private and public construction, consumer spending and many other phases of activity. Naturally, progress on the various fronts is at different rates of speed; from time to time slowdowns in some activities are necessary while others are catching up with the procession.

This seems to be a slowdown year for the automotive industry, a speed-up year for industrial plant expansion. The construction record itself showed a first quarter pattern different from that of last year.

### Non-Residential and Residential Contracts

Residential building contracts in the 37 eastern states had a first quarter total of $2,599,028,000, an 8% increase over the first quarter of 1955. However, new residential floor space contracted for was up not quite 5% and the number of dwelling units contracted for was down about 2%. These varying percentages reflect a continuing trend toward somewhat larger and somewhat higher-priced units. Hotel and apartment projects were down, one-and-two family houses up a little.

Non-residential building contracts in the first quarter amounted to $2,172,440,000, a 17% increase over the first quarter of 1955, as compared with the 8% rise in dollar volume of residential contracts. Within the non-residential category by far the biggest rise was in contracts for manufacturing buildings. Substantial increases were also registered for commercial buildings and educational and science buildings. Hospitals and institutions, public buildings, religious buildings and social and recreational projects all declined in contract volume as compared with the first quarter of last year; since potential demands for such structures continue strong, these classifications may make a better showing in the months ahead.

Relative to last year's first quarter, heavy engineering contracts at $1,328,404,000 showed by far the biggest percentage increase, 42%. This appears to indicate that construction of new community facilities has begun to catch up with postwar rises in private building, a trend that is likely to continue for some time.

### Construction Commitments

Construction commitments have thus far run well ahead of estimates that were made at the year's beginning. The Dodge estimates, published last November, indicated for the full year 1956 a conservative 3% increase over last year in dollar total of building and engineering contracts, compared with the recorded first quarter increase of 17%. The advance estimates also indicated for the year a 2% decline in new building floor space to be contracted for, against an actual first quarter increase of more than 7%. Heavy engineering contracts have also been running ahead of the early advance estimates. The estimates anticipated that during the entire year all major non-residential building classifications would increase in contract volume over 1955; as I indicated earlier certain of the non - residential classifications lagged in the first quarter.

The likelihood of a total 1956 contract volume surpassing all previous record, is very good indeed, even though the 17% lead of the first quarter may not be maintained.

### Longer Range Demand and Backlogs

Viewing the longer range construction prospect it is difficult at this time to see ahead any obstacles in the way of continued year-by-year increases, barring war or catastrophe, except the possibility of setbacks due to various activities moving ahead too fast. Important backlog demands exist for highways, schools, hospitals, churches and other community facilities and there are continuing strong demands for housing, commercial buildings, factories and new and improved transportation terminals (particularly expanded airport facilities).

The growth factors that have been so strong since the end of World War II persist unabated. Population has passed the 167,000,000 mark, with a slightly larger net gain in the past 12 months than in any like period before. The nation's total output of goods and services (Gross National Product) is currently at the $399 billion annual rate. Since 1939 the total output of goods and services has more than doubled, while population increased 26%. In quantity of goods and services at his command today's average American is 60% better off than his counterpart of 1939.

A generally accepted estimate for the country's Gross National Product in the year 1965 is a total of $525 billion. Compared with the current annual rate of $399 billion, this indicates anticipated growth of very substantial magnitude. It is to be noted that this estimate is considered conservative; it is made at a time when more people than ever before in industry and in government are making careful studies of growth potentials and long-range trends.

Over-all growth at such a rate presupposes more people and more purchasing power per person. It involves more houses, more community facilities of every kind, more schools and churches and recreational centers and more capacity to produce consumer goods and capital goods. It means expansion of practically every major economic activity and huge volumes of new construction in every important category. As the nation's inventory of existing structures increases year by year, so also does the over-all potential market for modernization, alterations and repairs.

A recent study brought out the fact that in periods of general economic expansion, investment in new construction tends to run 10% or better of Gross National Product. In 1955 the ratio was nearly 11%. It is reasonable to expect that such a relationship will persist in the coming years, if we assume a well-balanced expansion free from inflationary or speculative excesses. On the basis of that expectation total new construction investment should increase by 1965 to something in the range of $52½ billion to $58 billion. These figures would compare with an over-all $42½ billion of new construction total last year and an estimated $44 billion this year.

The construction estimates for 1965 quoted above are actually quite conservative. They are low in comparison with various needs estimates that have been published for highways, state and local public works, new industrial facilities, housing and other classes of construction. They may have to be revised upward somewhere along the line.

No one can possibly know whether the indicated expansion of construction volume will come about as a steady year-by-year rise, or by a series of spectacular spurts with periodic setbacks. As stated in the beginning of this talk, I lean to the view that sudden spurts will unduly strain the nation's supplies of materials, manpower and money; I think that gradual substantial increases are more likely and more to be desired. The postwar record of constant year-by-year rises in total construction volume has been a new and wholesome experience for the construction industry and for the economy in general. Continued substantial progress of the same sort, which seems to be the construction prospect as viewed from here, promises much for continued prosperity and for further rises in American living standards.

### Warren D. Arnold

Warren D. Arnold, partner in F. S. Moseley & Co., passed away on May 8.

### Henry F. Ludeman

Henry F. Ludeman, limited partner in Salomon Brothers & Hutzler passed away May 7.

*Continued from first page*

# *As We See It*

no really conservative party in this country any more, or any political power of great consequences which really believes in American traditions. Both the Democratic and the Republican party have their so-called conservative wings. There are individuals in these groups who really are still devotees of the philosophy and the policies which brought this country to greatness during the decades and the centuries preceding the rise of the New Deal. Many of them, on the other hand are actually quite lukewarm, having strayed much farther from the path of traditional Americanism than they themselves realize in all probability.

**Limited Influence**

In any event they are not able to be of great influence in their party about most issues—notwithstanding occasional stands like that of Senator Byrd the other day on the issue of another splurge on so-called social security in this election year. The fact is that quite often they themselves become sponsors of rather typically New Deal programs either because they have been taken into camp intellectually by the reformers and the like or because they are political realists and believe that they must do as the Romans do when in Rome. When the party conventions take place this summer, there will, of course, be the usual lip service to what we have always held dear in this country, but when the tumult and the shouting have ceased it will soon be evident that what is being preached by either or both parties would make Hamilton, Cleveland or even Jefferson or Wilson gasp and stare.

We shall have to give the New York Governor credit, too, for an effort to create some issues for the coming campaign. Whether they would be in some substantial part sham, we could not say but at least they could logically be used in debate during the coming months. Apparently the Governor would have it New Deal-Fair Deal vs. some sort of New Vision Deal which would make use of the Roosevelt-Truman extremes as a foundation for further flights into the political stratosphere. He thus would like to be able to pin a "do-nothing" label on the Eisenhower Administration, doubtless with the blessings of ex-President Truman. Possibly such a course would be preferable to a mock contest (intellectually speaking) between two parties both bound over to the New Deal and the Fair Deal with little else to offer—assuming of course that the wild men of a New Vision Deal did not by any chance win the election.

What we should really like to see, however, is a bid for votes on the basis of proposals as far from the New Deal and the Fair Deal in the direction of good hard commonsense as Governor Harriman would go in the other direction. We are, of course, well aware that to make such a statement in this day and time is to label ourselves (in the eyes of a great many) as mossback, reactionary, or perhaps even counter-revolutionary. Such matters as these, however, leave us undisturbed. What we want is a course of action which would restore this country to itself. What we should like to see is an appeal by some organized group with political prestige calling not for building additional edifices on the foundations of the New Deal and the Fair Deal, but for the tearing down and scrapping of the works of Franklin Roosevelt and Harry Truman.

**Lobbing Them Off**

The work could well begin with complete elimination of the so-called securities acts. And the other pieces of legislation which place great powers in the hands of the Securities and Exchange Commission could well accompany the securities acts into oblivion. These laws are not needed. They do harm, not good, to the country. They never should have been placed on the statute books. The vast so-called welfare legislation needs to be completely overhauled and much of it abolished. The pouring out of funds for all manner of purposes should come to a speedy end. The social security system should never have been established. It should be overhauled and, so far as consistent with commitments now unfortunately made by the Government, largely if not wholly abolished. The tax system, based as it is upon the soak-the-rich philosophy, needs to be completely renovated.

But, unfortunately, the voters of the country are not to have any opportunity to decide such questions as these at the elections this year. They could have such an opportunity—or at the least could have had such an opportunity—had they risen in their might and demanded it. There is little evidence of any such political uprising—as little as there is that Governor Harriman can find large numbers of voters ready to follow him off the deep end. A large number of people in this country were sold on such measures as these in New Deal days by the political power of Franklin Roosevelt and the peculiar nature of the times in which he was politically active; the net result of the Eisenhower influence is to add to the number who believe in this sort of mistaken public policy—whatever this Administration may have done to prune off some of the excess growth and to clean up some of the mess that had gathered about the New Deal and the Fair Deal.

All this being the case one is obliged to ask himself a very serious question. It is this: Where is all this leading us? What is to be the ultimate effect or result of all these deviations from the plain dictates of commonsense and of experience? Of course, no one in his senses would undertake to give details in answer to any such question. The fact is though, or so we verily believe, that we and the world must one day pay dearly for the nonsense in which we have been indulging lo, these many years.

*Continued from first page*

# Critical Economic Factors In the Investment Outlook

to convince that rising interest rates are to be as typical of the 1950's and 1960's as easy money was of the 1930's and 1940's. To some observers, the events of the last five years in the capital markets seem to support the notion of a secular rise in interest rates with all of the resulting implications for portfolio management policies. If this is the trend, of course, 30-year mortgages are not necessarily very attractive nor should we pass up a good two- or five-year yield on government bonds in order to obtain roughly the same rate on a non-callable 39-year bond.

The critical factors in the investment outlook, therefore, seem to be possible grounds for the belief that we are in an extended period of experiencing interest rates comparable to or higher than those now prevalent in the capital markets. It is not possible to submit conclusive proof that this is or is not the underlying trend, but it is abundantly clear that the success of investment policies adopted in the months ahead will depend upon whether these critical factors have been carefully weighed and the probabilities accurately judged. I can think of no more crucial subject for our careful analysis.

We can probably all agree on the three principal factors contributing to the upward drift in interest rates. In the first place, the American business system is clearly in the midst of a period of dynamic expansion involving a very high level of capital investment in all areas. Secondly, inflationary pressures are in evidence in this period of full utilization of resources and straining of the nation's productive capacity. Finally, easy money policies have been discredited as the answer to all kinds of situations; on the contrary, recognition is again being given to the place of monetary and credit policy among the measures of moderation and restraint which can usefully be called upon to contribute to economic stability.

It is easy to visualize how these three factors in the outlook can produce still higher interest rates over an extended period of time if they all continue to be operative. The issues before us then are whether we are looking at a transitory situation or whether we are facing a set of conditions more pervasive and persistent in the economy. In short, we are in a period like 1953, but is there a 1954 just around the corner? This seems like the most important question facing a savings bank management as we meet here this morning. In searching for the answer, we must look at these factors of demand in relation to a savings flow appropriate to the same environment of a dynamic American economy.

### Active Capital Investment

Investment in plant and equipment, inventory accumulation, and acceleration in income tax payments have greatly increased the essentially marginal demand of business firms for external funds. With mortgage volume and new issues of tax exempts apparently stabilized at high levels, we are in a truly active capital market. The longer range plans of major industries suggest the same or even greater expenditures in future years. The familiar combination of forces stimulating such demands in the capital market are usually listed as follows:

(1) Pressures for reducing costs.
(2) Labor shortages.
(3) Expanding markets as a result of rising living standards and changed population factors.
(4) Technological progress at an explosive pace.

Do these factors suggest a break with past trends? Are we entering a new era of growth and expansion? It seems doubtful when one applies the perspective of the country's economic history. All of these elements have been present in varying degrees in previous periods of boom. While precise measurement is difficult, it seems doubtful that present rates of growth are really more impressive than in several past periods which did not lead to protracted rises in interest rates.

The related question is, of course, whether the level of investment has become more regularized by the so-called built-in stabilizers, longer range planning, the intensive application of capital to major mechanization projects, and the cumulative results of intensive research and development activities. Almost by definition, it seems to me, these vital elements in a rising standard of living must operate unevenly and somewhat erratically. In fact, one of the basic characteristics of our society continues to be the higher proportion of discretionary, postponable expenditures which may be made by consumers, business organization, or public bodies. Surely this element of instability is steadily increasing as more and more of our population succeed in attaining a standard of living well above the subsistence level.

Although there are many important offsets, including the greater availability of economic information, it would seem like a flagrant case of wishful thinking to assume that we face a continuously high and expanding level of capital investment for each and every year in the decade ahead. If this is a valid conclusion, we are probably looking today at the kind of an aggressive demand for funds which characterizes a period of great and pervasive prosperity. We may judge that we are looking at a cyclical rather than a secular or long-term phenomenon. This view is not a denial of a favorable outlook; it is simply recognition of the uneven pace of economic progress.

### Persistent Inflation

What about these persistent inflationary pressures of which we have seen so much during the postwar years? As they are translated into rising costs of doing business, they may stimulate capital investment and will certainly augment the volume of funds required. Doubtless expectations of rising prices and wages have caused intermittent spending sprees by consumers and business alike. Unquestionably, the rate of inventory accumulation at the present time is being influenced by prospective wage and price increases in the steel industry which may spread to other areas.

In a longer range sense, a full employment philosophy, elaborate insurances and supports, and the necessity for heavy armament outlays have inflationary aspects which cannot be ignored. Yet during the last five years, relatively few groups of commodities have had sustained price advances. For numerous soft goods and for agricultural products, price weaknesses have been practically chronic. By the summer of 1943, commodity prices had pretty well caught up to the monetary inflation of World War II. Since that time, despite the developments associated with the Korean War and a wage rise exemplified by a 43% increase in hourly earnings of production workers in manufacturing, comprehensive indexes of wholesale prices for other than farm and food items have advanced at an average pace of less than 2% a year.

Thus we can observe that while we continue to be faced with serious intermittent inflationary pressures, there has been no pronounced secular upward trend in prices. Furthermore, we find little evidence in our country's economic history that we should anticipate built-in inflationary trends in the absence of war, mobilization for war, or monetary irresponsibility. There seems little real foundation, therefore, for the projection of steep price rises by the decade; yet it would surely take recurrent 5% per annum and higher rates of advance to act as an important factor in the demand for funds in the capital markets. Cyclical price changes, on the other hand, are bound to be with us even as they are a factor in the current business scene.

### Tight Money Policies

What, then, are the implications for monetary and credit policy? Perpetually easy money policies, involving practically unlimited monetization of public and private long-term debt, have been rather thoroughly discredited not only in this country but throughout the world. They have not been replaced with tight money policies in the sense of substituting one inflexible policy for another. Rather, flexibility and timing have been reintroduced to the scene. Since the summer of 1953, we have all had the opportunity to see such policies applied with timeliness, energy, and judgment.

It seems to me that we are clearly on notice that if, as at present, the capital expenditure boom threatens to get out of hand, Federal Reserve policy will be designed to apply relentless pressure on the supply of funds. When the situation was substantially different in 1954, we had an equally impressive demonstration of aggressive easing of the supply of funds. It is extremely significant to observe the range of long-term rates within which the 1954 and 1956 applications of credit policy have been operative on the long-term capital markets. In terms of government bonds, a 2.60% rate meant real ease and a 3.10% rate has meant real tightness. These rates may seem low by many standards but no manager of a thrift institution bond portfolio has been able to ignore the impact of such a shift on his longer maturities of high grade bonds.

The capital markets have been placed substantially on a cash basis. Only small amounts of securities can be sold by thrift institutions at present quotations; mortgage warehousing facilities have already been used; and new money is committed to a considerable extent. Thus, when new and unexpected borrowing comes into the market, it faces a virtually inelastic supply of funds. Credit restraint is truly operating to dampen or push out the capital expenditure boom and to make inventory accumulation more difficult.

You have observed that the discussion and debate of Federal Reserve policy in recent weeks has been centered primarily on the appropriate degree of application of restraint at this particular time. It is significant that the concern is not over the vigor of inflationary forces of the boom but over the possibility that certain soft spots in the business situation may spread to other areas. Some thoughtful observers obviously are not entranced by the vision of new levels of capital investment or the indefinite duration of inflationary pressures. Rather, they seem to be answering in the affirmative the question of whether this is a 1953 situation with a 1954 somewhere in the offing.

### Circumstantial Evidence

From my appraisal of these three possible components of a protracted rise in interest rates, you will observe that I am not at all convinced that such a happy prospect faces us as lenders and investors. On the contrary, I have concluded that we are looking at another cyclical peak in the demand for funds which is not likely to last very long. There is admittedly no clear proof that such is the case, nor can I yet see unmistakable signs of a turning point in the bond market. In weighing the probabilities and coming to an individual judgment, however, there is some circumstantial evidence which supports the case against our being in a protracted period of rising interest rates.

(1) Interest rates have already risen enough to make credit policy effective. Holdings of government securities would not be appreciably more firmly frozen in the hands of institutional holders by pushing down prices another two or five points.

(2) Corporate and tax exempt bonds have dramatically increased their attractiveness relative to mortgages. A further increase in yields will have severe upward pressure on mortgage rates. Have you observed any widespread acceptance among people in or out of government circles of the idea that there should be a further rise in home mortgage rates? On the contrary, every proposal is that more funds be made available to finance home building at prevailing or lower rates.

(3) Almost every conceivable cause of tight money has already been in evidence. Monetary policy has succeeded in virtually eliminating the expansibility of the capital markets in the face of record demands, with the result that there has been no softening of the impact on the bond market.

(4) However obscured by day-to-day developments in the capital markets, there is no apparent sign of a slowdown in the long-term growth of the savings flow in line with rising incomes. Although the forms of saving may change and new institutional forces are at work, the really long-range trends show a vitality in the supply of funds which is too often ignored in our expectations of the future. In the last five years, for example, the rate of flow of funds into the principal thrift institutions has increased by 65%.

Thus, we can observe a number of reasons for believing that we have already experienced a large fraction of the rise in interest rates. Whether this fraction is two-thirds, three-quarters, or seven-eighths, none of us can say because we do not know how to appraise accurately the part played by anticipations in the movement of yields to date. But if you agree with me in questioning the assumption that we are merely in the early stages of a major rise in interest rates, you will join me in expecting relief from present tight money conditions sooner rather than later.

### Implications for Investment Policy

The implications of these conclusions for portfolio management policies are perhaps easier to demonstrate than the validity of the underlying assumptions.

(1) Investors have an opportunity to drive hard bargains on rates and particularly on repayment privileges, but this situation is not likely to prevail indefinitely.

(2) Corporate bonds, unless carrying an exposure to early refunding, are definitely attractive relative to governments or mortgages for the first time in several years. As usual, it pays well to buy what is relatively in most liberal supply; corporates in 1956 as mortgages were in 1955.

(3) Preferred stocks, despite the scarcity of new offerings, are again providing good pre-tax and excellent after-tax yields.

(4) Common stocks, although offering unique possibilities for good long-term income, are suffering in investor appeal from the competition of rising yields elsewhere.

More important than any of these four observations, however, is the conclusion that this is no time to make a long-range commitment of investment policy to a long-range forecast. On the contrary, the delicate equilibrium in the business picture could easily be upset and the forces contributing to higher interest rates could easily recede. Higher dividends to depositors could become much harder to earn by an adequate margin.

Finally, if you commit funds today on the assumption that this is merely a cyclical peak and it turns out that instead it is an early stage of a secular rise in rates, you are likely to have another chance during one of the periods of slack or relapse which are bound to characterize even a longer term trend of considerable vigor. If, on the other hand, consistent with the point of view that we are in a secular rise in interest rates, you emphasize short maturities and reach for yields on refundable corporates and another 1954-style pattern of rates returns, you will lose a very substantial amount of earning power. To the argument of economic analysis, therefore, I should like to add the very practical matter of expediency in defense of my position.

## New York Municipal Bond Club Field Day

The municipal Bond Club of New York will hold its 23rd annual field day at the Westchester Country Club and Beach Club at Rye, New York on Friday, June 1. Reservations should be made before May 23 with John J. Ward of the Chase Manhattan Bank. Mr. Ward will also accept orders for "Mutts."

A special train will leave the Grand Central Station at 10:55 a.m. Eastern Daylight time for arrival at the club in time for lunch and all afternoon activities. A return special car will leave Rye at 9:50 p.m. for arrival in Grand Central about 10:45.

Special features of the day will be a golf competition with prizes for first three low gross scores (members); first three low net scores (members); low gross and runner-up (guests); longest drive on selected hole and nearest the pin on selected hole. There will also be a handicap contest operating under the I.B.A. handicap system.

A round-robin doubles tournament in tennis will start at 10 a.m. with prizes for winners and runners up. Also scheduled are horseshoe pitching, soft ball, bridge and swimming.

One copy each of the Bond Crier will be distributed to the members and guests. Additional copies may be ordered at $1.00 per copy from George Hall, William E. Pollock & Co. Inc., New York.

## Albert Haas Jr. on Trip to New York City

Albert Haas, Jr., advertising manager for Sutro & Co., San Francisco, Calif., is on a two weeks' trip to New York City, where he will visit Carl M. Loeb, Rhoades & Co.'s offices. Mr. Haas is traveling by air.

## Now With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Samuel K. Troxel is now affiliated with Walston & Co., Inc., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was formerly with Sutro & Co.

*Continued from page 6*

# Future Capital Requirements And Problems of Financing

mates, will require $15 billion per year by 1960—so that total capital expenditures may reasonably be expected to reach the $32.5 billion figure I have suggested. The way technical change is adding to replacement costs, we can be assured that this figure will not be too high. It may be too low. But the general implications are clear enough: *Corporations will increase their plant and equipment expenditures one-third or more by 1960.*

Business expansion involves more than new plant facilities. It takes new working capital. You cannot operate a new plant without new inventories of materials, new payrolls and other operating expenses, as well as new accounts. In many corporations today, the budget for new capital projects includes the sums required as working capital to go with the projects. It is part of the total new investment on which a return must be earned.

If we assume that working capital requirements go up at about the same rate as expenditures for new plant and equipment, business will be adding to its working funds in 1960 at the rate of $16 billion per year—that is, one-third more than in 1955. Total requirements for new funds will total $48 billion compared to $36 billion last year.

I should point out here that the greatest increase in capital requirements will almost certainly occur in manufacturing. That is where new products, new technology are adding most to the demand for new plant and equipment. The capital needs of railroads and public utilities, while very large, are not increasing so rapidly. This is an important point, because manufacturing companies generally get most of their capital funds from internal sources, but public utilities get most of theirs in the capital market.

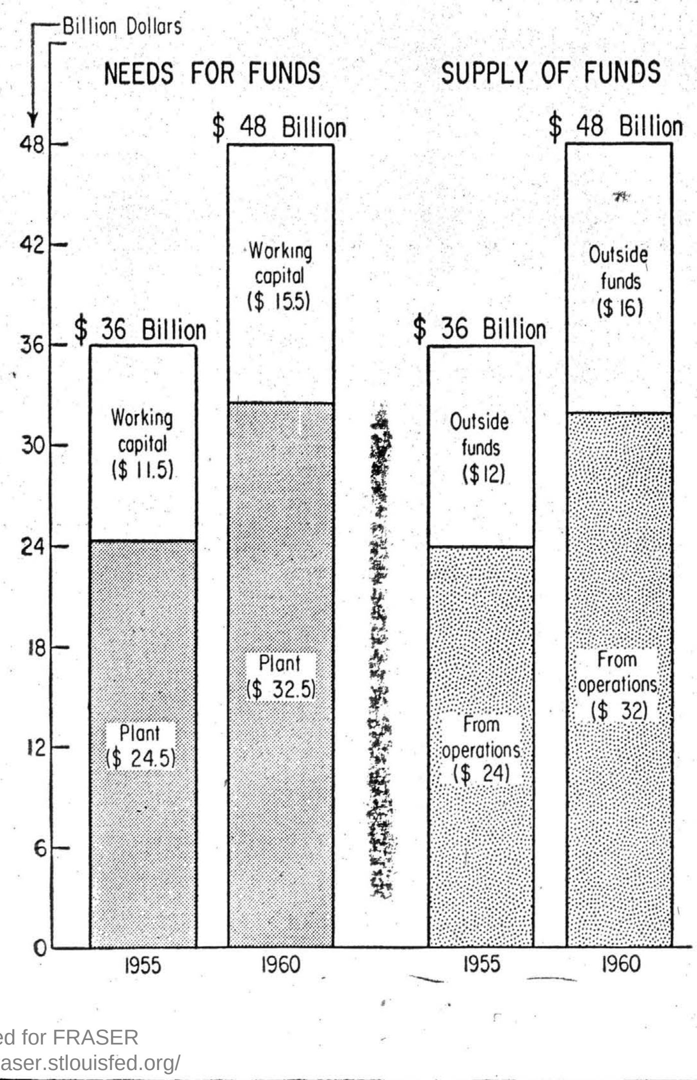
### Prospects for Raising Funds

Well, what's the prospect for raising these huge amounts of money, for providing an increase of one-third in the funds available for business expansion? At first glance, it appears that the prospects are very good indeed. Large sums are required for business expansion. But large sums are being set aside. As the economy expands, corporate profits increase. And corporations are winning their stockholders to the viewpoint that most of these profits should be retained in the business. For manufacturing corporations in the real growth industries—such as oil and chemicals—the ratio of retained to total earnings runs as high as 60%. And the favorable reaction of investors, as demonstrated in the stock market, is pretty good evidence that this trend will continue.

### Retained Cash Flow

Even more important is the upward trend of depreciation allowances. Total corporate depreciation has been increasing at the rate of over $1 billion a year. And this rate of gain will continue in the foreseeable future. Accelerated depreciation of defense facilities is running out. But several options available under the Revenue Act of 1954 permit almost as rapid depreciation for a good many types of facilities. Moreover, the Act of 1954 permits some speed-up in depreciation on all new facilities, as compared with older methods. And the depreciable base of corporate assets is larger. For all these reasons, I think it is reasonable to expect that the retained cash flow of corporations will increase fully one-third by 1960, even if there are no further tax concessions. The resulting total of $32 billion per year in internal funds would accommodate roughly two-thirds of total expansion needs. And the proportion will be higher in manufacturing.

FINANCING BUSINESS EXPANSION




You will also notice that prospective internal funds should be roughly sufficient to finance expenditures for plant and equipment—that is, for business as a whole. In manufacturing, they will be more than sufficient to pay for plant and will provide some additions to working capital. The railroads and public utilities will continue to sell large amounts of securities to pay for plant expansion.

### Outside Funds

This brings us to the subject of new funds to be raised in the money market (which is, for this audience, the $64,000 question, if we may be pardoned for using such a small number). To raise a total of $48 billion for expansion in 1960, industry will apparently need to get about $16 billion in outside funds—of which perhaps $2 billion will represent short-term credits extended by some business firms to others. The remaining $14 billion appears well within the capacity of our money markets. It would be about one-third increase over the amounts supplied by bank loans and security issues in 1955, and a smaller increase over the amounts supplied in peak years.

Apparently, therefore, the continuing uptrend in requirements for new plant, equipment, and working capital does not pose much of a problem for the financial markets. With large amounts of internal funds available, it looks as though the remaining needs can easily be met. But somehow when the time comes, money is never so easy to get as it looked in the first projections. The need always seems to be greater. And if I were to leave you with this simple projection of the source and use of funds, you would be quite right in asking: "Well, if it's all so simple, why is money so tight right now? Weren't higher earnings and depreciation supposed to take care of the situation this year? And if not, how are they going to take care of things in the future?" I had better answer some of these questions.

### Unexpected Developments

Two unexpected developments have raised capital requirements in 1956 far above earlier expectations. The increase in business activity was not unexpected. Corporate managers have had plans right along to add new plant and equipment that would accommodate a boom. Our surveys for the past several years have shown this tendency to plan ahead, to build reserve capacity, to anticipate growth. The exact timing of the boom may not have been foreseen, but it did not have to be. They were adding capacity anyway, if not for this year, then for next year.

But two developments were unexpected: (1) The sharp increase in industrial prices generally—inflation; (2) The advances in technology — which would increase costs even without inflation. I do not want to become tedious by repeating what I said earlier (in this talk). But the point needs to be stressed. Technical advance is coming with greater speed than is generally realized. It caused drastic revisions in preliminary plans for 1956. Industry is spending $4 billion per year on research and development now. It is no longer safe to think these developments will be years in the making. If we begin controlling all machines by electronic "brains" if we get machines to do assembly operations, all my calculations about capital requirements may be too low. I am told these developments are more than five years off, on any large scale. But this is by no means sure.

### General Price Inflation

The other development we never seem to anticipate in any adequate degree, is general price inflation. When it comes to capital goods, prices are up 8% to 10% in the past year, and 15% or more in the past two years. Any plant engineer who made this assumption in submitting a budget two years ago would have been accused of padding. Any banker who told a corporation to figure its capital needs this way would have got nowhere. I am not going to make any such calculations today, because the resulting figures on five-year capital needs, could be so high you would not believe me. But whenever a really big expansion of our economy gets underway, inflation does seem to come with it. The cash flow from earnings begins to get tied up in inventories, and other working needs. And then we've got to have new security issues to finance new plant and equipment, and rising bank loans to provide extra working capital. That's where we stand today — despite record profits and depreciation. And I believe the chances are excellent that five years from today our problem will be no easier.

### Raising Capital Now

How then, can we assure sufficient funds for business expansion, recognizing that we live in an era of unpredictable technical changes and periodic price inflation? There are certain things that corporations can do for themselves. They can make sure they have enough equity capital. Now is an excellent time to raise such capital by new stock issues. That will conserve their borrowing power and enable them to expand long-term debt safely in times of unusually heavy capital needs. Corporations can also protect themselves by arranging standby bank credits, a device that has permitted low-cost financing for some very large projects this year, despite a generally tight money market.

Corporations can also help themselves by making sure that their depreciation policies are realistic — that they make adequate allowance for the true rate of obsolescence under today's technology, not just the historical rate. In this respect, it is vitally important that the flexible depreciation provisions of the Revenue Act of 1954 be maintained. It is up to business to use these provisions to their fullest, and to let those who make tax policy know that flexible depreciation is essential in a growing economy.

### Small Business Aid

I would like to close by suggesting that we do something besides talk about aid for small business, in the matter of raising funds for new plant and equipment. Generally speaking, small plants today are modernized or expanded only when a bigger company comes along and buys them. There is not enough cash in a small company to pay for modern technology — for giant machines with electronic gadgets. But there is good reason to believe that small plants could make excellent use of these developments, if they had the cash. A flexible machine tool, that does what it's told by an electronic computer, is actually better suited to a small job shop than a giant factory.

Small business today is not just cloaks and suits. It's metalworking and electronics and chemicals—the specialty producers in each of these fields. It needs capital badly—and more capital will help more than irritation of the big companies by anti-trust suits. This is the great financial problem of our day, the unsolved need for venture capital.

There are only two ways for small business to raise cash. One is to retain its earnings. Our government would be well advised to grant small companies a special tax exemption on earnings retained for plant expansion. The other way is to sell preferred stock, or income bonds to investors—who generally will not take the risk of buying common stock in small companies. If dividends or interest paid on such securities were exempt from taxation, there might be enough investor interest to make a real difference.

I began by discussing some very general problems in the capital markets and wound up with a special problem. I began with some cheerful generalities, and now we find ourselves wrestling pretty hard with special cases. But that is the way it goes in business finance. As all of you know, expansion is not easy to accomplish. It takes both advance planning and last minute ingenuity. It is up to us in the financial field to equal the ingenuity of the engineers and scientists who are creating the expansionary force in our economy. If we can do it, the expansion of the next five years will make earlier periods look like a standstill.

**FINANCING BUSINESS EXPANSION**
(In billions of $)

| Needs for Funds | 1955 | 1960 |
|---|---|---|
| Plant and equipment | 24.5 | 32.5 |
| Inventories | 4.0 | 6.0 |
| Receivables | 6.5 | 8.0 |
| Other assets | 1.0 | 1.5 |
| Total needs | 36.0 | 48.0 |
| **Funds Retained from Operations** | | |
| Retained earnings | 9.5 | 11.0 |
| Depreciation | 14.5 | 21.0 |
| Total retained | 24.0 | 32.0 |
| **Outside Funds** | | |
| Suppliers' credit | 1.5 | 2.0 |
| Bank loans and mtge. loans | 4.5 | 6.0 |
| New security issues | 6.0 | 8.0 |
| Total outside | 12.0 | 16.0 |
| Total funds | 36.0 | 48.0 |

## Frigikar Corp. Common Stock Offered at $5

A group of underwriters, headed by Southwestern Securities Co. and Muir Investment Corp., on May 15 publicly offered 104,500 shares of common stock (par 50 cents) of Frigikar Corp. at $5 per share. Also associated in this offering are: First Securities Corp.; Minor, Mee & Co.; A. G. Edwards & Sons; Beebe, Guthrie & Lavalle; R. L. Stewart & Co.; A. M. Law & Co., Inc.; and Harold S. Stewart & Co.

The net proceeds from the sale of the stock are to go to certain selling stockholders.

Organized in January, 1954, the Frigikar Corp. manufactures and sells refrigerated automotive air conditioning equipment. It has outstanding 346,000 shares of common stock.

## Two With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Lee L. Hawkins and Leroy C. Seymour are now with Bache & Co., 445 North Roxbury Drive.

## Join State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — Lloyd C. Knutson and Leonard E. Youngquist are now with State Bond & Mortgage Company, 28 North Minnesota Avenue.

## Two With Smith, La Hue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Harold A. Grams and Ronald E. Olson have become affiliated with Smith, La Hue & Company, Pioneer Building.

# Securities Salesman's Corner

By JOHN DUTTON

## That's Gratitude!

During these lush times when the rubber bands are off the pocketbooks, and the fellows and gals who in other days made a bee-line run for the savings bank with their excess (if any) cash, but who now make up the ready market for promotional stocks, it is an easy job to sell this type of security. When speculations are eagerly sought, it takes a strong man to sell investment type securities. Human nature being what it is, all you young fellows who are riding the gravy train today take heed, harken, follow these words of wisdom!

One day last week my good friend and next door neighbor showed me a letter from his brother. "Buy some Soupbone Uranium," he wrote. "I bought some for my brother-in-law and I even had his mother buy some. It may be a gamble but I got it straight, the Amalgamated, Consolidated, Expurgated and Contaminated Copper, Brass and Gas Co., Inc. is going to make a deal with them. They are putting up the money and I hear the stock which I bought at 25c is going to a dollar a share."

"What do you think?", asked my good neighbor. I said I didn't think anything. I wouldn't knock it, buy, or sell it. But if he wanted to get rich that was up to him. He said, "Buy me 2,000 shares." I did this and when I went to another dealer who was making a market in the stock, I asked him what he thought of it. He said, "I wouldn't toucn it with a 10-foot pole." When I told my neighbor what this other broker said, he gave me an order for another 1,000 shares.

During the past week I executed orders on an unsolicited basis for six other friends of my neighbor. One man told me, "I asked Joe what you thought of it and he said if I asked you that you would probably blow the roof off. I laughed and told him it was his funeral. He replied, "What's the difference, it's my wife's money and she would only blow it in anyway so I might as well buy this junk."

Dutton hasn't dreamed this—it's not a "lost weekend"—it happened last week. Probably some of you who read this column have had similar experiences. Everybody's happy while it lasts but this isn't the investment business—better I should book a few horses!

### Top This One

I laughingly told this story to one of my associates and he replied. "Some years ago I had two friends who called me on the telephone and gave me an order to buy them some speculative stocks. I told them they were throwing their money away. They insisted and I bought these stocks and charged them a nominal service charge of $5. The amounts involved were $2,200 for each one of them. I remember the amounts for a good reason."

"At that time there was a law in our state which made it mandatory that every stock traded even on an agency basis should be registered with the state securities commission. After this company went bankrupt a smart alec lawyer looked up the law and found out that the broker handling such a transaction was liable for the full loss even if he acted as an agent providing the stock was unregistered. Such was the case and after much litigation I finally settled the suit with a check of $1,100 being paid by me to each of my supposedly good friends. When I reminded them that I tried to dissuade them from the purchase, that I voluntarily handled the transaction without profit, they agreed that was right, but they each took the $1,100 and told me, 'Times are hard with us now and although we hate to do this we need the money'."

They have changed the law in our state but one thing hasn't changed, they haven't changed human nature. I hope the boys make a few hundred on their big speculation but I don't expect to receive much repeat business from them. It's the same old story mates—hold on tight when you go around the turn.

*Continued from page 4*

# Outlook for the Oil Industry

a year ago, a factor of strength. The following table reflects this improvement.

| | Inventories million barrels | Change from Yrs. Ago | Days Supply 1956 | Days Supply 1955 |
|---|---|---|---|---|
| Crude Oil | 267 | — 1.6 | 30 | 34 |
| Gasoline | 195 | + 7.2 | 50 | 49 |
| Distillage | 60 | — 4.0 | 33 | 44 |
| Kerosine | 18 | — 9.5 | 58 | 78 |
| Fuel Oil | 33 | —26.7 | 19 | 27 |
| | 573 | — 1.1 | 54 | 86 |

The improvement may not seem great, but the oil industry operates in millions of barrels daily. A small improvement multiplied by the tremendous number of physical units involved exerts an important influence on product prices and consequently on earnings. The improving statistical position has been reflected in better refined product prices, especially at the wholesale level. Wholesale prices have risen almost steadily since mid-1954 and are now the highest in two years. The improvement in the midwest has been particularly good.

Now what does all this mean? The answer lies in earnings. Oil industry earnings in 1955 rose about half as much as those of general industry. For the first quarter of 1956 oil earnings forged to a new record high level, 20% higher than a year ago, and ahead of industry as a whole which showed a 10% increase. While these increases will not last for the entire year, it is the first time that earnings of the oil industry substantially exceeded industry.

### Oil Stock Prices

The improved relative position of oil industry earnings is now in the process of being reflected in market prices. Using Standard and Poor's index of group stock prices, the following table shows that in the first nine months of 1955 a composite of oil did nothing while the industrial list rose 14%. The oil composite hid an 8% decline for producers and a 10% gain for integrated companies. However, since the third quarter of 1955 industrials rose 18%, composite oil 35%, producers 32%, and integrated companies 35%, reflecting the better outlook of the petroleum earnings. It is interesting to note that the oil composite is now exactly the same relative to the 420 Industrials as 1½ years ago.

| | 420 Indust. | Oil Comp. | 5 Prod. | 13 Integ'd |
|---|---|---|---|---|
| April 1956 | 135 | 135 | 122 | 149 |
| Dec. 1955 | 125 | 116 | 105 | 128 |
| Oct. 1955 | 114 | 100 | 92 | 110 |
| June 1955 | 108 | 93 | 98 | 102 |
| Mar. 1955 | 103 | 102 | 99 | 102 |
| Jan. 1955 | 100 | 100 | 100 | 100 |

While oil earnings may not continue the excellent pace of the first quarter, they should continue to do better than most industrial groups, and market performance should run at least parallel unless some unforeseen problem or crisis appears.

### Middle East

One of the potential sore spots might be the Middle East. This area is extremely important to the oil industry because a growing portion of earnings is coming from there. As a preface, the Middle East political situation has rarely if ever been "good." Dag Hammerskjold, Secretary General of the United Nations, is reporied as saying that he did not believe there is a solution to the Middle East problem. It is merely a question of whether the troubled water can be pacified on the surface.

It is difficult to say whether Middle East oil is more important to the producing countries or to the consuming nations. However, it is a mistake to assume that oil, highly important to both parties, is affected by every political incident which appears in the newspapers. The supply of oil seems to rest upon much firmer foundations including long term contractual obligations which exist between governments of the oil producing countries and the oil companies, and the desire of Middle East countries to continue receiving the almost fantastic income which has developed in only a very few years. For some of these countries this revenue represents wealth on a scale unimaginable only a few years ago.

It is too frequently overlooked that the Middle East oil producing countries are highly dependent both politically and economically upon revenues from oil production. Most Middle East countries are devoid of alternative means of improving their internal economic position. Therefore oil revenues are essential for not only economic well-being but for financing the large scale development plans which some of these countries have undertaken. These plans cannot be halted. They are regarded as a political necessity. As a matter of fact, the Middle East countries actually require more oil revenue to accomplish these programs. The mutual dependence of oil consuming countries and Middle East oil producing countries is one that should continue profitable for both parties so long as economic self interest prevails and is not sacrificed to political opportunities.

A more likely disruption of Middle East production might be the shut down of pipelines extending from Persian Gulf countries to the Eastern Mediterranean. However, this would not be a major threat to the producing companies. Out of a total of 2.1 million barrels daily of Middle East oil which moved to Europe last year only one-third was transported by pipeline. The remainder went by tanker.

Conditions vary in the individual Middle East oil producing countries. Saudi Arabia while opposed to U. S. policies in the Middle East is highly dependent upon the American-owned Arabian American Oil Company. So far the operating company has managed to keep its policies separate from U. S. foreign policy and consequently relations between the company and King Saud are generally good. Egypt and Saudi Arabia recently signed a defense pact. Rivalry between the two makes our influence of Egypt on Saudi Arabia small. In fact, Saudi Arabia appears to be a somewhat reluctant partner in Egypt's plan. Arabia is important because it provides large financial resources which depend upon operators continuing to produce oil.

### Kuwait, Iraq and Iran

Kuwait, which is about as important a producer as Saudi Arabia, is strongly under British influence. The local ruler is well known for his policy of enlightened self-interest and is not likely to jeopardize his oil revenues. Kuwait relies upon British protection as it is not a member of tne Arab League. Iraq is pro-British in its policy and is a member of the Baghdad Pact to which Egypt and Saudi Arabia are opposed.

Iraq has also adopted an enlightened policy and has embarked upon several long term programs to expand agriculture and undertake a petrochemical industry, both fostered by oil revenues. Iraq is not likely to jeopardize its oil income. Iran has learned the hard way that its crude oil is not essential to the world market. Following nationalization of British Petroleum's oil properties in 1951, Iran saw its major position in the world oil industry rapidly captured by other Middle East producers. The ultimate agreement which Iran finally signed in 1954 was substantially the same as BP had offered in 1951. Therefore, Iran is not likely to jeopardize its economic strength again, particularly because the Consortium is working better than had been anticipated.

### U. S. A. Crude Difficulties

A more pressing and fundamental problem lies at home, namely the difficulty of finding crude oil. As has been widely publicized, it is becoming increasingly difficult to find oil. In fact, the industry is not finding enough oil to maintain its reserve capacity. The following table shows this quite clearly. In 1949 our reserves were equal to a 14 year life whereas in 1955 the reserve was only 12.9 years. In addition to not maintaining the reserve capacity, the expenditure of larger funds each year in search for crude oil combined with the relatively small increase in reserves results in a rapidly rising unit cost for new oil. There are all kinds of statistics on oil-finding costs. Probably no set of figures is accurate because too many assumptions are in each set of figures. However all statistics agree on the trend. It is snarply upward.

**Proved Domestic Liquid Reserves**

| | New Additions (billion barrels) | Production During Yr. (billion barrels) | Net Additions (billion barrels) | Year-End Reserves (billion barrels) | Est. Life of Reserves Years | Bbls. found per barrel Produced |
|---|---|---|---|---|---|---|
| 1955 | 3.39 | 2.74 | 0.65 | 35.45 | 12.9 | 1.21 |
| 1954 | 2.97 | 2.56 | 0.41 | 34.80 | 13.6 | 1.16 |
| 1953 | 4.04 | 2.61 | 1.43 | 34.39 | 13.2 | 1.55 |
| 1952 | 3.31 | 2.55 | .76 | 32.96 | 12.9 | 1.30 |
| 1951 | 5.13 | 2.48 | 2.65 | 32.20 | 12.0 | 2.07 |
| 1950 | 3.33 | 2.17 | 1.16 | 29.54 | 13.6 | 1.54 |
| 1949 | 3.57 | 2.02 | 1.55 | 28.37 | 14.0 | 1.77 |

To maintain a 13 year life the industry must find at least 1.65 bbls. for each barrel produced. The table shows this has not occurred since 1951 and the trend does not indicate that we are likely to find that much. Therefore our reserve is likely to continue a decline with imports becoming more important as a long-term source of petroleum.

An increase in the price of crude oil would increase the search for oil and bring into production wells not economic at current oil prices. The last general price increase for oil occurred in June, 1953. There have been some subsequent minor adjustments on a local basis. The IPAA estimates that since 1953 the total cost of finding and developing crude oil has increased by at least 20%. Domestic producers feel that they must receive higher prices for crude to finance exploration if the industry is to remain strong and develop adequate reserves to meet future demands.

The principal argument employed against a price increase is the general belief that shut-in domestic producing capacity amounts to about 2,000,000 barrels daily. By way of comment, daily production is now about 7,100,000 barrels daily. This shut-in capacity would indicate an ample supply of oil available without stimulating development of additional producing capacity through a higher price for oil. However, Mr. A. L. Nickerson, President of Socony-Mobil, stated recently that he doubted we could maintain an increase in production of more than 600,000 barrels daily on a sustained basis. Since the end of the war the domestic rate of production has never significantly exceeded 8½% of our reserves annually. Therefore, if production should increase by 2,000,000 b/d the rate of production would approximate 9½%, a level which probably could not be maintained for more than a few months. Mr. Nickerson's 600,000 b/d figure would permit an increase of only 8½% to reach capacity. This seems to be dangerously little spare capacity for a growth industry. Even this would evaporate in less than 1½ years should exploration stop.

### Possible Price Increase

The stage seems to be set for an increase in the price of crude oil. The spread between the cost of a barrel of crude oil and prices received for products refined is now wider than it was at the time of the last increase in mid-1953. Therefore, there seems to be greater economic justification for an increase now than in 1953. The statistical position is stronger than a year ago. There seems a good chance that another few months of excellent consumption might lead to a price increase.

The Chase Manhattan Bank recently published an excellent study on future growth of the world petroleum industry. This study concludes that half of all oil to be produced in the U. S. will have been produced by 1965. That is less than 10 years away. Therefore the sharply higher cost of finding oil plus the probability that our oil producing ability will decline after 1965-1970 requires that greater attention be paid to other areas which can supply crude oil to the U. S. on a long-term basis. Furthermore, we as investors should concentrate our investment dollars in these areas if we wish to do better than average. Among these areas are the off-shore area of the Gulf of Mexico, Canada, and the Middle East. Of course domestic companies that are long on oil reserves provide an excellent medium here at home.

### Tidelands

The attraction of the Tidelands has been well espoused by many members of the industry. Along with the Tidelands goes southern Louisiana which possesses much the same geological features and is still relatively undeveloped. There are something like 130 salt domes along the coast of Texas and Louisiana. Salt domes are wonderful places to look for oil. Offshore in the Gulf approximately 250 salt domes have been located which justifies the great attraction of the offshore area as a prospective hunting ground. Needless to say, most of the salt domes onshore have been tested and developed to some degree. Few of the offshore domes have been tested and hardly any have been even partly developed. The

API annual estimate of U. S. crude oil reserves showed that reserves increased only 1½% last year, or 451 million barrels. Of this amount, 65%, or 294 million barrels, was found in Louisiana, including offshore. In a similar fashion 45% of the gas reserves found last year was found in the same area. By way of contrast, reserves in the State of Texas dropped 49 million barrels, and California 87 million barrels. These statistics make it obvious why exploratory activity in southern Louisiana and in the Tidelands lends attraction to companies with strong acreage representation in this area.

Recently, Ira H. Cram, Senior Vice-President of Continental Oil Company, said that we must find enough oil to sustain a 50% increase in production by 1965. He then added "such an increase means that we will have to find more oil in the next 10 years than any previous 10 years period. And that will be one hell of a chore," He also remarked that development offshore is the industry's best hope. He predicted that offshore production which last December reached 93,000 b/d and 400 million cubic feet of gas daily may rise to 400,000 b/d and two billion cubic feet daily by 1960. Remember 1960 is only four years off. The offshore discovery record so far is excellent. Sixty-four oil and gas pools have been opened by 155 wildcats which have been drilled. Reserves to date from these wildcats are estimated by Mr. Cram to be 1.5 billion barrels of crude, or 5% of our domestic reserves, and 10 trillion cubic feet of natural gas. The size of the Tidelands available for drilling should expand quite rapidly. Mr. Cram said that the present prospective area covers 28,000 square miles off Louisiana and Texas within water 120 feet deep. This could be expanded to 50,000 square miles, a region larger than all of Louisiana, if it becomes economic to drill in waters as deep as 600 feet.

### Canada

The second area which is not much farther distant is Canada. Since 1947 oil reserves in Canada have grown from 150 million to 3 billion barrels. A recent analysis on the future of Canadian oil prepared by Imperial Oil and other large Canadian oil companies submitted to the Royal Commission on Canada's Economic Prospects estimates that reserves by 1960 should increase to 6.6 billion barrels, a 120% increase over current levels, and by 1980 should reach 17 billion barrels, a 465% increase over present levels.

Producing capacity has increased since 1947 from 20,000 b/d to 650,000 b/d and by 1960 should double to 1,400,000 b/d, and by 1980 should reach 2,800,000-3,800,000 b/d. Contrasted with the inability to increase domestic reserves the bright future foreseen for Canada is refreshing indeed. It offers a real opportunity to both escape and profit from our domestic problem.

At the present time, Canada imports roughly half of its refinery needs and supplies the other half from its own production. Canada's production currently runs somewhat over 400,000 b/d of which 100,000 b/d is exported to the United States. Canada will probably continue to import substantial quantities of oil for many years, but there is an excellent future in exporting oil to the United States. Most of the present exports to the U. S. were developed in the past year. Currently 65,000 b/d is going through the Trans Mountain Pipeline into the State of Washington to supply two refineries. There are two or three more refineries to be built in the Pacific Northwest states which will also use Canadian crude. Another 44,000 b/d is going into Minnesota and more recently a 6,000 b/d market has developed in Michigan.

The sharp increase in Canada's reserves and producing capacity will undoubtedly create problems from time to time. Allowables of producing wells may be lowered and production costs may rise as a result. However, I believe these are short-run factors that only cloud the long-term outlook, which seems a brilliant one.

### Increasing European Consumption

The growth in free world consumption, excluding the United States, presents a very attractive opportunity for investment in high grade companies. There seems to be basic reasons why growth in consumption of petroleum abroad increases at about twice the rate within the United States. First, is the tremendous postwar growth in energy requirements in Europe, and second, the increasing availability of petroleum to satisfy the European market.

Mr. A. T. Proudfit, a director of Standard Oil (N. J.), in a speech last year credited oil as the major reason for the industrial renaissance of postwar Europe. Oil consumption has more than doubled since the war. From only 10% of the total energy supplied by oil at the end of the war it now furnishes 20% and by 1975 will supply about 30% a much larger total energy need. By 1975 consumption will be so high in Western Europe that the annual increase in consumption will amount to more than 2 million barrels per day. This is equal to present total production in all Middle Eastern fields. Contrasted with the prostrate condition of Europe at the end of the war, Europe today is enjoying a higher standard of living with greater industrial activity than in the best prewar years. Since 1943 industrial activity in Western Europe has increased by two-thirds. Perhaps the outstanding example is West Germany which in 1950-55 increased consumption of petroleum products by 200%. Since the end of the war annual consumption has increased about 6% in the U. S., 12% in Canada, 8½% in Latin America, 15% in Europe, and 9% for the balance of the Eastern Hemisphere. Some of the rates of increase may taper off but the barrel figure has now increased to such a level that the industry will be pressed to meet the annual increment.

The second contribution to the expansion of free world consumption has been a tremendous increase in the availability of crude oil. Prior to the war Venezuela supplied most of Europe's petroleum needs. While the Middle East was being developed as an oil producing region little commercial production was developed until after the war. Major exception was, of course, Iran which has been an important producer since early in the century. In 1938, the last prewar year, total production from the Middle East amounted to 325,000 b/d. By 1951 postwar expansion had increased Middle East production to 1,900,000 b/d and last year production averaged 3,300,000 b/d.

Most investors are attracted to the international companies because of the tremendous worldwide gain in consumption already experienced, and to optimistic forecast as to future growth. However, it might surprise some to learn that much of the improvement in 1955 earnings of the international companies came from improved domestic operations rather than from higher foreign earnings. As everyone knows the world-wide companies have a major portion of their assets in the United States and improvement in the domestic industry therefore can be of major importance. Foreign earnings may be somewhat higher in 1956 but the big increment in higher 1956 earnings may again come from continued improvement in domestic refining-marketing and higher oil production. Over the short-term Eastern Hemisphere earnings and dividends give some evidence of tapering off. Venezuela is now producing at its maximum efficient rate leaving little further potential unless new concessions are granted or new discoveries are made. Domestic earnings give every indication of continuing the favorable 1955 trend again this year. Over the long-term foreign interests should account for a major part of the increase in earnings expected from this group.

### Suggested Oil Companies

Enough companies can be found in these particularly attractive segments of the oil industry to build an aggressive common stock portfolio which should grow more rapidly than a general cross-section of oil securities. Among the companies which possess the most attractive offshore interests are no surprising new names. First on my list is Continental. This is well appreciated by sophisticated oil investors. Through participation in two groups of companies operating offshore, Continental had an interest in 21 of the 57 oil and gas discoveries made off the coast of Louisiana and Texas. These two groups also hold approximately one-fifth of the total acreage under lease offshore and have an interest in 23 producing fields, or 40% of all discovered to date. Continental's net production offshore is at the rate of 4,000 b/d which is not large, compared to 134,000 b/d averaged by Continental last year from all sources. However, the future potential of the offshore properties may be measured by the fact that Continental devotes 10% of its total expenditures to offshore properties.

The second investment grade offshore stock which I like is Socony. The offshore area is much less important for Socony because of its great and diverse interests elsewhere. However, Socony was the first to undertake extensive geophysical exploration offshore and subsequently leased a large amount of acreage at far lower than the average. Socony last year completed 37 wells off Louisiana, compared with 16 in 1954, and plans to drill about 45 this year. The company's offshore production averaged only 4,000 b/d at the end of 1955, compared to 260,000 b/d produced as a whole in this country last year. As the oil industry moves from principally exploratory to development drilling in the latter part of this decade, a sharp increase in offshore production within a short period is anticipated. At this point companies such as Socony and Continental should reflect the fruit of their tremendous offshore investments for the first time in their income statements.

Next to the Tidelands, coastal Louisiana is the most attractive spot in the United States in which to explore for oil and gas. Last year 33% of all wildcats drilled in Louisiana were successful, compared with 18% for the national average. Almost 23% of the nation's increase in oil reserves last year was found in southern Louisiana, an area possessing only 8% of the nation's reserves. Economics are attractive. Daily production per well averages 40 barrels in Louisiana, compared with 28 in California, 18 in Texas and 7 in Oklahoma. In southern Louisiana the production is higher than 40 barrels. As a result of these favorable statistics drilling activity is increasing more rapidly in coastal Louisiana than elsewhere in the United States. For the U. S. as a whole, footage drilled in 1956 is expected to increase about 10% and the number of wells about 2½%. In southern Louisiana the gain in each category is estimated at 20%. This is not a new trend but the continuation of one in operation for some years. For example, between 1950 and 1955 wildcats drilled in southern Louisiana rose from 1.9% to 3.7% of all wildcats drilled in the U. S. This may not sound impressive, but it means that exploration here is increasing at twice the rate of the U. S. as a whole. The best way to participate in this development, I believe, is through Louisiana Land and Exploration with almost all of its assets concentrated in coastal Louisiana. The company holds more than 700,000 acres in fee or leases. As a royalty company most work on its land is cost free. The attraction of its property permits the company to bargain for very attractive royalties which in many cases are 25% or more. There are a limited number of shares outstanding and the investment rating is high. Continued accumulation by sophisticated investors has greatly reduced the floating supply of shares permitting wide price fluctuations in response to exploratory success on company acreage.

There are probably 200 or 300 Canadian companies in which one can invest or speculate. For investment, Continental again rates tops here. Continental owns a 75% interest in Hudson's Bay Oil and Gas which owns one of the largest acreage spreads in Canada, about 9½ million acres. It seems difficult to find oil any place in Canada without Hudson's Bay having some acreage nearby. Last year Hudson's Bay's production amounted to 13,200 b/d, compared with 5,900 b/d in 1954, and at the end of 1955 was running about 17,200 b/d. In 1955 Hudson's Bay accounted for 3.7% of Canada's production, compared with 2.3% a year earlier. This subsidiary now has total reserves of at least 150 million barrels and 1.3 trillion cubic feet of gas. Financially it is now self-supporting.

Two other ways to participate in Canada through investment grade stocks are Seaboard and Honolulu. These two operate jointly in many areas and already possess a profitable Canadian operation through large holdings in the Pembina field. Both companies have large acreage positions in northern Alberta, an area which has taken on special significance since Union Oil drilled its Granite Wash discovery which seems to open up a new concept of oil finding in northern Alberta and Saskatchewan. This discovery several months ago was followed by the largest land play in Canada since the discovery of Leduc in 1947. Honolulu looks especially attractive because it enjoys a substantial development program in this country as well. Honolulu's production in 1953 averaged 30,000 b/d; by December, 1954 production reached 32,300 b/d and by January, 1956 it passed 40,000 b/d. By the end of this year it may equal or surpass 45,000 b/d. Earnings have followed accordingly from $2.73 per share in 1954 to $3.65 in 1955 and this year may total $4.50.

### International Companies

The international companies as a whole seem attractive. As a matter of policy, any sophisticated investor should start with a position in Standard Oil (New Jersey). This company represents about 17% of the world oil industry. Size permits it to enjoy the general benefits of industry growth while outstanding management provides Jersey with the opportunity to do better than the industry. Management is also stockholder conscious and follows a liberal dividend policy. For those who already own Jersey, Socony and Texas seem attractive. Socony still seems cheapest of the American domiciled oil companies. Over a period of years it will slowly climb to its rightful position in the market place. Texas Company has built up an extremely good record, particularly in production. I see no reason why this should not continue. In view of its record, Texas is still one of the cheaper American domiciled international oil companies.

Investors willing to go abroad can buy Royal Dutch. The stock still seems to be statistically the cheapest of the world-wide oil companies. Management is on a par with Jersey. Actually Royal Dutch, despite its foreign flavor, has slightly more of its assets in the Western Hemisphere than Jersey, a fact few people realize. Dividends since the war have been very small, but this has been necessitated by the tremendous capital needed to develop facilities to meet the growth in worldwide oil consumption, and also to rehabilitate the company's properties devastated by World War II. Prior to the war Royal Dutch was a liberal dividend payer. I believe Royal Dutch would like to pay out as much as half of earnings, and is striving toward this goal as rapidly as possible. Therefore, earning over $11 in 1955 and perhaps $12.50 in 1956, the stock at current prices should in time yield a very handsome return.

The immediate outlook is probably best for British Petroleum in the international group. Since the most rapid increase in oil consumption occurs in the Eastern Hemisphere where BP is almost exclusively concentrated, it stands to benefit most. The stock until recently has been held down by fears over the Middle East. However, if the source of BP's production is analyzed, principally in Iran, Iraq, and Kuwait, the political situation in these areas seems more stable than in the Arab League countries. Both Iran and Iraq are members of the Baghdad Pact which is pro-American and pro-British while Kuwait is under the influence of the British.

Returning to the U. S. A., companies long on reserves stand to benefit from the increasing difficulty of finding oil in the United States and should become increasingly strong relative to their less fortunate competitors. One investment grade stock in this category is Standard Oil (Indiana). Although not a favorite of sophisticated investors its position is outstanding. While the industry has oil reserves equal to a 13 year life, Indiana's reserves possess a 21 year life. Its gas reserve is equal to a 30 year supply compared with the industry's 22 year reserve. Many investors wonder where all the money has gone which Indiana invested in production in recent years. Much of it went into Texas and has not been reflected in the income statement due to a decline in allowables over a period of years. Had the company been able to produce at its maximum efficient rate last year, production would have approximated 400,000 b/d compared with the actual figure of 274,000 b/d, an increase of 45%.

If oil continues difficult to find, the long term trend of allowables in Texas can only be upward. This obviously imparts a substantial amount of leverage to Indiana earnings. Looking at the shorter term, the company is heavily concentrated in marketing and refining in the midwest where the outlook is more favorable than elsewhere in the United States. The principal shortcoming is the dividend policy which combines cash with stock in Standard Oil (New Jersey). This will probably continue, but the cash dividend plus

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# Outlook for the Oil Industry

the market value of the Jersey stock provides one of the best yields to be found among high grade investment stocks.

### Four Special Situations

In conclusion, four special situations may be of interest in coastal Louisiana, the Tidelands, and Canada. First, is South Shore Oil and Development. This looks like a junior Louisiana Land. All of its assets, representing about 50,000 acres are located in southern Louisiana. Much of the acreage is leased out to the major companies, some requires continuous drilling to hold the lease. The stock earns about $1 per share and last year paid its first dividend of $0.50. I believe it sells at about half of the intrinsic value and is one which has been overlooked by investors. The area is outstanding, the stock looks cheap and provides a fair income.

Second: is J. Ray McDermott which represents an excellent participation in the Tidelands development. McDermott has an outstanding reputation as a contracting company operating in the swamps of coastal Louisiana and in the Gulf from Brownesville around to Florida. Its gross profit margin averages 20-25% per year. Know-how is excellent and has been developed over several decades. The company's sales double every three years and I believe this will continue. The company does no drilling itself, owns no mobile drilling barges, but is chiefly concerned with building permanent platforms offshore, laying underwater pipelines, building docks, dredging channels, etc. There is a rapidly growing need for this type of work particularly for permanent platforms. At the moment, investor interest lies in the mobile drilling barge. However, as the oil industry moves from exploration to development offshore there will be almost an explosive increase in demand for permanent drilling platforms from which many wells can be drilled. Since 1949 the company has used its taxable income to look for oil. It has found about 20 million barrels. Production now runs about 5,500 b/d and throws off about $3 million in cash which is reinvested in looking for oil supplemented by earnings from the contract division. With this backlog of production and crude oil reserves, McDermott in the past year has gone into the Tidelands and purchased leases jointly with Superior Oil. It now holds a one-quarter-one third interest in about 5,000 acres located in two blocks. One will be evaluated by an offset well this year. The other will be tested by McDermott and Superior. Earnings last year are estimated at $1.65 and this year may exceed $3. The company's competitive position is outstanding. Aside from technical know-how McDermott has developed much of its own equipment providing an additional protection to the company's competitive position. Cash earnings total about $6 and it is not difficult to forecast $10-$15 in time.

The third situation is a small Canadian royalty company, Prairie Oil Royalties, Ltd. The company has a small interest in a large amount of acreage. Its principal source of income is from a 1¼% gross overriding royalty in about 950,000 acres of acreage in western Saskatchewan. On this block are located several fields producing about 15,000 b/d. The block has not been thoroughly tested and there are undoubtedly additional discoveries to be made. The second interest is a 2½% gross overriding royalty on about 500,000 acres in southern Saskatchewan on which is located the Midale field discovered several years ago by Shell. This field was not highly regarded until recently. It is now judged to contain over 100 million barrels which rates as a major field. Recently a well was drilled by a French company south of Midale. This area was not appraised as possessing much potential. The discovery well has not yet been completed, but may actually be a better well than has yet been drilled in Midale. Prairie also owns a 3¾% royalty interest in about 500,000 acres of freehold land in southern Saskatchewan. This is a large spread in small individual parcels. Much of this is located in southeast Saskatchewan where about 20 fields have either been discovered or extended in the past year or two. Prairie is one of the more attractive small companies in Canada which through its broad acreage representation provides a wide exposure to future discoveries.

The fourth is also a small Canadian company which seems to entail little risk and is well bolstered by assets. It is Home Oil. The company is benefiting from a major increase in production. For example, 1954 production averaged 5,400 b/d, 6,200 b/d in 1955 and by mid-1956 production should average 10,000 b/d. This increase is due largely to development drilling in the Westward Ho area of southern Alberta and in the Pembina field. The company has a major spread of 72,000 acres of leases in the general area of the Westward Ho oil field discovery in 1955 and the nearby Harmattan oil field. Exploration and development of this area is still in the early stage. The company has used some of its income to buy proven and undeveloped acreage in Pembina. Gross revenues for 1956 are estimated at about $9 million compared with a little over $6 million in 1955. The 3,800,000 shares are backed by substantial reserves estimated at year-end to be 41 million barrels of liquids and 375 billion cubic feet of gas. Earnings last year were only $0.10 per share but should increase with higher production. Cash earnings were about $0.85 per share and should be higher this year.

### Conclusion

In conclusion, I have reviewed the outlook for the oil industry and find it good, with excellent prospects for higher earnings and consequently dividends. The Middle East does not appear to be as great a problem as might be assumed at first glance. The major problem is to find enough oil to maintain our reserve capacity.

I then suggested that to benefit from this dilemma an aggressive oil portfolio should include securities of companies well situated to supply our future petroleum needs on a long-term basis. A few individual securities were briefly discussed which fit this objective.

I hope that among these ideas are some of interest to you, and possibly of value.

## Colville With Bache

ST. PETERSBURG, Fla.—Donald H. Colville, Jr. has joined the staff of the St. Petersburg office of Bache & Co., 556 Central Avenue, as a registered representative, it was announced by John W. Newey, Manager.

For the past two years he has been associated with Goodbody & Co. in St. Petersburg and, prior thereto, with Orvis Brothers & Co., New York City.

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# The Security I Like Best

tune" magazine, and Dr. S. S. Huebner, the dean of insurance educators, predict that life insurance in force will reach a trillion dollars in the next 15 years.

In view of Beneficial Standard's amazing past record and its brilliant future, the conclusion must be reached that its capital stock is an outstandingly attractive "growth" investment. But it is even more than that; it is a "growth" investment whose values can be accurately measured, and currently purchased at very low cost; and unlike most "growth" investments, and particularly most life issues, it is currently available on a generous yield basis.

All of which adds up to a lot of investment value, and explains why Beneficial Standard is "The Security I Like Best." It is traded in the Over-the-Counter Market and is currently available at a price of about 29¼. Good trading markets for the stock exist in Boston, New York City, Philadelphia, Chicago and Los Angeles. It is, in my opinion, a conservative "growth" investment, suitable for both individual and institutional purchase.

A substantial amount of stock is presently held by mutual funds, insurance companies, and fiduciaries.

## S. F. Bond Club Again Has Tapeworm

SAN FRANCISCO, Calif.—The San Francisco Bond Club, through the courtesy of "The San Francisco Examiner," has again issued its humorous newspaper "The San Francisco Tapeworm." Responsible for this year's "Tapeworm" were Thomas Hodgkinson, Wood, Struthers & Co., editor, assisted by a staff composed of William Bache; Allen Beaumont, William R. Staats & Co.; Harvey Franklin, Merrill Lynch, Pierce, Fenner & Beane; Edward Goetze, Frank Knowlton & Co.; Theodore Hossfeld; Tom Hough, Jr., Halsey, Stuart & Co.; Lawrence Prager, Bank of America; W. Leonard Renick, J. Barth & Co., and Ivan Wing, Weeden & Co.

## Bache Adds Two

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — L. Ted Kitchen and Francis A. Lay have been added to the staff of Bache & Co., 556 Central Avenue.

## Three With Bache Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—John M. Brady, David C. Gibson and Gerald Ruddy have become connected with Bache & Co., One Lincoln Road Building.

## Beil & Hough Add

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Albert S. Branin, Henry G. Carse and Wallace E. MacLaskey have joined the staff of Beil & Hough, Inc., 350 First Avenue, North, members of the Midwest Stock Exchange.

## Forms Security Marketers

Clifford A. Murray is conducting a securities business from offices at 276 Fifth Avenue, New York City, under the firm name of Security Marketers. Mr. Murray was formerly with Bache & Co. and Penington, Colket & Co.

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# Shortage of Copper Due To Rise in Living Standards

over a dozen—prices existing in the current tight copper market. Not content with just diverting to Europe nearly 50% of the copper it usually sends to the U. S. to get the higher prices there, the government has just successfully pressured both Anaconda and Kennecott, its major producers, to sell their metal coming to this country at prices quoted on the London Metal Exchange (LME). From the point of view of Chilean interests, this step appears a rational one. Prices up to recent weeks have been higher in London than anywhere else and copper is, after all, an important source of taxes and employment in Chile.

If tying the U. S. price for Chilean metal to LME should result in more metal coming here again, European consumers might be forced to bid up prices even somewhat more. The fact should not be overlooked, however, that Anaconda and Kennecott are themselves large fabricators and so buyers of metal, that is, of part of their own output, here and in Chile.

The community of interest which thus might be thought to exist between them and Chile in trying to get the highest possible prices for copper is not exactly complete. Anaconda and Kennecott must think in terms of the competition existing in the fabricating field, including the disturbing competition with aluminum.

Chile certainly has little choice but to keep forcing the upper limits on price in every possible way, including this one, but it still does remain to be seen really whether tying price to LME quotations is actually the way for it to realize the greatest potential gain. Aside from the fact higher prices for metal make it more difficult for fabricators to hold their own in competition with other metals, LME prices can also come down.

### London Copper Market Is Thin

The London market for copper is an extremely thin one. Probably not much more than 2% to 5% of all the copper sold for delivery is traded there. Most of the metal available to it comes from the Messina Mine in Transvaal and custom smelters. A trickle comes from marginal producers in Canada and elsewhere.

None of the big companies in the U. S., Africa and Chile itself, with the rarest exceptions, ever offer any metal on the Exchange. They all sell—and in the case of Chile must sell—direct to consumers, by-passing traders along the way, and, except now for Chile, ignoring LME quotations.

The consequence is that even a modest rise in residual demand—that is, demand in excess of normal requirements usually satisfied by customers' regular suppliers—can send London prices shooting up toward the sky. This is of course what Chile is relying on and hoping for.

Conversely, however, a slight dip in demand can make LME prices really tumble. It is not at all difficult to visualize what could happen if suddenly additional supplies of metal should become available to the Exchange. Fear lurks in some quarters that such a market can be too easily manipulated.

However, Chile has undoubtedly thought of the worst and very likely has even now—as prices are being tested in London—an alternate set of sales plans to put into effect if London price should actually fall drastically below the 46 cents charged for U. S. domestic primary metal in the U. S. and Canada. The latest news from Chile, in fact, is that the Copper Committee there will set the price for Chilean metal on LME or the U. S. domestic primary metal, depending which is higher. Chile, in fact, can be expected to resist any real softening of LME prices.

One reason the big copper producers give for their reluctance to tie their own prices to those of LME is that prices there fluctuate too violently, dropping, as they did over the last 15 months, to a low of 33 cents for the period in May of last year and rising to a record high of 54⅞ cents some months ago. They prefer, they say, for prices to be steadier so that customers can set their own prices for advance listing.

The somewhat volatile nature of copper prices on the London Metal Exchange is of course another reason why so many—even well-informed—people can't understand just what is going on in the copper markets. Bears in the market certainly have not concealed their joy over the 25% drop in prices in London in the two-month period after quotations skyrocketed to an all-time record high of £436 per ton.

But it is in keeping with the antics of the London market that since the first of this month—May—prices have recovered 20 of the 90 pounds sterling they lost in the decline from the record level of last February. Even so, at their new level, London prices are still a third higher than they were last year this same month. The U. S. custom smelter price is now one cent below the 46 cent quotation set by the domestic primary producers some time back. Rhodesian Selection Trust has also made a slight downward adjustment in the price of its African ore.

### Situation Remains Same

The important thing to remember, however, is that there has been no real break in copper prices and the basic market situation remains about the same now as earlier this year.

Chile at least is not taking just a short rosy view of the copper market but is decidedly bullish over its long position in it. In particular, it sees itself as the chief supplier of the "extra" metal needed to fill gaps in supply in both the U. S. and Europe.

To maintain its relative place in a growing market, it is holding out to the companies the incentive of a progressive reduction in surtaxes on income if they will increase their Chilean output. This is besides accelerated amortization on new installations and a more realistic exchange rate for their dollar earnings. To any new company which may establish itself there, the prospect is held out of no surtaxes at all.

It was just about a year ago that the Chilean Government enacted a new copper law to govern the marketing of copper produced by American companies. Before, the Banco Central de Chile had handled all marketing arrangements directly. But, under the new law, responsibility was vested in a Government Copper Department. The law was intended to encourage U. S. owned companies not only to increase production but to invest substantial quantities of capital in development work and new equipment.

Eliminated was the previously fixed income tax of 85%, besides taxes on a portion of earnings overseas. The companies now were to pay a fixed 50% income tax plus a sliding surtax, diminishing proportionately with increases in production. The surtax was fixed at a maximum of 25% when copper output equaled 95% of averaged production for the years 1949-1953. It was to diminish one-eighth of 1% for every 1% increase over the base production level. Should production double, compared with the base rate, the surtax would be zero. New copper companies which begin mining in Chile in the future will pay only the 50% income tax and no surtaxes at all.

While ostensibly copper sales under the new law are now controlled by the mining companies, the Chilean Copper Department supervises all copper sales through an 11-member board, nine of whom are appointed by the government, to insure that all sales are made in the national interest. The mining companies must report on company sales and other operations to the Department. Previously, of course, these companies had no control whatsoever over sales or sales prices and all copper from Chile was sold by the Central Bank which in turn sold it overseas.

The law also set an official rate of exchange at which copper producers can buy Chilean pesos. Under the previous law, the exchange rate varied depending on how the money was to be used and in 1954 this rate averaged 70 pesos for $1. Now the government exchanges pesos at the rate of 300 for $1. Since most of this year's output has already been sold, it is understood, copper producers probably won't benefit from an even more recent move by Chile, freeing the exchange rate, until the end of the year or later.

**Anaconda Spending $250 Million**

Responding to such encouragement, Anaconda is spending nearly $250 million to bring in a new mine and install other facilities, including a sulphide plant, a refinery and means to recover an important by-product, molybdenum, from copper ores.

Kennecott is installing new heavy machinery at its properties and Cerro de Pasco Corp. is exploring by 9,000 to 10,000 feet of diamond drilling from underground stations the Rio Blanco Mine near Santiago, said to have more than 27 million tons of proved reserves averaging 2.2% copper, on which it has an option.

It is certainly elsewhere than to the machinations of Chile that one must look for the sensational increases of about 33% to 50% in present raw copper prices over a year-and-a-quarter ago, that is, an increase of from 35 to about 44 or 45 cents for metal sold on the London Metal Exchange and of from 30 to 46 cents in the U. S. for copper made from domestically-minded ore.

Apparently also, it isn't even to marginal costs of production that one can turn for an explanation either, although this point should probably not be strained too much. Some producers say, however, that if prices were tied to the cost of the "marginal," that is, the "high cost," producers, quotations could still be about half of what they are. One U. S. Government contract for copper from ore from a new Canadian mine is based on a 24-cents-a-pound purchase price. Canadian mining people themselves place marginal costs at between 30 and 35 cents a pound.

Some companies big enough to be able to achieve economies from sheer size of their operations are not reluctant to disclose their average costs are around 18 cents a pound. Incredible as it may seem, there are producers, too, claiming to be able to turn out some of their metal for considerably less than even that.

Without doubt, high prices have encouraged not only greater production but also expansion of capacity. If some well-informed men in the business are to be believed, however, tonnages reaching the market would be as great if prices were 40 or even 30 cents a pound. But of course all this leads to the reflection that copper prices could dip considerably from present levels without causing undue distress to the industry. Whether this is really so or not, time may tell.

A reason the big producers are apparently somewhat uneasy over prices at the present levels is that they fear these prices may encourage consumers to turn increasingly to aluminum as a substitute. To a degree, much harm has probably already been done in this direction, so far as the copper industry is concerned. It must be a source of very scant comfort to copper men, too, that aluminum prices can now probably only go up now that the U. S. domestic aluminum industry has turned to coal for its power needs.

**Trend Toward Electrification**

It is of course the spectacular rise in the standard of living throughout the world which is behind the current shortages and high prices of copper everywhere. The strength of demand for copper can be attributed in very large part to the increasing trend toward electrification in Europe, Asia and elsewhere. Once a country embarks upon some vast electrification project, it must be remembered, demand for the needed copper is not going to be affected very much by small changes in price. In the U. S., this trend toward electrification is to be noted, in part, in the movement toward automation.

In Europe, especially West Germany and the U. K., large quantities of copper are now going into the production of consumer durable goods, using electricity—automobiles, washing machines, television sets, vacuum cleaners, gadgets of all types which have at last found acceptance there. Recent weakness in copper demand there is due, in part, to apprehension over the automobile market.

Apprehension over the automobile market of course exists in the U. S., too. Men closest to the business say the uncertainties in that business arise from the fact the market was probably oversold in 1955. No doubt, greater difficulty in obtaining credit is playing its part, too. This credit restriction develops not only just as a natural result of tighter money generally. It is also due to the planned program of bankers to make certain they can recover assets, if necessary, from such a rapidly depreciating commodity as an automobile. Automobile loans are now made on the basis of about 90% of dealer's cost price. Of course, what might be good financing for an individual item, such as an automobile, might turn out to be bad economics for the business world as a whole.

Automobile manufacturers must assume their share of responsibility for the lay-offs and shutdowns in their business by failing to deliver full value. New shades of paint might produce new models but prices, generated in the atmosphere of near monopoly, don't create new markets. Published prices of course are not the real prices, a fact which only accentuates of course the unreal world which the automobile industry has created for itself.

The full effect of reduced automobile sales on copper production has yet to be felt. At the moment certainly, no sympathetic depression exists in copper. Anyhow, a slight drop in price can be a good sign as well as a bad one. But, meanwhile, copper mines are not shutting down.

It is undoubtedly getting into another subject but worth noting at this point that certain fundamental adjustments in economic thinking will become increasingly necessary in this country the more the American economic system moves into the area of an economy of abundance. The problem boils down either to lowering prices drastically something made possible by more efficient methods of production, lowering costs—but this is probably too negative an approach for a dynamic economic system like that of the U. S.—or to raise real wages and other income substantially, something made possible by increasing productivity of men and machines—so that markets can exist for our productive mechanism—and this is probably a more positive and more realistic approach.

Meanwhile, until these changes in fundamental thinking take place, the monetary authorities will probably do well not to bring the economic system to a complete stop by adopting such tight money policies. Modest amounts of credit aren't available for even the commonplace necessities of ordinary living. There isn't much doubt but that the central bankers are better geared—psychologically—to the economics of scarcity than to the economics of abundance and in the U. S. today we are definitely in the area of abundance. A higher standard of living is achievable today than ever before.

For our purpose here, what must not be lost sight of is that if resources may not be needed in one spot they may be very much needed in another. From August 1954 to the 1955 year end, for instance, Britain exported 33,697 tons of copper wire to the Soviet bloc within quotas agreed by the Western Powers for strategic trade shipments to communist nations, only a third, however, of what some observers thought had been sent. More recently, it has been reported, Russian purchases have offset some of the effects of the credit squeeze in Europe. Russia of course has been consuming all its own output of copper, estimated to have nearly doubled—to 351,000 tons—since 1947. But whether new demand comes from Russia or elsewhere, the fact should not be forgotten that the market for copper is very much a world market.

**The Real Solution**

Fully aware that the only real solution to shortages and high prices is increased capacity, the copper industry, world-wide—but nevertheless largely a U. S. effort—has just spent or is about to spend a total altogether of $1¼ billion to add about 800,000 tons or more than 25% to free world capacity within four or five years compared with 1953 when some of the largest projects were initiated. About a fourth of this capacity is already in production. Most recent of the new mines to come into production of course has been Magma Copper Co.'s San Manuel Mine in Arizona, which, while it commended operation in January, won't be in full production until the latter half of this year.

Just about every known deposit of copper ore in the world is now being worked or is about to be. In Africa, there are two potentially large copper properties, the Baluba and Chambishi Mines, being held by Rhodesian Selection Trust in reserve for the future but the capacity of other new African mines is expected to increase by 137,000 tons within two years.

Under the circumstances, exploration of course continues apace everywhere. As a general rule, mining companies don't talk much about where they are looking for new sources of ore but Kennecott, however, has disclosed it is searching for new ore on property near Glacier Peak in the State of Washington, where results to date have been encouraging enough to warrant continuation of the work and also, together with the Hudson's Bay Co., in a section of Northern Canada adjacent to the Arctic Sea where prospects look just as good.

**The Southern Peru Project**

A very big foreign investment by U. S. companies in copper mining, second only to Anaconda's $250 million effort is of course the $200 million project of Southern Peru Copper Corp., an enterprise owned 57.75% by American Smelting & Refining, 16% by Phelps Dodge Corp., 16% by Cerro de Pasco, and 10.25% by Newmont Mining. Southern Peru is now preparing to bring into production within about five years deposits, estimated to contain over one billion tons of ore averaging about 1% copper.

In the U. S., as in Chile, Kennecott is pushing production at the moment by using massive machinery to facilitate the handling of the tremendous tonnage of ore which must be processed when copper content is declining below 1%, as it is, on its locations, as at most domestic mines of other U. S. companies in recent years.

In Canada, every likely spot from coast to coast is being explored and new capacity is fast coming into production. In 1955 Canada copper mine production jumped 24,678 tons over the year before to a total of 324,604 tons and refined output increased 37,835 tons to 290,478 tons.

The principal increases in mine production came from two new properties and four well-established producers. Gaspe Copper Mines Ltd. began milling ore on April 7, 1955, and produced concentrates containing 6,692 tons of copper. Milling operations at Campbell Chibougamau Mines Ltd. commenced on June 1, 1955, and concentrates containing 10,987 tons of copper were produced.

Increases in output or deliveries of copper were reported by four producers as follows: Noranda Mines Ltd., 5,853 tons; International Nickel Co. of Canada Ltd., 4,958 tons; Hudson Bay Mining & Smelting Co. Ltd., 1,687 tons, and Normetal Mining Corp. Ltd., 1,109 tons.

An important development for Canadian copper mining also is the decision by Campbell Chibougamau Mines Ltd. and associate company, Chibougamau Mining & Smelting Ltd., to build a $7 million custom smelter in the heart of the Chibougamau area, about 200 miles north of Montreal, to refine any copper ores minded in the region.

**Chibougamau to Get Smelter**

Work on these facilities, it is expected, will probably begin late this year and be completed in about 18 months. Initially, it is intended that the smelter will take care of the refining needs of Campbell Chibougamau and possibly also the requirements of the two other copper ore producers in the area but it is the plan to make these facilities available to any other property which might come into production there.

Expected completion of a spur line from Beattyville into the Chibougamau area by late Fall by the Canadian National Railway of course will also enhance the copper mining prospects of that region.

Copper ores at Chibougamau are of higher-than-usually-to-be-found grade, running up in the case of the Opemiska project to 5% copper content. Ore at the Campbell-Chibougamau Mines is of 3% grade. Diamond drilling by Coppercliff, New Royran and Quebec Chibougamau has disclosed extensive ore bodies of 2½% and by Grandine and Obalski of somewhat lesser reserves of 2% grade.

In British Columbia, Granby Consolidated Mining, Smelting & Power is studying the advisability of reopening the Phoenix Mine near Grand Forks, reported to have 2 to 3 million tons of low grade ore and on which the company has taken an option.

Beattie-Duquesne Mines Ltd., a former gold producer, reports that it expects to commence milling copper from not only its own newly-discovered Hunter Mine but also from two neighboring mines in northwestern Quebec Province in July at the rate of about 4,000 tons a day altogether. The Hunter Mine is reported to have a reserve of probably not less than 3 million tons of ore averaging about 1.5% copper.

The Temagami Mining Co., in which Quebec Metallurgical Industries Ltd. has a large interest, mined more than 5,000 tons of ore averaging nearly 25% copper last fall and by diamond drilling has just located another zone on its property with even more—27.8%—copper ore. Ore bodies of this grade are indeed a rarity today. Generally, they occur in pocket-like structures and are not extensive.

Much of the expansion in Canada over the next three years is expected to come from expansion of such properties as Campbell Chibougamau, Chibougamau Explorers, Amulet, Dufault, Gaspe, Grancy, Canam and Hudson and new output from Heath Steel, Brunswick, Tilt Cove, Gull Pond, Geco, Ontario Purites, and Granduc. The anticipated capacities of these mines alone are expected to total 49,500 tons this year, but 55,000 tons next year and 103,600 tons in 1958.

Overall free world capacity, as can best be estimated at this time, will increase this year by 229,500 tons to 3.1 million tons; next year by an additional 105,500 tons, and in 1958, by 123,600 tons. Including 120,000 tons anticipated from South America in 1959 or later, total free world capacity thus will grow within a short time to 3.5 million tons. This compares with mine production of 2.7 million tons in 1953. The only question which remains now is will all this new output be enough.

## H. B. Block Co. Opens

NEWARK, N. J.—H. B. Bloch & Co., Inc. has been formed with offices at 27 Academy Street to engage in a securities business. Officers are Harriet Blitz, President and Secretary, and Gladys I. Weldon, Vice-President and Treasurer.

## A. Wayne Hough Branch

LANCASTER, Calif. — A. Wayne Hough & Co. has opened a branch office at 44830 North Elm Avenue under the direction of Frank Gillett.

## Now Mass. Life Fund Dist.

BOSTON, Mass.—The name of Fifty State Street Company has been changed to Massachusetts Life Fund Distributors, Inc.

## With Schreiber, Dail

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Warren R. Lucas has become associated with Schreiber, Dail & Co., 315 North Seventh Street.

## Stix Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Ronald J. Berkowitz is now with Stix & Co., 509 Olive Street, members of the Midwest Stock Exchange.

## Joins Smith, Polian

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Walter W. Peterson is now within Smith, Polian & Co., Omaha National Bank Building.

## With Edgar Norris

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — John G. Dawson has become associated with Edgar M. Norris, of Greenville, S. C.

## With Southern Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Robert H. Hood is now associated with Southern Investment Company, Inc., Johnston Building.

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# Tight Money in a Tight Economy

dential building this year is likely to exceed that of 1955.

It looks now as though an agricultural bill will be passed. Politics predominate over economics in an election year. Just what the politicians will bring forth I do not know. Some of the details will probably be unsound but others will be constructive. Whatever program emerges, more Federal funds will be allocated to the farmer.

It seems to us therefore that the situation in the several areas currently undergoing correction, such as consumer credit, automobiles, residential building and agriculture, will be more promising in the fourth quarter than they are currently.

Thus we have an array of very positive and stimulating factors converging in the fourth quarter. The combination of higher business spending for plant, equipment and inventories in excess of $6 billion, of higher government spending for defense, roads, public building, etc., of over $3 billion, an increase in consumer spending of about $7 billion, and more if there is a tax cut this year, plus improvement in automobile production, residential building and agriculture, provides very powerful stimuli to the economy. All of these pressures come into play in a year when the working age group (18 to 64) of the population will increase only six tenths of one percent while the consuming but not producing age group (under 18 and over 64) will increase two and seven tenths percent.

### Increased Production and Prices

What does all this mean in terms of industrial activity, prices and the Gross National Product if business follows its natural course? It would mean an increase in the Federal Reserve Index of Production to about 148 at the close of the year, an increase of about 2%-3% in the general price level, and a Gross National Product at an annual rate of about $406 billion. This would mean that on an annual basis the Federal Reserve Index for 1956 would average out in the area of 143 as compared with 139 last year, and a Gross National Product of about $402 billion as compared with $387 billion in 1955. The year as a whole, in both physical production and Gross National Product, would be up about 4% over the previous year, which is approximately the normal historical growth rate of the economy.

Up to now I have been pointing out what we believe the economic potential to be if business runs its natural course. Growth such as indicated cannot occur unless financed. This means an increase in bank credit. However, we find that bank borrowings from the Federal Reserve banks are now averaging something over a billion dollars as compared with $400 million a year ago. Furthermore, the deficit in free reserves of the member banks is now approximately $500 million whereas a year ago there was an excess in reserves of over $200 million. The swing therefore from excess to deficit has been $700 million in the last year.

### Money Supply Must Increase

The banks today are finding it increasingly difficult to increase their reserves by selling bills since they have sold most of them already and few remain in their hands. They are reluctant to sell their longer term maturities since to do so would incur heavy losses due to the decline that has taken place in bond prices. It is a question of just where the decline in available reserves would choke the growth potential of the economy. We doubt that a precise mathematical answer is possible.

Current Federal Reserve policy coupled with a Treasury surplus instead of a deficit has resulted in a declining rate of increase in the money supply. It is now rising at the rate of only about 1% as compared with a 4% increase in the Gross National Product. Hither the money supply will have to increase more rapidly than it has recently or the rate of growth in the economy will slow down. And so we have a dilemma.

With tight conditions in most segments of the economy, with many materials in short supply, with only a modest growth in the labor force in prospect, and with the business outlook for the latter months of the year strong, the monetary authorities fear that an increase in the available supply of money might encourage a speculative accumulation of inventories and bidding up of prices. In other words inflation. On the other hand, if the banks are not able to meet the increasing demand for money to finance the potential growth of the economy they could break the boom. It is our opinion that neither of these extremes will occur. We will have neither rampant inflation nor a break in business.

In order to support an increase of about $6 billion in the Gross National Product from the beginning of this year to the year end would necessitate an increase of about $2 billion in demand deposits adjusted. This would require increasing reserves by less than $400 million which could be done without difficulty. The Federal Reserve Board several years ago declared that their policy would be to supply sufficient money to business to permit the normal historical growth of the economy. This, as I have said, approximates 4% a year on the average.

### Reserve Requirements and "Bills Only"

The Administration is committed to a policy of full employment and has stated that it would take positive action to prevent a decline in business. It is our belief that either by a reduction in reserve requirements or by a change in the "Bills only" policy of the Federal Reserve Board that reserves will be made available to support the normal rate of growth of the economy. We do not believe that the Federal Reserve Board, the Treasury, or the Administration would conspire to throw the country into a business recession or depression. Rather, we think that they will aspire to a policy that will permit normal growth while trying to prevent excesses of dangerous magnitude.

There is another reason why we doubt that the authorities will choose the alternative of interrupting our normal economic growth trend. If America is to retain its leadership in helping the free world to meet the economic challenge of the cold war it must remain strong and preserve its economic growth. In the years 1950 to 1955 industrial production in the United States increased at an average rate of 5% per annum. During the same period industrial production in western Europe increased at an annual average rate of 7%-8%. Although statistics on Russia's internal growth are not accepted literally, competent experts have estimated that in the last five years the rate of industrial growth in Soviet Russia has been considerably greater than in the United States and possibly in western Europe. Thus, we believe that one must not look at bank reserves only in terms of the domestic business situation but in terms of the international situation and America's place in world affairs. This philosophy of a strong industrial America means fostering growth and restraining excesses so as to prevent recessions and depressions.

### Tightrope Walk

Contractions in economic activity grow out of previous excesses. Therefore, the way to prevent such contractions is to prevent the development of excesses. This means that the Federal Reserve Board will be walking a tightrope between inflation on the one hand and deflation on the other. There is always an element of danger in such an operation. This element is a calculated risk. The calculated risk is that tight money in a tight economy is in the long run a more prudent policy than easy money would be in a tight economy. All policy moves contain elements of risk. The risk appears to be smaller with tight money in a tight economy than it would be with easy money in a tight economy. The resolution of the dilemma will be in the interest of growth, which means an upturn in industrial activity in the closing months of 1956 and some increase in the price level. This we believe can be accomplished without going to extremes.

As we look beyond the nearer-term we foresee continuation of the growth trend. To be sure, there will be variations from quarter to quarter and year to year, but the dynamic forces that have been stimulating our economy since the end of World War II continue. These include the estimate of an over-all increase in population of 14 million persons by 1960. What is more important, however, is what happens in that period in the relationship between the consuming but non-producing age group and the working age group.

### Must Increase Productivity

By the consuming but not producing age group we mean those under 18 and over 64, and by the working age group those from 18 to 64 years of age. Between 1955 and 1960 it is estimated that the consuming age group will increase by ten million persons, whereas the working age group will increase by only four million persons. This means that in order to maintain the American standard of living, continuation of the increase in the productivity of the working force must occur. To attain this a greater amount of horsepower must be put back of each worker and he must be provided with more efficient plants and equipment.

This year, we will be rounding out the bottom of the downward trend of the marriage cycle and the rate of family formations will begin moving upward, starting slowly at first but accelerating as we reach the end of the decade. Between 1950 and 1955 the number of families increased by 3.8 million. Between 1955 and 1960 it is estimated that the number of families will increase by 4.7 million, or about 25% more than in the previous five years.

The migration trends to the southeast, southwest and far-west regions, and the movement out of the cities and into the suburbs having been so definitely established will continue over the foreseeable future. These migrations accentuate the dynamic effect of over-all population growth, as does also acceleration in the rate of family formation and the greater increase in the consuming age group versus the working age group in the population.

The increase in population coupled with the slower rate of increase in the working force has resulted in industry spending increasingly large amounts annually on research and development. These expenditures would be wasted if they did not produce new and better products and increase productivity by the development of new techniques. We find that companies that spend 3% to 4% of their sales each year on research and development increase their sales approximately 10% a year. Out of this comes demand for plant and equipment, and here it is observed that if one adds the amounts spent by manufacturing companies on research and development for any three-year period, the total approximates the amount that these companies spend on plant and equipment in the fourth year. With the trend toward increasing amounts spent for research and development we can look forward to a continuance of large amounts being spent for capital improvements.

### Tight Labor Market

The tight situation in labor has enabled the worker to substantially increase his income over the last 10 years. This has resulted in a strong advance in the upgrading of family incomes. In 1946 only four million families out of a total of 38 million earned $5,000 and over a year. This year 18 million families out of a total of 49 million families will earn $5,000 and over. Thus, while the total families in the country have increased by 30% in the last 10 years, those families earning $5,000 a year an over have increased by 350%. This upgrading trend will continue over the next five years.

The fundamental and basic forces that have been at work in the economy over the past 10 years are not changing materially and therefore will continue in force. In terms of the Federal Reserve Index of Industrial Production we look for an index of about 160 in 1960 as compared with 139 in 1955. In terms of 1955 dollars we estimate a Gross National Product in 1960 of $480-$485 billion as compared with $387 billion in 1955. We further estimate that personal income, also in terms of 1955 dollars, will reach $375-$380 billion in 1960 as compared with $303 billion in 1955.

### Price Inflation Outlook

With the probability that wages will continue to increase more rapidly than productivity we look for a further increase in the price of manufactured goods over this period. We also believe that the readjustment in agricultural prices has reached its low point and that it will be in a rising trend over the next five years. The change in the price level cannot be estimated with fine accuracy, which is why we have made the 1960 projection in terms of 1955 dollars. However, with the prospect for a higher price level in 1960, the ultimate dollar amounts will be greater than those I have indicated.

This in our judgment represents the long-term potential of our economy. If America is to continue to assume its responsibility to the free world in the economic cold war these potentialities must be attained. Therefore, let us not permit our preoccupation with the current decline in automobile production, in housing starts, farm income and the tight money policy of the Federal Reserve Board to cloud our vision of the longer range outlook. The fundamental forces which have been stimulating our economy are still with us. They will reassert themselves after we have completed the readjustments that are now taking place. The year 1956, which began hesitantly, will close in a strong upward move. The normal growth trend of the country will not be interrupted.

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# The State of Trade and Industry

an hour for continuous jobs. The final cost would be slightly lower with noncontinuous jobs averaged in, but it still would be prohibitive, it noted.

On contracts negotiated by other industries so far this year, the national pattern has been for a 12-to-15 cent package, with about 8 cents of this in wage increases.

A compromise on the week-end premium issue might be reached by agreement on higher shift differentials, the magazine declared.

Other compromises in sight include the following:

1. The union wants a 52-week guarantee of supplemental unemployment benefits. A settlement of 39 weeks may be reached.

2. Five or six cents an hour will be the rock-bottom figure the union will settle for in wage increases.

3. The union wants a two-year pact, reopenable on wages only after one year, and many steel companies want a three or five-year document. A compromise may be a long-term contract, reopenable annually on wages, this trade weekly further reported.

If there isn't a steelworkers' strike, steel production will still be down in the third quarter because of reduced demand and the effects of vacation and hot weather in the mills. The automobile industry would be the biggest consumer slowing down.

Order books for third quarter are filling more slowly than they have in any quarter in the last year and a half. Demand hasn't lessened, but some consumers are waiting to see what the expected steel price increase will be. Last November, "Steel" predicted steel prices may increase $12 a ton by July.

On steel products in freest supply, mills will go into the third quarter with the smallest order carry-over in more than a year. Users of plates, structural shapes and tubing continue to order all they can. Steel mill equipment order backlogs are expected to average 24 months soon and at present they are at 15 to 18 months.

Although demand is high, repair of furnaces and labor difficulties lowered steel production for the second consecutive week. Output of steel for ingots and castings for the week ended May 13 hit 97.5% of capacity or 2,400,345 net tons, a one-point reduction from the preceding week. Five of 13 districts, however, operated at or above 100% with the Far West continuing at 109%.

For the week ended May 9, the magazine's arithmetical price composite on finished steel remained at $128.98 a net ton. Its composite on steelmaking scrap dropped to $53 a gross ton, down $2 from the preceding week. The adjustment is attributed to fear of a steelworkers' strike and mill reluctance to pay high prices.

**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 95.7% of capacity for the week beginning May 14, 1956, equiva-**

lent to 2,355,000 tons of ingot and steel for castings as compared with 95.2% of capacity, and 2,342,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1956 is based on annual capacity of 128,363,090 tons as of Jan. 1, 1956.

For the like week a month ago the rate was 100.2% and production 2,466,000 tons. A year ago the actual weekly production was placed at 2,338,000 tons or 96.9%. 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 Gains Following Three Weeks of Successive Declines

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 12, 1956, was estimated at 10,837,000,000 kwh., a gain above the week ended May 5, 1956, according to the Edison Electric Institute.

This week's output advanced 22,000,000 kwh. above that of the previous week; it increased 1,164,000,000 kwh. or 12.0% above the comparable 1955 week and 2,457,000,000 kwh. over the like week in 1954.

### Car Loadings Turned Lower the Past Week

Loadings of revenue freight for the week ended May 5, 1956, decreased 7,840 cars or 1% below the preceding week the Association of American Railroads reports.

Loadings for the week ended May 5, 1956, totaled 770,558 cars, an increase of 33,654 cars, or 4.6% above the corresponding 1955 week, and an increase of 122,604 cars, or 18.9% above the corresponding week in 1954.

### U. S. Automotive Output Cut Further in Past Week by a Reduction in Work-Week and Further Layoffs

Automotive output for the latest week ended May 11, 1956, according to "Ward's Automotive Reports," suffered a further curtailment with only half the nation's auto builders scheduled for 5-day operations and further layoffs.

Last week the industry assembled an estimated 112,590 cars, compared with 112,730 (revised) in the previous week. The past week's production total of cars and trucks amounted to 135,350 units, a decrease of 48 units below the preceding week's output, states "Ward's."

Last week's car output declined below that of the previous week by 140 cars, while truck output showed strength the past week by exceeding the preceding week's output by 92 vehicles. In the corresponding week last year 177,287 cars and 30,981 trucks were assembled.

Last week the agency reported there were 22,760 trucks made in the United States. This compared with 22,668 in the previous week and 30,981 a year ago.

Canadian output last week was placed at 10,900 cars and 2,661 trucks. In the previous week Dominion plants built 10,609 cars and 2,670 trucks, and for the comparable 1955 week, 10,669 cars and 2,809 trucks.

### Business Failures Fall Slightly the Past Week

Commercial and industrial failures declined to 258 in the week ended May 10 from 277 in the preceding week, according to Dun & Bradstreet, Inc. However, they exceeded the 233 occurring a year ago and the 248 in 1954. Continuing below the pre-war level, failures were down 20% from the 321 of the comparable week of 1939.

Failures involving liabilities of $5,000 or more decreased to 219 from 237 last week, but remained above the 191 of this size a year ago. Among small failures, with liabilities under $5,000, there was a dip to 39 from the 40 of the previous week and the 42 of a year ago. Twenty-two of the failing concerns had liabilities in excess of $100,000, as against 35 in the preceding week.

The retail toll dipped to 125 from 126 and commercial service to 19 from 23; sharper declines brought wholesaling failures down to 22 from 33 and construction to 32 from 40. The only increase during the week occurred in manufacturing where failures totalled 60 as compared with 55 a week ago. Failures exceeded the 1955 level in manufacturing and construction, equalled last year in retailing, but fell slightly in wholesaling and service.

Most of the week's decline occurred in the Middle Atlantic States where failures were down to 77 from 97, in the South Atlantic, down to 16 from 25 and in the West North Central States, down to 10 from 20. Three regions reported increases, including the Pacific States where the toll rose to 82 from 70 and the East North Central with 34 as against 26. No change occurred in the New England total of 14, or the East South Central of 7. More concerns failed than last year in seven of the nine geographic areas. Only the South Atlantic and West North Central States reported less failures than in 1955.

### Wholesale Food Price Index Eased Slightly in Latest Week

After leveling off at the year's peak of $6.04 last week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., eased slightly last week to stand at $6.03 on May 8. This represented a drop of 5.6% below the comparable year-ago level of $6.39.

Higher in wholesale cost the past week were barley, bellies, sugar, coffee, eggs, hogs and lambs. Lower in price were flour, wheat, corn, rye, oats, hams, lard, cottonseed oil and cocoa.

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 Holds to Moderate Downtrend in Latest Week

The general commodity price level declined moderately last week following the faltering movement of the preceding period. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 292.52 on May 8, as compared with 294.03 a week earlier and 273.34 on the corresponding date last year.

Grain markets were very unsettled the past week, with price movements erratic. Trading on the Chicago Board of Trade was featured by marked activity in soybeans which dropped sharply in price after touching a record high of $3.42 a bushel.

**Wheat prices were sharply lower at the close, the principal weakening influence being the improved moisture conditions over a large part of the Winter wheat belt.**

Trading in corn was quite active and prices displayed independent strength most of the week. A strengthening factor in the yellow cereal was the belief that the new farm bill would be constructive in so far as coarse grains were concerned. Oats prices were generally steady with offerings about equal to the demand. Sales of grain and soybean futures on the Chicago Board of Trade last week were the largest in a long time, averaging about 87,700,000 bushels per day. This compared with 69,500,000 bushels the previous week and 45,100,000 a year ago.

Mill price concessions resulted in a fairly good volume of business in hard Winter wheat bakery flours early in the week. Some business also developed in Spring wheat clears as some mills reduced prices as much as 25 cents per hundredweight in an effort to move burdensome supplies. Export flour trade remained quiet.

**There was a broad demand for green coffee at the week-end as prices advanced following a further tightening of its export regulations by the Brazilian Government.**

Cocoa prices fluctuated in a narrow range and showed little change for the week. Warehouse stocks of cocoa showed a further slight drop to 335,518 bags, from 337,041 a week ago and compared with 180,316 bags at this time last year. Lard was active and strong early in the week but trended lower in late dealings as demand tapered off. Despite smaller market receipts hog prices moved lower the past week as demand slackened and activity in wholesale pork declined.

Cotton prices held in a narrow range and finished slightly higher than a week ago. Trading in the 14 spot markets was less active with sales totalling 38,200 bales, against 40,700 the previous week and 48,200 in the corresponding week a year ago.

**Helping to support the market were mill price-fixing against cloth bookings for the third and fourth quarters and a rise of 25 points in the mid-April parity price for cotton.**

Contrary to expectations, only a rather small volume of cotton was sold by the CCC on the first opening of bids under the cotton export program. A total of 10,500 bales of upland cotton were sold on the bids opened April 24 at the average price of 27.90 cents per pound.

### Trade Volume Cut Slightly in Past Week Due to Cold and Rainy Weather

Cold and rainy weather somewhat discouraged consumer buying the past week, and the total dollar volume was moderately below that of the similar period last year, the 1955 Mother's Day week. Sales promotions stimulated purchases of women's fashion accessories, but volume in men's apparel, household furnishings and food was under that of the previous week.

**There was an increased call for automobile parts and supplies.**

Probably because of the earlier occurrence of Mother's Day last year, the total dollar volume of retail trade in the period ended on Wednesday of last week was 1 or 5% lower than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England —6 to —2; East and Middle West —5 to —1; South —2 to +2; Northwest —4 to 0; Southwest —3 to +1 and Pacific Coast —7 to —3%.

Although noticeable volume increases were reported in women's hats, lingerie and handbags last week, purchases were below those of the corresponding week a year ago. While the buying of skirts and sweaters rose appreciably, the call for dresses, suits and sportswear was considerably reduced.

Furniture stores reported moderate decreases in the buying of bedroom suites, outdoor furniture and dining room sets. Sales of upholstered chairs expanded slightly.

**There was a slight rise in the call for refrigerators, air conditioners and television sets, while volume in lamps and lighting fixtures declined moderately.**

Sales in garden supplies, hardware and building materials were close to those of the previous week.

There was a slight decline in the buying of fresh meat, poultry and dairy products the past week. However, the call for fresh produce, canned citrus juices and frozen foods expanded considerably.

**Buying activity quickened in the major wholesale centers last week, and the total dollar volume was moderately higher than that of the similar week last year.**

Wholesalers reported gains in women's apparel, furniture and housewares, while bookings in some Fall merchandise expanded noticeably.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index of the week ended May 5, 1956, decreased 7%* below those of the like period of last year. In the preceding week, April 28, 1956, a decrease of 1% (revised) was reported. For the four weeks ended May 5, 1956, no change was reported. For the period Jan. 1, 1956 to May 5, 1956 a gain of 2% was registered above that of 1955.

**Retail sales volume in New York the past week increased sharply above the level of the like period a year ago. Trade observers placed the increase at 15%, due in large measure to strong buying for Mother's Day which came a week later this year.**

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended May 5, 1956, decreased 5%* below those of the like period last year. In the preceding week, April 28, 1956, an increase of 2% (revised) was recorded. For the four weeks ending May 5, 1956, a gain of 4% was recorded. For the period Jan. 1, 1956 to May 5, 1956 the index recorded a rise of 1% above that of the corresponding period of 1955.

*Comparisons are affected by the fact that Mother's Day was one week later this year than last.

## International Metals Offering Completed

Gearhart & Otis, Inc., New York City, on May 15 publicly offered 400,000 shares of common stock (par 10 cents) of International Metals Corp. at $1 per share as a speculation. It was quickly oversubscribed.

International Metals Corp. is a Delaware corporation, duly incorporated and existing under the laws of the State of Delaware with its principal office in such state located at 229 South State Street, Dover, Del.

The company was organized on May 26, 1955, for the purpose of engaging principally in the acquisition, exploration and development of mercury-bearing properties. Such contemplated activities of developing, furnacing and marketing metallic mercury are dependent upon the discovery of commercial mercury deposits.

The company proposes to use the proceeds derived from the sale of the new common stock to finance the exploration and development of mining properties of its Mexican subsidiary company, Recursos Mineras Mexicanos, S.A., and to discharge its promissory note in the amount of $20,000, which is payable on or before Aug. 24, 1956, whereby the company acquired 240 bearer shares of the capital stock of its Mexican subsidiary.

The "El Progreso" properties, on which there have been only a few shallow exploratory test holes, made by the previous owner, without discovery of a commercial deposit, are to be explored in search for commercial mercury; and, if such exploration is successful, the properties are to be developed. The "El Progreso" properties are approximately 7½ miles from the nearest producing mercury mines of any importance in the Huitzuco Mercury District. Only $28,000 of the $400,000 of securities being offered is deemed necessary for exploratory work on the "El Progeso" properties which will determine whether to proceed with further work or abandon the properties.

Giving effect to the new financing, the company will have 843,000 shares of stock outstanding out of an authorized issue of 3,000,000 shares.

## Erie RR. Equipment Trust Ctfs. Offered

Halsey, Stuart & Co. Inc. and associates are offering today (May 17) $6,225,000 of Erie RR. 3⅝% serial equipment trust certificates, maturing annually June 15, 1957 to 1971, inclusive.

The certificates are priced to yield from 3.50% to 3.60%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following equipment estimated to cost $7,987,000: 550 box cars, 50-ton capacity; and 6 diesel road switching locomotives.

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

### With State Bond & Mtg.

(Special to The Financial Chronicle)

NEW ULM, Minn.—Robert W. Thompson and Gordon R. Ratcliffe have become affiliated with State Bond & Mortgage Co., 28 North Minnesota Street.

# 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.

★ **Alton Bay Realty Co., Inc., Alton Bay, N. H.**
May 8 (letter of notification) 1,000 shares of common stock (no par). **Price**—$10 per share. **Proceeds**—For working capital, etc. **Underwriter**—None.

**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. (5/23)**
May 2 filed 375,100 shares of common stock (par $1) to be offered for subscription by stockholders of record May 23 at the rate of one new share for each five shares held (with an oversubscription privilege); rights to expire on or about June 8. **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. (5/18)**
April 16 filed 330,000 shares of class A common stock (par 10 cents) and 165,000 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.

**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.

★ **Arkansas Motor Freight Lines, Inc.**
April 25 (letter of notification) 20,000 shares of common stock (par $1) to be offered to officers and employees. **Price**—$15 per share. **Proceeds** — For working capital. **Office**—401 South 11th St., Fort Smith, Ark. **Underwriter**—None.

**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.

★ **Atlas Powder Co., Wilmington, Del.**
May 7 (letter of notification) 4,100 shares of common stock (par $20) to be offered to employees. **Price**—$62.69 per share. **Proceeds**—To be added to the cash funds of the issuer. **Office**—New Murphy Rd. and Concord Pike, Wilmington 99, Del. **Underwriter**—None.

★ **Automation Industries Corp., Washington, D. C.**
May 11 filed 179,000 shares of common stock (par $1). **Price**—$5.25 per share. **Proceeds**—For working capital and other corporate purposes. **Underwriter** — None. Harry Kahn, Jr., of Washington, D. C., is President and Treasurer.

★ **Beta Frozen Food Storage, Inc.**
May 14 filed 15,000 shares of preferred stock (par $50) and $100,000 convertible debenture bonds. **Price** — At par. **Proceeds**—For capital expenditures and working capital. **Office** — Baltimore, Md. **Underwriter** — None. William H. Burton is President of company.

**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.

★ **California Electric Power Co. (6/12)**
May 14 filed 300,000 shares of common stock (par $1). **Proceeds**—To reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Carl M. Loeb, Rhoades & Co. and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co.; Lehman Brothers; White, Weld & Co. **Bids**—Expected to be received up to 9:30 a.m. (PDT) on June 12 at the offices of O'Melveny & Myers, attorneys, Room 900, South Spring Street, Los Angeles 13, Calif.

**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.

**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.

**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.**
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. Statement may be withdrawn.

**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 Edison Co. (6/5)**
May 9 filed $40,000,000 of first mortgage bonds, series R, due June 1, 1986. **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**—Expected to be received up to 10:30 a.m. (CDT) on June 5 at 72 West Adams Street, Chicago, Ill.

**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. (5/28-29)**
May 4 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.

★ **Connecticut Power Co. (6/5)**
May 16 filed 71,132 shares of common stock (par $25) to be offered for subscription by common stockholders of record June 4 on the basis of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—None.

★ **Connecticut Power Co. (6/5)**
May 16 filed 104,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Putnam & Co., Hartford, Conn., and Chas. W. Scranton & Co., New Haven, Conn.

**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**—To be received up to 11 a.m. (EDT) on May 22 at 4 Irving Place, New York, N. Y.

● **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.**
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.

**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.**
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) (5/21)**
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.

★ **D. & C. Airlines, Ltd., Lakewood, Ohio**
May 3 (letter of notification) 2,400 shares of capital stock (par $1). **Price** — $15 per share. **Proceeds** — For working capital and other corporate purposes. **Office**—1436 Lakewood Ave., Lakewood 7, Ohio. **Underwriter**—None.

**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. (5/18)**
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; rights to expire on June 26. Warrants will be mailed to stockholders on or about June 8. 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**—To be received up to 11:30 a.m. (EDT) at 600 Market Street, Wilmington 99, Del.

**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.

**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.

★ **Dubl-Chek Corp., Los Angeles, Calif. (6/5)**
May 11 (letter of notification) 58,700 shares of preferred stock (par $5) and 58,700 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$5.10 per unit. **Proceeds**—For working capital, etc. **Office** — 5400 Wilshire Boulevard, Los Angeles 36, Calif. **Underwriter**—Talmage & Co., New York.

**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.

★ **Dunlookin Mining Co., Inc., Las Vegas, Nev.**
May 7 (letter of notification) 40,000 shares of common stock (no par). **Price**—$5 per share. **Proceeds**—For mining expenses. **Office**—219 E. Fremont Ave., Las Vegas, Nev. **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 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.

**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; rights to expire on June 1. The remaining 65,439 shares are to be offered to a selected

*Continued on page 54*

# NEW ISSUE CALENDAR

**May 17 (Thursday)**

Northern Illinois Gas Co. ........ Bonds
(Bids 10 a.m. CDT) $15,000,000

**May 18 (Friday)**

American Shopping Centers, Inc. ........ Common
(Carl M. Loeb, Rhoades & Co.) 330,000 units

Dalton Finance, Inc. ........ Class A Common
(Whitney & Co., Inc.) $300,000

First Railroad & Banking Co. of Ga. ........ Common
(Offering to stockholders—to be underwritten by Johnson, Lane, Space & Co.) 159,561 shares

Tiarco Corp. ........ Common
(Offering to stockholders—to be underwritten by Charles Plohn & Co.) 375,000 shares

**May 21 (Monday)**

Cullen Minerals Corp. ........ Common
(Lepow Securities Corp.) $300,000

Monterey Oil Co. ........ Common
(Offering to stockholders—to be underwritten by Lehman Brothers) 225,810 shares

Nemaha Oil Co. ........ Common
(Whitney-Phoenix Co., Inc.) $300,000

**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

**May 23 (Wednesday)**

Adams Express Co. ........ Common
(Offering to stockholders—to be underwritten by Hallgarten & Co. and R. W. Pressprich & Co.) 528,792 shares

American International Corp. ........ Common
(Offering to stockholders—no underwriting) 375,100 shares

Eastern Stainless Steel Corp. ........ Debentures
(Offering to stockholders—to be underwritten by Hornblower & Weeks) $5,277,500

Fruehauf Trailer Co. ........ Common
(Kidder, Peabody & Co.) 228,028 shares

Iowa Power & Light Co. ........ Bonds
(Bids 9.30 a.m. CDT) $7,500,000

Iowa Power & Light Co. ........ Common
(Bids 10:15 a.m. CDT) 249,558 shares

Lewisohn Copper Corp. ........ Common
(George F. Breen) 100,000 shares

Lockheed Aircraft Corp. ........ Debentures
(Blyth & Co., Inc. and Hornblower & Weeks) $30,000,000

Mark (Clayton & Co.) ........ Common
(Dominick & Dominick) 101,420 shares

Southern California Gas Co. ........ Bonds
(Bids 8:30 a.m. PDT) $40,000,000

White Eagle International Oil, Inc. ........ Common
(Paine, Webber, Jackson & Curtis) 1,156,250 shares

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 25 (Friday)**

Harrison (D. L.) Corp. ........ Common
(Garrett & Co.) $250,000

**May 28 (Monday)**

Commonwealth Natural Gas Corp. ........ Debentures
(Offering to stockholders—to be underwritten by Scott & Stringfellow) $1,173,000

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)**

Chicago & North Western Ry. ........ Equip. Trust Ctfs.
(Bids noon CDT) $3,105,000

Denver & Rio Grande Western R. ........ Equip. Tr. Ctfs.
(Bids noon MST) $2,820,000

**May 31 (Thursday)**

Northwestern Production Corp. ........ Common
(Offering to stockholders of Pacific Northwest Pipeline Corp. and employees of Production Corp.—to be underwritten by White, Weld & Co.; Kidder, Peabody & Co.; Dominion Securities Corp.; and Union Securities Corp.) 3,011,973 shares

**June 4 (Monday)**

Dibbs Aluminum Products, Inc. ........ Debs. & Com.
(Eisele & King, Libaire, Stout & Co.) $720,000

Milwaukee Gas Light Co. ........ Bonds
(Bids noon EDT) $13,000,000

Potomac Electric Power Co. ........ Bonds
(Bids 11 a.m. EDT) $10,000,000

Southern Union Gas Co. ........ Debentures
(Snow, Sweeny & Co., Inc. and Blair & Co., Inc.) $10,000,000

Southern Union Gas Co. ........ Preferred
(Snow, Sweeny & Co., Inc. and Blair & Co., Inc.) $4,000,000

**June 5 (Tuesday)**

Commonwealth Edison Co. ........ Bonds
(Bids 10:30 a.m. CDT) $40,000,000

Connecticut Power Co. ........ Preferred
(Putnam & Co. and Chas. W. Scranton & Co.) $5,200,000

Connecticut Power Co. ........ Common
(Offering to stockholders—no underwriting) 71,132 shares

Dubl-Chek Corp. ........ Preferred & Common
(Talmage & Co.) $299,370

**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 11:30 a.m. EDT) 232,520 shares

Hewitt-Robins, Inc. ........ Common
(Smith, Barney & Co.) 70,000 shares

Household Finance Corp. ........ Debentures
Lee Higginson Corp.; White, Weld & Co.; and William Blair & Co.) $50,000,000

Potomac Electric Power Co. ........ Common
(Offering to stockholders—to be underwritten by Dillon, Read & Co. Inc. and Johnston, Lemon & Co.) 281,435 shares

Southern Pacific Co. ........ Equip. Trust Ctfs.
(Bids noon EDT) $9,660,000

United Utilities, Inc. ........ Common
(Offering to stockholders—to be underwritten by Kidder, Peabody & Co.) 251,389 shares

**June 7 (Thursday)**

First Pennsylvania Banking & Trust Co. ........ Common
(Offering to stockholders—to be underwritten by Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane; and Smith, Barney & Co.) 202,800 shares

Indianapolis Power & Light Co. ........ Bonds
(Bids to be invited) $10,000,000

**June 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 12 (Tuesday)**

California Electric Power Co. ........ Common
(Bids 9:30 a.m. PDT) 300,000 shares

**June 20 (Wednesday)**

United States Life Insurance Co. of New York ........ Common
(Offering to stockholders—to be underwritten by William Blair & Co.; The First Boston Corp. and Carl M. Loeb, Rhoades & Co.) 100,000 shares

**June 25 (Monday)**

Boston Edison Co. ........ Preferred
(Bids noon EDT) $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

Pacific Power & Light Co. ........ Common
(Offering to stockholders—bids to be invited) about 300,000 shs.

**July 25 (Wednesday)**

Consolidated Natural Gas Co. ........ Debentures
(Bids to be invited) $30,000,000

**September 11 (Tuesday)**

Carolina Power & Light Co. ........ Bonds
(Bids to be invited) $15,000,000

**September 25 (Tuesday)**

Virginia Electric & Power Co. ........ Bonds
(Bids to be invited) $20,000,000

**October 1 (Monday)**

Tampa Electric Co. ........ Bonds
(Bids to be invited) $10,000,000

**October 2 (Tuesday)**

Columbia Gas System, Inc. ........ Debentures
(Bids to be invited) $30,000,000

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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.

**Fort Pitt Packaging International, Inc.**
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. Price—$3 per share. Proceeds—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. Office — Pittsburgh, Pa. Underwriter—Barrett Herrick & Co., Inc., New York.

**★ Fruehauf Trailer Co. (5/23)**
May 9 filed 228,028 shares of common stock (par $1). Price—To be supplied by amendment. Proceeds—To certain selling stockholders. Underwriter—Kidder, Peabody & Co., New York.

**Gas Hills Mining and Oil, Inc.**
Jan. 4 (letter of notification) 1,200,000 shares of common stock (par five cents). Price — 25 cents per share. Proceeds—For expenses incident to mining operations. Office—Kemmerer, Wyo. Underwriter—Philip Gordon & Co., Inc., New York 6, N. Y.

**★ General Tire & Rubber Co.**
May 15 filed $3,600,000 of participations in profit-sharing plan for salaried employees of this company and certain subsidiary companies, together with 61,016 shares of common stock (par $2.50) which may be purchased under the plan; also 50,875 shares of common stock, deliverable upon exercise of common stock purchase warrants issuable to holders of cumulative preferred stock of the company upon conversion thereof on or before June 1, 1956, upon the assumption that all holders of outstanding cumulative preferred stock not converted prior to that date elect the conversion privilege entitling them to receive such warrants.

**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.

**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.

**★ Hard Rock Mining Co., Pittsburgh, Pa.**
May 7 (letter of notification) 1,000,000 shares of common stock (par one cent). Price—Five cents per share. Proceeds—For mining expenses. Office—377 McKee Place, Pittsburgh, Pa. Underwriter—None.

**● Harrison (D. L.) Corp., Dallas, Texas (5/25)**
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.

**★ Heller (Walter E.) & Co., Chicago, Ill.**
May 3 (letter of notification) 17,000 shares of common stock (par $1). Price—$17.50 per share. Proceeds—For general corporate expenses. Office — 105 West Adams St., Chicago, Ill. Underwriter—Winress & Co., Chicago, Ill. Offering—Expected today (May 17).

**★ Hewitt-Robins, Inc. (6/6)**
May 16 filed 70,000 shares of common stock (par $5). Price—To be supplied by amendment. Proceeds—To reduce bank loans and for working capital. Underwriter—Smith, Barney & Co., New York.

**Hill & Hill 1956 Oil Exploration Capital Fund**
March 13 filed $450,000 of participations in this Fund to be offered for public sale in minimum units of $15,000. Proceeds—For payment of various property and exploratory well costs and expenses. Business—George P. Hill and Houston Hill are engaged in exploration for and production of oil and gas as a joint venture. Office—Fort Worth, Tex. Underwriters — William D. McCabe and E. S. Emerson, South Texas Bldg., San Antonio, Tex.

**★ Hoerner Boxes, Inc., Keokuk, Iowa**
May 4 (letter of notification) 12,847 shares of common stock (par $2.50). Price—$23.35 per share. Proceeds—For working capital. Office—600 Morgan St., Keokuk, Iowa. Underwriter—None.

**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.

**★ Incorporated Income Fund, Boston, Mass.**
May 14 filed (by amendment) 1,500,000 shares of common stock (par $1). Price—At market. Proceeds—For investment.

**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.

**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 Plastic Industries Corp.**
Oct. 12 (letter of notification) 150,000 shares of common stock (par 10 cents). Price—$2 per share. Proceeds—For advances to Arliss Co., Inc. for purchase of equipment, etc. Office — 369-375 DeKalb Ave., Brooklyn 5, N. Y. Underwriter—Kamen & Co., New York.

**★ Investors Mutual, Inc., Minneapolis, Minn.**
May 9 filed (by amendment) an additional 15,000,000 shares of capital stock (par 50 cents). Price—At market. Proceeds—For investment.

**★ Investors Stock Fund, Inc., Minneapolis, Minn.**
May 9 filed (by amendment) 5,000,000 additional shares of capital stock (par 50 cents). Price—At market. Proceeds—For investment.

**● Iowa Power & Light Co. (5/23)**
April 25 filed $7,500,000 first mortgage bonds due 1986. Proceeds—To repay bank loans and for construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Equitable Securities Corp.; Kidder, Peabody & Co.; White, Weld & Co.; Union Securities Corp. and Blair & Co. Incorporated (jointly); Blyth & Co., Inc.; Lehman Brothers; Kuhn, Loeb & Co. Bids—To be received up to 9:30 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—To be received up to 10:15 a.m. (CDT) on May 23 at 111 West Monroe St., Chicago, Ill.

**★ Isthmus Steamship & Salvage Co., Inc., Miami, Fla.**
May 4 (letter of notification) 100,000 shares of common stock (par 10 cents). Price—$3 per share. Proceeds—For working capital and for purchase of a ship and equipment. Office—1214 Ainsley Bldg., Miami, Fla. Underwriter—Foster-Mann, Inc., New York, N. Y.

**"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.

**★ Kimball Mines, Inc., Spokane, Wash.**
May 4 (letter of notification) 100,000 shares of capital stock (par 10 cents). Price—25 cents per share. Proceeds—For mining expenses. Underwriter—None.

**Lester Engineering Co., Cleveland, Ohio**
Feb. 24 (letter of notification) 37,500 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 1, 1956 on the basis of one new share for each 4¼ shares held. Of the unsubscribed portion, up to 7,500 shares are to be offered to employees. Price—$8 per share. Proceeds — For general corporate purposes. Office—2711 Church Ave., Cleveland, Ohio. Underwriter—None.

**● Lewisohn Copper Corp. (5/23-24)**
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.

**★ Link-Belt Co., Chicago, Ill.**
May 10 filed 24,798 shares of common stock (par $5) to be offered to a selected group of officers and employees of company and its subsidiaries. Price—$41 per share.

**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.

**Lost Canyon Uranium & Oil Co.**
Oct. 6 (letter of notification) 3,000,000 shares of non-assessable capital stock (par one cent). Price—10 cents per share. Proceeds—For expenses incident to mining operations. Office — Simms Bldg., Albuquerque, N. M. Underwriter—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

**Lumberman's Investment & Mortgage Co.**
May 2 filed 50,000 shares of common stock (par $10). Price—$12 per share. Proceeds—For working capital and general corporate purposes. Office — Denver, Colo. Underwriter—None.

**M. & D. Display Mfg. Corp., Alhambra, Calif.**
April 20 filed 100,000 shares of common stock (par $1). Price—To be supplied by amendment. Proceeds — For plant construction; machinery and equipment; to retire existing indebtedness; and for other corporate purposes. Underwriters — Bateman, Eichler & Co., Los Angeles, Calif; and Dempsey-Tegeler & Co., St. Louis, Mo.

**★ Mannoth Milling & Uranium Co., Inc.**
May 11 (letter of notification) 3,000,000 shares of capital stock. Price—At par (10 cents per share). Proceeds—For mining expenses. Office—205 Carlson Bldg., Pocatello, Idaho. Underwriter—Columbia Securities Co., Inc. of California, Beverly Hills, Calif.

**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. (5/23)**
April 27 filed 101,420 shares of common stock (par $5), of which 60,000 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.

**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.

★ **Milwaukee Gas Light Co. (6/4)**
May 9 filed $13,000,000 of first mortgage bonds due 1981. **Proceeds**—To repay 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 up to noon (EDT) on June 4 at offices of the parent, American Natural Gas Co., 165 Broadway, New York, N. Y.

**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.

**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 Consolidated Mining Corp.**
May 9 (letter of notification) 87,000 shares of common stock (par one cent). **Price**—$3 per share. **Proceeds**—For mining expenses. **Address** — Salida, Colo. **Underwriter**—Pummill Enterprises, Houston, Tex.

● **National Fuel Gas Co.**
March 28 filed 447,797 shares of common stock (par $10) being 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.

★ **Natural Power Corp. of America, Waco, Texas**
May 1 (letter of notification) 64,000 shares of common stock (par one cent). **Price**—$3.25 per share. **Proceeds**—For mining expenses. **Address**—P. O. Box 2299, Waco, Tex. **Underwriter**—Western Bond & Share Co., Tulsa, Okla.

● **Nemaha Oil Co., Dallas, Texas (5/21)**
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.

★ **New Britain Machine Co., New Britain, Conn.**
May 8 (letter of notification) 6,000 shares of common stock (par $10) to be offered to certain of its employees. **Proceeds**—For working capital. **Office**—South St., New Britain, Conn. **Underwriter**—None.

**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.

★ **Northwestern Production Corp., Houston, Tex. (5/31)**
May 10 filed 3,011,973 shares of common stock (par $1, of which 2,811,973 shares are to be offered for subscription by common stockholders of Pacific Northwest Pipeline Corp. at the rate of one new share for each share of Pacific Northwest stock held (with oversubscription privilege); remaining 200,000 shares are to be offered to key employees. **Price**—To be supplied by amendment. **Proceeds** — For exploration and development expenses and for acquisition of additional oil and gas leases or other interests. **Underwriters**—White, Weld & Co., Kidder, Peabody & Co., Dominion Securities Corp. and Union Securities Corp.; all of New York.

● **Nucleonics, Chemistry & Electronics Shares, Inc.**
Feb. 17 filed 400,000 shares of capital stock (par $1). **Price**—To be supplied by amendment (expected at $10 per share). **Proceeds** — For investment. **Office**—Englewood, N. J. **Underwriter** — Lee Higginson Corp., New York. **Name Changed**—From Atomic, Chemical & Electronic Shares, Inc. **Offering**—Not expected until the latter part of June.

**Oak Mineral & Oil Corp., Farmington, N. M.**
Nov. 8 (letter of notification) 2,000,000 shares of common stock (par five cents). **Price**—15 cents per share. **Proceeds**—For exploration and development and other general corporate purposes. **Underwriter**—Philip Gordon & Co., New York.

**Old National Insurance Co., Houston, Tex.**
March 29 filed 48,108 shares of capital stock (no par) to be offered for subscription by stockholders on the basis of one new share for each nine shares held (with an oversubscription privilege). **Price** — To be supplied by amendment. **Proceeds** — To purchase life insurance in force and assets from other life insurance companies. **Subscription Agent** — Old Southern Trust Co., Houston, Tex. **Underwriter**—None.

**Peabody Coal Co., Chicago, Ill.**
Feb. 27 filed 210,823 shares of common stock being offered for subscription by stockholders of record Jan. 30, 1956 on the basis of nine additional shares of common stock for each 100 common shares held and nine new shares of common stock for each 40 shares of preferred stock held. This offer will not be made to holders of the 6,492,164 shares of common stock issued for the acquisition of the Sinclair properties under an offer of June 28, 1955. The warrants will expire on Dec. 31, 1957. **Price**—At par ($5 per share). **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None. Statement effective March 27.

**Petroleum 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.

● **Piedmont Natural Gas Co., Inc.**
April 12 filed 41,530 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each ten shares held May 8; rights to expire on May 23. **Price**—$12 per share. **Proceeds**—Together with funds from private sale of $2,000,000 of first mortgage bonds, for construction program. **Underwriter**—White, Weld & Co., New York.

**Pinellas Industries, Inc., St. Petersburg, Fla.**
Feb. 16 (letter of notification) 8,000 shares of class A common stock (par $1). **Price**—At the market (maximum $6). **Proceeds**—For working capital. **Office**—34th St. & 22nd Ave., North, St. Petersburg, Fla. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

★ **Potomac Electric Power Co. (6/4)**
May 14 filed $10,000,000 of 35-year first mortgage bonds due 1991. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Lee Higginson Corp.; Dillon, Read & Co. Inc. and Johnston, Lemon & Co. (jointly); Lehman Brothers, Stone & Webster Securities Corp. and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on June 4.

★ **Potomac Electric Power Co. (6/6)**
May 14 filed 281,435 shares of common stock (par $10) to be offered for subscription by common stockholders on the basis of one new share for each 20 shares held as of record on or about June 5, 1956; rights to expire on or about June 20. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriters**—Dillon, Read & Co. Inc., New York; and Johnston, Lemon & Co., Washington, D. C.

**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.

★ **Price & Co., Inc. (N. J.)**
May 8 (letter of notification) 6,975 shares of capital stock (par $20). **Price**—$43 per share. **Proceeds**—To reduce bank loan. **Business**—Title insurance. **Office**—114 No. 7th St., Camden, N. J. **Underwriter**—None.

**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.

★ **Public Finance Service, Inc., Philadelphia, Pa.**
May 3 (letter of notification) $300,000 of 6% cumulative debentures, 1955 series. **Price**—At par in denominations of $100 and multiples thereof). **Proceeds**—For working capital. **Office**—18 West Chelton Ave., Philadelphia 44, Pa. **Underwriter**—None.

**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.

★ **Rainbow Uranium Co., Denver, Colo.**
May 8 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—316 Symes Bldg., Denver, Colo. **Underwriter**—Carroll & Co., Denver, Colo.

**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.

★ **Raymond Corp.**
May 10 (letter of notification) 21,400 shares of common stock (par $5). **Price**—$14 per share. **Proceeds**—For expansion and working capital. **Office** — Greene, N. Y. **Underwriter**—George D. B. Bonbright & Co., Rochester, N. Y.

**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 Mil-

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waukee Co., Milwaukee, Wis.; The Ohio Company, Columbus, Ohio; and Stroud & Co., Inc., Philadelphia, Pa.

**★ Re-Mark Chemical Co., Inc. of Belle Glade, Fla.**
May 9 (letter of notification) 86,954 shares of class A participating preference stock (par 80 cents) to be offered for subscription by stockholders. **Price**—$1.06¼ per share. **Proceeds**—To pay off bank loan and for expansion and working capital. **Office**—64 N. E. 73rd St., Miami, Fla. **Underwriter** — Frank L. Edenfield & Co., Miami, Fla.

**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.

**★ Rohm & Haas Co., Philadelphia, Pa.**
May 10 filed 4,810 shares of 4% cumulative preferred stock, series A (par $100) and 79,213 shares of common stock (par $20), representing 7.8% of the outstanding shares of each class of stock. **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Drexel & Co. (jointly); A. G. Becker & Co. Inc., Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly).

**Schwartz Carbonic Co., El Paso, Texas**
Feb. 27 (letter of notification) 30,700 shares of common stock to be offered for subscription by stockholders on basis of 0.6158 new share for each common share held. **Price**—$7.50 per share. **Proceeds**—For expenses incident to manufacturing and sales of carbon dioxide. **Office**—1600 East Eleventh St., El Paso, Tex. **Underwriter**—None.

**★ Science & Nuclear Fund, Inc.**
May 9 filed 90,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

**★ Scudder Special Fund, Inc., New York**
May 11 filed 300,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

**★ Security Casualty Insurance Co.**
May 10 (letter of notification) 30,000 shares of common stock (par 30 cents) and 90,000 shares of participating preferred stock (par 50 cents) to be offered in units of one share of common and three shares of preferred stock. **Price**—$4 per unit. **Proceeds**—For working capital, etc. **Office**—257 Josephine St., Denver, Colo. **Underwriter**—Intermountain Securities, Inc., Denver, Colo.

**★ Selas Corp. of America, Dresher, Pa.**
May 4 (letter of notification) 35,200 shares of convertible second preferred stock (par $1), of which 33,718 shares are to be offered to public and 1,482 shares are to be offered to holders of outstanding stock. **Price**—$8.50 per share. **Proceeds**—To repay loan used in the construction of a new plant. **Underwriter** — Eastman, Dillon & Co., Philadelphia, Pa.

**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.

**★ Shopping Bag Food Stores, Los Angeles, Calif.**
May 14 filed 50,000 shares of common stock (par $1) and $1,500,000 sinking fund convertible subordinated debentures. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures and for working capital. **Underwriters**—Wagenseller & Durst, Inc. and Lester, Ryons & Co., both of Los Angeles, Calif.

**● Sierra Pacific Power Co.**
April 12 filed 80,500 shares of preferred stock, series A (par $50) to be offered in exchange for the outstanding 35,000 shares of 6% preferred stock on the basis of 2.3 shares of new preferred for each share of old preferred. Exchange offer expected to be made today (May 17); to expire on June 5. **Price**—To be supplied by amendment. **Proceeds**—To redeem old preferred stock or to retire bank loans. **Underwriters**—Stone & Webster Securities Corp., New York, N. Y. and Dean Witter & Co., San Francisco, Calif.

**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) offered for subscription by stockholders; rights expiring 20 days from date of mailing of offering circular dated April 27, 1956. **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.

**★ Southern Union Gas Co. (6/4-8)**
May 11 filed $10,000,000 of sinking fund debentures due 1976 and 40,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Snow, Sweeny & Co., Inc. and Blair & Co. Incorporated, both of New York.

**Southwestern Oklahoma Oil Co., Inc.**
Feb. 27 (letter of notification) 15,001 shares of common stock (par 10 cents) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—For expenses incident to development of oil and gas properties. **Office**—801 Washington Bldg., Washington, D. C. **Underwriter**—None.

**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.

**★ Sweet Corp. (Utah)**
May 7 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For mining expenses. **Office**—Continental Bank Bldg., Salt Lake City, Utah. **Underwriter** — Coltharp Investment Inc., Salt Lake City, Utah.

**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 Fiber Co., Betzwood, Pa.**
May 15 filed 53,347 shares of common stock (par $3). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. Underwriter — Stroud & Co., Philadelphia, Pa.

**● 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. **Offering**—Postponed indefinitely.

**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.

**★ Thatcher Glass Mfg. Co., Inc.**
May 11 (letter of notification) 1,400 shares of common stock (par $5) to be offered for subscription by employees. **Price** — $16.20 per share, or market if lower. **Proceeds**—To reimburse company for cost of said stock. **Office**—Elmira, N. Y. **Underwriter**—None.

**● Tiarco Corp., Newark, N. J. (5/18)**
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 18; rights to expire about June 1. **Price** — $3 per share. **Proceeds** — For production equipment. etc.; and to repay short-term loans. **Business**—Research and development of new and improved commercial processes, techniques and equipment for electrolytically depositing chromium coatings directly on various types of base metals. **Underwriter**—Charles Plohn & Co., New York.

**Togor Publications, Inc., New York**
March 16 (letter of notification) 299,700 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—381 Fourth Ave., New York, N. Y. **Underwriter**—Federal Investment Co., Washington, D. C.

**● Transportation Vendors, Inc.**
March 23 (letter of notification) 299,750 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds** — To pay indebtedness, and for expansion and working capital. **Business**—Vending machines. **Office**—60 Park Place, Newark, N. J. **Underwriter** — Midland Securities, Inc., New York, N. Y. Effective May 9.

**★ Tropical Gas Co., Inc., Miami, Fla.**
May 9 filed 3,088 shares of $5.24 convertible preferred stock (par $100) and 131,230 shares of common stock (par one cent) to be offered for subscription by common stockholders at rate of one preferred share for each 170 shares of common stock held and one new common share for each four common shares held. **Price**—For preferred stock, $104 per share; and for common, $11 per share. **Proceeds**—$1,188,000 to be used to finance acquisition of all stock of two LP-Gas companies in Cuba, one of which owns 70% of the shares of a third LP-Gas company; the remainder will be used for general corporate purposes. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

**★ Trusteed Funds, Inc., Boston, Mass.**
May 8 filed (by amendment) 800 additional Commonwealth Fund Indenture of Trust Plan C shares. **Price**—At market. **Proceeds**—For investment.

**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.

**★ United States Plywood Corp.**
May 15 filed $15,000,000 of 25-year sinking fund debentures. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Eastman, Dillon & Co., New York.

**★ United Utilities, Inc. (6/6)**
May 15 filed 251,389 shares of common stock (par $10) to be offered for subscription by common stockholders of record June 5, 1956, on the basis of one new share for each six shares held; rights to expire on June 19, 1956. **Price**—To be supplied by amendment. **Proceeds**—To make investment in and/or advances to company's subsidiaries to defray a portion of the cost of new construction. **Underwriter** — Kidder, Peabody & Co., New York.

**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.

**★ Webb's City, Inc., St. Petersburg, Fla.**
April 30 (letter of notification) $300,000 unsecured general obligation 5% ten-year debentures (callable at 102%). **Price**—At par. **Proceeds**—For working capital. **Office**—128 Ninth St., South, St. Petersburg, Fla. **Underwriter**—None.

**★ Western Air Lines, Inc., Los Angeles, Calif.**
May 16 filed $5,000,000 of convertible subordinated debentures due June 1, 1971. **Price** — To be supplied by amendment. **Proceeds**—Together with treasury funds, to repay bank loans, which at April 30, 1956 was $5,800,000. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

**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. (5/23)**
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.

**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.

**Wycotah Oil & Uranium, Inc., Denver, Colo.**
Nov. 10 filed 1,500,125 shares of common stock (par one cent) to be offered only to the owners of percentages of working interests in certain oil and gas leases and to the owners of certain uranium properties, and in exchange for such working interests and properties. **Price**—Shares to be valued at an arbitrary price of $4 per share. **Proceeds**—To acquire properties. **Underwriter**—None.

**● Yardley Water & Power Co.**
April 23 (letter of notification) 2,000 shares of common stock being offered to stockholders of record May 9 on the basis of one new share for each five shares held; rights to expire on June 10, 1956. **Price**—At par ($25 per share). **Proceeds** — For outstanding note, pumping station and repayment of advances from developers. **Office**—50 West College Avenue, Yardley, Pa. **Underwriter**—None.

# Prospective Offerings

**Air-Vue Products Corp., Miami, Fla.**
Feb. 20 it was reported early registration is expected of 150,000 shares of common stock. **Price**—Around $4.25 per share. **Proceeds** — For expansion program. **Underwriter**—Arthur M. Krensky & Co., Inc., Chicago, Ill.

**★ American Machine & Foundry Co.**
May 15, Morchead Patterson, President and, Chairman, announced that the company proposed to issue and sell to its common stockholders $11,000,000 of convertible subordinate debentures on the basis of $100 of debentures for each 25 shares of common stock held. **Underwriter**—Union Securities Corp., New York. **Meeting**—Stockholders are to vote June 26 on approving financing plans.

**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.

**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.**
May 14 it was announced company plans an offering of first mortgage bonds late in 1956, if market and other conditions are then favorable. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: 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. [See also registration of 300,000 shares of common stock in a preceding column of this issue.]

**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.



**★ Carpenter Paper Co.**
May 10 it was reported company is understood to be planning the sale of some additional common stock. **Underwriter**—Kidder, Peabody & Co., New York.

**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.

**● Chicago & North Western Ry. (5/29)**
Bids will be received by the company up to noon (CDT) on May 29 at Room 1400, 400 West Madison St., Chicago 6, Ill., for the purchase from it of $3,105,000 equipment trust certificates to be dated June 15, 1956 and to mature in 15 equal annual installments. Probable bidders: Halsey, 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.

**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.

**★ Copeland Refrigeration Corp.**
May 10 it was reported company plans to issue and sell 100,000 shares of common stock. **Proceeds**—For expansion program. **Underwriter**—Baker, Simonds & Co., Detroit, Mich.

**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.

**★ Denver & Rio Grande Western RR. (5/29)**
Bids will be received by the company up to noon (MST) on May 29, at Room 201, Rio Grande Bldg., Denver 17, Colo., for the purchase from it of $2,820,000 equipment trust certificates to be dated July 1, 1956 and to mature in 30 equal semi-annual instalments from Jan. 1, 1957 to July 1, 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**● 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 stock-

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holders. **Underwriters**—None. **Offering**—Tentatively expected in October.

**Dolly Madison International Foods Ltd.**
**Nov. 15** it was announced that Foremost Dairies, Inc. intends at a future date to give its stockholders the right to purchase its Dolly Madison stock. **Underwriter**—Allen & Co., New York.

**Du Mont Broadcasting Corp.**
**Aug. 10** it was announced that corporation, following issuance on Dec. 2 to stockholders of Allen B. Du Mont Laboratories, Inc. of 944,422 shares of common stock as a dividend, contemplates that additional shares will be offered to its stockholders. This offering will be underwritten. Kuhn, Loeb & Co. and Van Alstyne, Noel & Co. handled Du Mont Laboratories class A stock financing some years ago. Stockholders of Laboratories on Oct. 10 approved formation of Broadcasting firm.

**Eastern Shopping Centers, Inc.**
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. **Office**—East Paterson, N. J. **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 Jeresy 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.

**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.

**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.

**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.

★ **Household Finance Corp. (6/6)**
May 10 it was announced company plans early registration of about $50,000,000 of debentures with the SEC. **Proceeds**—To reduce bank loans. **Underwriters** — Lee Higginson Corp., White, Weld & Co. and William Blair & Co. **Registration**—Expected today (May 17).

**Houston Texas Gas & Oil Corp., Houston, Texas**
Feb. 29 it was announced an application has been filed with the FPC for permission to construct a 961 mile pipeline system to cost $105,836,000. **Underwriters**—May be Blyth & Co., Inc., San Francisco, Calif.; and Scharff & Jones, Inc., New Orleans, La.

**Illinois Power Co.**
March 1 it was reported company may issue about $25,000,000 of debt securities. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman, Ripley & Co. Inc. and Glore, Forgan & Co. (jointly); Union Securities Corp.

**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 in July 1956, issue and sell $9,000,000 first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; White, Weld & Co.; Kidder, Peabody & Co.; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair & Co. Incorporated.

**Kaiser Steel Corp.**
March 30 it was reported that company is studying financing plans for its new major expansion program to involve approximately $113,000,000. Terms have not yet been agreed upon. **Underwriter**—The First Boston Corp., New York.

**Kaman Aircraft Corp.**
April 16 it was reported an offering is expected in May of approximately 30,000 shares of common stock. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

**Kansas City Power & Light Co.**
April 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.

**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.

★ **Lake Ontario Portland Cement Co., Ltd.**
May 7 it was announced that this company plans to issue and sell publicly $9,500,000 to $10,000,000 of new securities. **Proceeds**—To finance cost of a cement manufacturing and commercial aggregates plant on Picton Bay, Ont., Canada, expected to cost about $16,800,000. **Underwriter**—Probably Kidder, Peabody & Co., 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.

★ **Michigan, Wisconsin Pipe Line Co.**
May 14 it was reported company plans to issue and sell this Summer $10,000,000 of first mortgage pipe line sinking fund bonds due 1976 and 150,000 shares of preferred stock (par $100). **Proceeds**—For expansion program. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc. (2) For preferred stock—The First Boston Corp.; Harriman Ripley & Co. Inc.

**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 Natural Gas Co.**
March 12 it was reported company plans to finance its 1956 construction program (costing about $40,000,000) through issuance of debt securities and treasury funds. **Underwriter**—Probably Blyth & Co., Inc.

**Northern States Power Co. (Minn.)**
Jan. 19 it was announced company plans to issue and sell later this year $20,000,000 of first mortgage bonds due 1986. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Smith, Barney & Co.; Lehman Brothers and Riter & Co. (jointly); and Glore, Forgan & Co.

**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.

**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.

★ **Pacific Power & Light Co. (7/11)**
May 8 it was reported company plans to offer around July 11 about 300,000 additional shares of common stock to its common stockholders (with a 16 or 18 day standby). **Price**—To be set by board of directors. **Underwriters** — To be determined by competitive bidding. Probable bidders: Lehman Brothers, Union Securities Corp., Bear, Stearns & Co. and Dean Witter & Co. (jointly); Kidder, Peabody & Co.

**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.

**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).

★ **(J. B.) Rea Co., Inc., Santa Monica, Calif.**
May 8 it was announced corporation plans soon to sell some additional stock (probably at the end of May), sufficient to increase capitalization from $650,000 to well over $1,000,000. **Proceeds**—For expansion. **Underwriters** —Smith, Barney & Co., New York, and William R. Staats & Co., Los Angeles, Calif.

**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 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.

★ **Super-Crete, Ltd., Boniface, Manitoba, Canada**
May 14 it was reported company plans sale of 255,000 shares of common stock late in June. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.
sell some additional stock (probably at the end of May),

**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.

● **Tennessee Gas Transmission Co.**
May 10, Gardiner Symonds, President, announced that company plans to sell about $30,000,000 of debentures in July, and about $50,000,000 of mortgage bonds late in the third quarter or early in the fourth quarter of 1956. **Proceeds** — For expansion program. **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 later this year. Stockholders on April 19 increased the authorized common stock by 500,000 shares to 1,000,000 shares. **Proceeds**—For expansion. **Underwriter**—Probably Lehman Brothers, New York.

**Transcontinental Gas Pipe Line Corp.**
April 17, Tom P. Walker, President, announced that negotiations had been completed for the sale of $40,000,000 first mortgage pipe line bonds in May and $20,000,000 of debentures in November. May be placed privately. **Proceeds**—To retire presently outstanding $60,000,000 bank loan.

**Union Electric Co. (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 would 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.

## Morgan Stanley-Goldman, Sachs Group Sells $300,000,000 General Electric Debentures

A nation-wide underwriting group managed jointly by Morgan Stanley & Co., and Goldman, Sachs & Co., and comprising 297 investment firms on May 15 placed on the market $300,000,000 of General Electric Co. 20-year 3½% debentures due May 1, 1976. This offering was quickly oversubscribed and the books closed. The debentures were priced at 100½% and accrued interest to yield about 3.47% to maturity.

The initial optional redemption price has been fixed at 105.50% if redeemed during the 12 months beginning May 1, 1956, decreasing to the principal amount on May 1, 1974.

The financing represents one of the largest offerings of underwritten corporate debt securities within recent years. The debentures will be the only outstanding long-term debt of the company. Capitalization of the company, giving effect to this sale, will consist of the $300,000,000 of new debentures and 86,917,724 shares of common stock, having an aggregate book value of almost $1,100,000,000.

General Electric will use the proceeds of the sale for the retirement of outstanding short-term borrowings, for the replenishment of funds spent in the company's post-war expansion program and for the continuing improvement, replacement and expansion of plant and other facilities. At the end of 1955 the company and its consolidated subsidiaries had spent approximately $1,200,000,000 since the end of World War II on its expansion and improvement program. This program, financed in large part from depreciation and amortization provisions and from retained earnings, involved construction or acquisition of more than 50 new plants and laboratories as well as rearrangements, expansions and improvements of existing facilities.

Expenditures aggregating about $185,000,000 are planned for 1956. New plants under construction include those for the manufacture of electrical control equipment, home heating and cooling equipment, distribution transformers, power rectifier equipment, capacitors, and room air-conditioning equipment.

A sinking fund for the new debentures provides for annual payments of $13,000,000 in each year 1961 to 1975 and is designed to effect the retirement of approximately 65% of the issue prior to maturity. At the company's option any annual instalment may be increased by up to an additional $13,000,000. Sinking fund redemption prices range from 100.41% to the principal amount.

General Electric, which was incorporated in 1892, has become the largest and one of the most diversified producers of electrical products. The company's organization is decentralized. Its business is carried on through 95 product departments combined into four manufacturing groups, namely, Apparatus Group; Consumer Products Group; Electronic, Atomic and Defense Systems Group, Industrial Components and Materials Group, and a Distribution Group. In addition to civilian production General Electric has for years been an important manufacturer of military products for the U. S. Government. The company has always placed great emphasis on research.

In the five year period 1951-1955 consolidated net sales billed increased from $2,618,578,000 to $3,442,525,000. Net earnings in 1955 were $197,613,000. Net sales billed of the company and its consolidated subsidiaries for the first quarter of 1956 totaled $942,352,000 compared with $826,235,000 for the first quarter of 1955. First quarter consolidated net earnings were $52,997,000 compared with $50,756,000 for the corresponding period of 1955.

General Electric at the present time has 153 separate manufacturing plants located in 115 cities in the United States and Canada.



### Joins Pressprich Staff

(Special to The Financial Chronicle)

BOSTON, Mass. — Philip G. Tague has joined the staff of R. W. Pressprich & Co., 75 Federal Street. Mr. Tague was formerly with F. S. Moseley & Co. and Lee Higginson Corporation.

### Fund Charge Cut

As of May 1, 1956 the discount to dealers on Capital Venture Fund is reduced to 6% rather than the temporary 7% which has been in effect.



# Mutual Funds

By ROBERT R. RICH

### Fund Assets Gain for April

Assets of the nation's mutual funds rose slightly in April, according to Edward B. Burr, Executive Director of the National Association of Investment Companies.

Reporting today on the Association's 126 open-end member companies, Mr. Burr announced that as of April 30, net assets amounted to $8,615,458,000, as against $8,555,494,000 at the end of March, and $6,602,310,000 a year earlier.

New share sales totaled $107,539,000 in April, compared with $95,799,000 in the same month of 1955.

Share redemptions amounted to $40,810,000 in April, as against $35,628,000 in April of last year.

The number of new accumulation plans opened in April was slightly below that of the month before, standing at 14,716 plans, compared with 15,355 in March and 8,195 in April of 1955.

Cash, U. S. Government securities and short-term obligations held by the 126 mutual funds totaled $435,021,000 at the end of April, as against $508,565,000 at the end of March.

## Affiliated Reports Record in Assets At $368 Million

Affiliated Fund, New York's largest open-end investment company, reports assets on April 30 of $368,698,136, as compared with $335,606,525 at the end of its last fiscal year on Oct. 31, 1955.

The net asset value per share also reached a new high of $6.20 as compared with $5.68 at the end of last October after adjusting for a 31-cent capital gain distribution paid to shareholders of record the following day. The per-share increase for the period was 52 cents.

Dividends in the six months' period were 12 cents a share—the same as in the first six months of its previous year.

In his report, H. I. Prankard, 2nd, President, stated that the company's management believes that the stocks of many companies providing services or producing consumers' non-durable goods offer better values at this time than stocks of some of the important companies producing capital goods or consumers' durable goods. The report shows that the company's assets are invested 61% in companies in the former categories, 20% in producers of fuel and raw materials, 8% in producers of capital goods or consumers' durable goods, and 11% in cash and government bonds.

### Science Fund Sales

Gross sales of Science & Nuclear Fund for its first 12 months ended April 30, 1956, amounted to $1,177,939.

## National Makes Special Offering For Balanced Fund

A special offering of 1,000,000 shares of the National Balanced Series mutual fund is being made by National Securities & Research Corp., investment manager and sponsor of the fund. The shares are available at the current offering price, as computed twice daily. The present offering price is approximately $12 per share. Dealer concessions on the sales charge are increased up to 7½% for the offering.

The special offering is being made with a view toward achieving a broader distribution of National Balanced Series shares, according to E. Waln Hare, Vice-President of National Securities & Research Corp.

To this end, Mr. Hare said, this special offering will be for 1,000,000 shares sold, or for a limited period of time beginning Tuesday, May 15, 1956 and ending with the close of business on Friday, Aug. 31, 1956, and offering will terminate when either of these limits has been reached.

The National Balanced Series is not only currently a balanced fund of bonds, preferred and common stocks, but its portfolio must always be balanced as the trust agreement under which shares of the fund are issued specifically provides that "there will not be less than 25% invested in bonds, or less than 15% in preferred stocks or more than 60% in common stocks.



## "Chronicle's" Quarterly Investment Company Survey to Appear in May 24 Issue

The usual survey of investment company operations, covering in this instance portfolio changes and other developments in investment policy in the first quarter of the year, will appear in the "Chronicle" of May 24. The survey will be of the same elaborate nature as heretofore, but Henry Ansbacher Long will no longer be identified with its preparation.—EDITOR.

## Group Forecasts Stable Stock Prices

In comparing the stocks of 15 separate industry groups with the general market rise during the first quarter of 1956, Distributors Group, Inc., makes the point that relatively few stocks were responsible for much of this movement.

This, according to Group's quarterly report to investment dealers, "accounts for a more general downturn in the relative price action than may be significant." Group sees no substantial "break-away" in stock prices in either direction, for some months ahead, with 1956 business volume slightly higher than in 1955.

The fact that the rate of increase has slowed, according to the report, is not "a prelude to an appreciable downturn but, more likely as a pause in a forward movement which, over the longer term, will reach substantially higher levels."

In analyzing industries whose securities are normally considered useful for long-term growth of principal and income, the report considers aviation stocks about ready to resume their long-term growth trend. Chemicals, electronics and electrical equipment and petroleums appear to be in a price position which makes them an excellent "growth package" at this time.

Among industry groups useful for relative stability of principal and income, the report points out that food, merchandising and utility groups "have acted characteristically against a sharply rising market average," with price advance less than that of the general market. The fact that tobacco stocks are currently "in gear" with the market is considered an indication that "their inherent values are becoming more generally recognized."

Among the cyclical groups, any reversal of the below-average price action of automobile stocks is seen as requiring further time. Building stocks are following the average trend, with industrial machinery issues seen continuing their moderately better-than-average action.

"The more favorable action of mining stocks in the first quarter indicates that the trend which began two years ago is still intact. Railroad equipments appear to be in a position from which substantially better performance could result.

"Railroad stocks have attracted some investor attention by virtue of their inherent values, and this should continue. The steel stocks have given outstanding performance over the last few years and there is no definite evidence that trend is over."

### Axe Open-End

Axe Science & Electronics Corp. was changed to an open-end mutual fund at a meeting of shareholders at the corporation's Tarrytown, N. Y., headquarters. Heretofore, shares of the investment company were redeemable but no new shares were sold.

## TV-Fund Assets At $129 Million

Television - Electronics Fund, Inc. set a new record high on April 30 at $129,100,000, an increase of 29.2% from the $99,900,000 total for Oct. 31, 1955, the close of the last fiscal year, it was reported by William H. Cooley, President of Television Shares Management Corporation of Chicago, managers and sponsors of the fund. The net asset value per share rose to $12.17 on April 30 compared with $10.44 per share on Oct. 31 last.

Gross sales for April, Mr. Cooley said, amounted to "slightly under" $2,000,000, compared with $4,100,000 in April 1955. Gross sales for the six months ended April 30—the first half of the fiscal year—totaled $17,500,000, compared with $32,500,000 in the similar period a year ago.

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**Gas Industries Fund**, Inc., announced that its total net assets now exceed $50,000,000.

The Gas Industries Fund annual report shows an increase of nearly $20,000,000 in total net assets for the fiscal year ending March 31, 1956, over the previous fiscal year end. This growth resulted not only from appreciation of investments but also from the addition of many new shareholders. At the fiscal year end there were

## Ton of Uranium For $22 Million

Ever wondered about the price of uranium-235, the fissionable isotope?

It's a mere $11,350 a pound, or roughly $22,500,000 per ton, according to the Atomic Development Mutual Fund.

Raw ore containing .25% uranium oxide sells for 1 cent a pound, the equivalent of $697 for each pound of uranium-235. Mill concentrates containing 90% uranium oxide sell for $9 per ton, or $1,682 per pound of uranium-235. Normal uranium metal, containing .7% uranium-235 sells for $18 per pound, or $2,545 per pound of U-235.

Enriching the uranium to 20% U-235 from its normal .7% content brings the cost of U-235 to $11,350 per pound. Oh, yes, by law, the Atomic Energy Commission cannot sell uranium-235, but will lease it to bona fide users for $25 per gram.

### Incorporated Splits

The board of director of Incorporated Investors has declared a two-for-one stock split to be effected by the distribution of one additional share for each outstanding share of Capital Stock $1 Par Value. The additional shares will be issued on May 25, 1956, to stockholders of record at the close of business on that date. Certificates representing the additional shares will be mailed on June 25, 1956.

15,110 shareholders as compared with 10,080 a year ago, an increase of 50%.

The per share net asset value increased to $13.93 at the March 31 fiscal year end compared with $12.01½ a year ago. Taking into consideration the distributions of realized net gains totaling $1.05½, the net asset value increased $2.88 per share, or approximately 24% during the year.

**Growth Industry Shares,** Inc., net asset value on March 31, 1956, was $16.35 against $14.76 on Dec. 31, 1955, and $12.91 (adjusted for 3-for-1 stock split) a year ago. The gain over March 31, 1955, was 26.6%. Much of this gain was registered in the first 1956 quarter, when the upturn was 10.8%.

Net assets on March 31 were $8,547,020 against $7,564,668 at the end of 1955 and $6,172,547 a year ago. Shares outstanding increased to 522,724 from 512,589 three months previously and 478,299 (adjusted for 3-for-1 stock split) at the end of March, 1955.

In management's opinion, "there is more likelihood of intensified inflation later this year than of any significant downturn. . . . Against such a background, we have had little hesitation about maintaining full investment in growth stocks." In the past three months, the most significant purchase was 1,500 shares of Gustin-Bacon—to broaden participation "in the most modern of textiles, glass fiber." Two other new names in the portfolio are American Metal Co., Ltd. and Standard Oil Company, (Indiana).

**Wall Street Investing Corp.** announced that the net assets at the end of the first quarter were $6,951,564.89 as compared to $6,733,911.14 at the beginning of the year and $5,971,068.75 at March 31, 1955. Net asset value per share was $7.16 compared with $7.00 at year end and $6.21 a year earlier after dividend payments of 5 cents from income and 15 cents from securities profits.

**de Vegh Investing** Company, Inc. (formerly de Vegh Income Fund, Inc.) has announced that its net asset value per share on March 31, 1956, was $15.09. This compares with $17.02 on Dec. 31, 1955, and $14.59 on March 31, 1955. The company paid a distribution from capital gains amounting to $2.40 per share in January, 1956.

Net assets on March 31, 1956, were $1,594,064.11 as compared to $1,328,671.09 on Dec. 31, 1955, and $944,340.69 on March 31, 1955.

**Commonwealth Stock Fund** assets increased 134% in the last year, rising from $795,066 on April 30, 1955 to $1,860,357 on the same date this year. Net asset value per share rose from $10.03 to $12.75 in the same period.

Holdings of the mutual fund, which invests in common stocks selected for long-term growth potentialities, are keyed to scientific achievement, utilization of natural resources, and participation in national growth. Principal holdings in the diversified portfolio are in the following industries: Oils (19.3%); Chemical and Drug (11.2%); Electronics (7.2%); Aluminum (6.0%); Electric Power (5.8%); Insurance (4.8%); Automotive (4.3%); and Machinery (4.0%).

## Consolidated Dividend

The trustees of Consolidated Investment Trust have declared a 200% stock dividend payable May 31, 1956 to shareholders of record May 17, 1956. Samuel H. Wolcott, Jr., President, announced that total net assets as of April 30, 1956 amounted to $61,600,950, equivalent to $60.40 per share, compared with $45.58 a year earlier and with $55.81 on Dec. 31, 1955. On March 26, 1956 the trust made a capital gain distribution of $0.80 per share.

# Canadian Fund Makes New Report On Oil Holdings

The market value of oil and gas securities owned by Canadian Fund, Inc., a mutual fund with assets of over $35,000,000, managed by Calvin Bullock, was $6,543,921 on Feb. 29, 1956, compared to a cost of $4,210,667, an unrealized appreciation of about 55%, according to the May issue of the Calvin Bullock "Bulletin."

Canadian oil and gas holdings discussed in the article are divided into three groups: (1) Major Canadian Oils — large, well-established companies; (2) "Development" Canadian oils — comparatively smaller companies offering speculative possibilities; and (3) U. S. oil companies with large stakes in the future Canadian production.

As the Canadian oil stocks declined in 1953 and 1954, Canadian Fund's commitments in U. S. oils were gradually eliminated and holdings in the two Canadian oil categories were substantially increased. Since mid-1955 no U. S. oils have been held by the fund.

In selecting "development" Canadian oils, "Bulletin" says, the fund management followed a multitude of smaller companies and chose only those which combined capable management, good spread of promising acreage, and adequate finances.

"Among the so-called 'development' Canadian oil companies in which Canadian Fund, Inc., currently has holdings are the following," according to "Bulletin."

"Calgary & Edmonton, Canadian Superior Oil, Consolidated Mic Mac, Dome Exploration, General Petroleum of Canada, Great Plains Development, Home Oil, Husky Oil, and Royalite Oil."

Purchased over the period from 1952-1955, this group has appreciated from a cost of $1,534,647 to a current market value of $2,246,584, an unrealized gain of 46%. In the same period the Toronto Stock Exchange Index of 15 Western oils declined 10%.

The fund's commitments in major Canadian oils were made in Imperial Oil, British American Oil, and McColl-Frontenac. These three have risen from a total cost of $2,035,513 to a market value (as of Feb. 29, 1956) of $3,308,648, a total unrealized appreciation of $1,273,135. "Bulletin" concludes that increased world and domestic demand for Canadian oil insures a bright future for this important Canadian industry.

# Personal Progress

The appointment of Phillip G. Hopkins of 65 Adams Street, Berea, Ohio, as a wholesale representative in Eastern Ohio and West Virginia for the National Securities Series of mutual funds, was announced today by H. J. Simonson, Jr., President of National Securities & Research Corporation, New York, sponsors and managers of the Series.

Phillip G. Hopkins

Mr. Hopkins will serve as assistant to G. Sellers Smith, Vice-President in Philadelphia and John M. R. Morton, District Manager in Pittsburgh.

Prior to joining National Securities, he was associated from 1950-1956 with Fulton, Reid & Co., members of the Midwest Stock Exchange, in Cleveland.

A veteran of the 42nd "Rainbow" Infantry Division, having served from 1943-1946, Mr. Hopkins received his BBA from Western Reserve University, Cleveland, in 1953.

Following the annual meeting of shareholders of The Johnston Mutual Fund Inc., officers of the fund were elected as follows:

President—M. Jennings von der Heyde; Vice-President—James M. Farr 3rd; Assistant Vice-President — Elsie J. Himes; Secretary — James C. Edwards; Treasurer — Elvira E. Bozzo.

Harry L. Sebel, President of Selected Investments Company, national distributor of Selected American Shares, Inc., has announced the election of Paul R. Soule as a Vice-President. Mr. Soule has been in the securities business since 1919, the last ten 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.

Colonial Management Associates, of Boston, Mass., announces with pleasure that Franklin R. Johnson has now joined its organization. In addition, the boards of directors of Gas Industries Fund, and Colonial Fund, and the trustees of Bond Investment Trust of America, today announced the election of Mr. Johnson as Vice-President and Secretary of each of the Funds.

Mr. Johnson, who is leaving the Boston law firm of Choate, Hall & Stewart to accept these positions, has been associated with that firm for more than 14 years, the last six as a partner, specializing in corporate finance.

## Science & Nuclear

Science & Nuclear Fund reports total assets of $1,239,461 as compared with $713,000 at the close of the fund's fiscal year on Sept. 30, 1955. Asset value increased 16.3% to $11.75 a share from $10.10 a share six months previously.

## First Investors Sales

First Investors Corporation reports April 1956 sales of $11,310,737, up $4,881,074 from the $6,429,763 reported for the same month in 1955. This is an increase of almost 76%. First Investors Corporation also reports that its total sales for the first four months of 1956 amounted to $42,148,962, an increase of over 38% over the $30,386,105 sales total for the first four months of 1955.

# Kellogg Elected Chairman of NYSE

James Crane Kellogg, 3rd, has been elected Chairman of the Board of Governors of the New York Stock Exchange. Annual elections have been held since 1817 when the Exchange, then in its 25th year, adopted a formal constitution.

J. C. Kellogg, III

Mr. Kellogg has been a Governor of the Exchange since 1950 and Vice-Chairman for two one-year terms. He is the senior partner of Spear, Leeds & Kellogg, a member firm of the Exchange which acts as specialist in 54 common and preferred stocks. He will assume the Chairmanship at the close of the market, Monday, May 21.

Mr. Kellogg was admitted to Stock Exchange membership in July, 1936, when he was 21 years old. He started his career in the brokerage business as a telephone clerk on the trading floor of the Exchange.

The new Chairman succeeds Harold W. Scott, who will complete his second one-year term as Chairman and his seventh successive year as a Governor on May 21. Mr. Scott, a partner in the Stock Exchange and investment banking firm of Dean Witter & Co., announced on January of this year that he would not be available for re-nomination as Chairman or Governor because of the demands and responsibilities of his own business.

The following were elected to serve three-year terms as Governors:

George F. Hackl Jr., Laird, Bissell & Meeds (New York City); William E. Huger, Courts & Co. (Atlanta); Walter Maynard, Shearson, Hammill & Co. (New York City); Charles L. Morse Jr., Hemphill, Noyes & Co. (New York City); Edward Starr Jr., Drexel & Co. (Philadelphia); Samuel W. West, Beauchamp & West (New York City).

Four Governors were re-elected for three-year terms:

Clarence A. Bickel, Robert W. Baird & Co. (Milwaukee); C. Peabody Mohun, Stern, Lauer & Co. (New York City); Jerome W. Nammack, Sprague & Nammack (New York City); Edward C. Werle, Johnson & Wood (New York City).

Total membership of the Board is 33, which includes Keith Funston, President, and three men outside of the securities business chosen to represent the public.

The following Trustees of the Gratuity Fund—which pays death benefits to families of deceased Stock Exchange members — were re-elected:

William Shippen Davis, Blair S. Williams & Co.; John M. Young, Morgan, Stanley & Co.

Elected as the 1957 Nominating Committee were:

Austin Brown of Dean Witter & Co.; James F. Burns Jr., Harris, Upham & Co.; Harry C. Clifford, Kidder, Peabody & Co.; Benjamin Einhorn, Astor & Ross; George M. L. LaBranche Jr., LaBranche & Wood; John R. McLaughlin, Neuberger & Berman; H. Van Brunt McKeever, Goodbody & Co.; Joseph G. Osborne, Hayden, Stone & Co.; William F. Stafford Jr., Stafford & Co.

Mr. Kellogg served as Vice-Chairman of the Special Review Committee on Rules and Procedures of the New York Stock Exchange, a Committee which late last year completed one of the broadest surveys of the Exchange's operations ever made.

Mr. Kellogg is a Commissioner of The Port of New York Authority and Vice-Chairman of the Authority's Finance Committee. He is a Director of the City Federal Savings & Loan Association and the Central Home Trust Co., President and Director of J. C. Kellogg & Sons, President of the J. C. Kellogg Foundation (an organization for medical research), and a Director of Maymount Co. He is a Trustee of the Bay Head (N. J.) Chapel and Westminster Presbyterian Church.

# Conventional Home Loan Rates Seen Unchanged

**United States Savings and Loan League survey shows interest rates of mortgages carried at lenders' risk to remain the same in the next six months, and that ratio of loans to purchase price of homes hardly changed in past year.**

Interest rates on conventional home loans made by savings and loan associations are likely to remain unchanged in the next six months, despite somewhat "tighter money" conditions, a nationwide survey of the United States Savings and Loan League indicates.

This was one of the findings of the annual coast-to-coast survey of conventional loan practices made by the League, the national trade organization for the savings and loan business. Conventional loans are those made at the risk of the lending institution, as compared to FHA and VA loans where the risk is carried by the Federal Government.

The League's survey, released April 23, included these highlights:

(1) Of the 1,500 associations replying to the survey, 90% forecast that interest rates on home loans granted in the next six months would remain the same as they are now. Of the remaining 10%, 8% predicted rates would rise, and only 2% said they would be lower.

(2) Approximately 600 associations, or 40% of those replying to the survey, reported 5% as the "most frequent" rate at which they are making conventional loans. Thirty-five percent of the respondents said 6% was the most frequent rate, and the remaining 25% of the replies listed 5½% as the most widely used rate.

(3) The maturities on conventional loans for new construction have increased slightly during the past year, with 37.5% of the responding institutions reporting the "typical maturity" on new construction running between 20 and 25 years. A year ago, only 33.7% of the responding institutions reported loans of this length as the "typical maturity."

(4) The maturities on loans for the purchase of existing homes are, however, virtually identical with those of a year ago. Unlike the loans for new construction, there has been no lengthening of terms. Of the loans on existing homes, 48% were for maturities under 15 years, 34% had maturities between 15 and 17 years, and only 18% had maturities over 17 years.

The League survey disclosed that so far as savings and loan associations are concerned, there has been little change during the past year in the size of loans as related to the purchase price of homes.

For new houses selling under $15,000, 29% of the respondents reported the "typical" loan-to-price ratio was 75% and over; 31% said it was between 70 and 75%. For new houses priced over $15,000, 18.2% said the typical ratio was 75% and over; 26% said it was 70 and 75%.

The loans on existing homes proved, as customary, more conservative.

For existing homes selling under $15,000, only 11% of the respondents reported a ratio of 75% and over; 25% said it was between 70 and 75%; and 31% said it was between 65 and 70%.

On existing homes priced over $15,000, only 9% reported the typical loan-to-price ratio was 75% and over; 21% said it was between 70 and 75%; and 27% said it was between 65 and 70%.

The survey revealed a slight decline in the volume of mortgage lending in January of this year as compared to a year ago, but there was virtually unanimous agreement that the volume of lending would pick up in the succeeding months. Preliminary reports indicate it has.

As for the level of loan applications, compared with a year ago, 42% of the respondents reported that applications for loans on new construction are coming in the same level as a year ago; 32% reported a decline, and 26% said that the number of these applications were higher than a year ago.

# 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 20 | §95.7 | *95.2 | 100.2 | 96.9 |
| Equivalent to— | | | | | |
| Steel ingots and castings (net tons) | May 20 | §2,355,000 | *2,343,000 | 2,466,000 | 2,338,000 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil and condensate output—daily average (bbls. of 42 gallons each) | May 4 | 7,084,433 | 7,146,000 | 7,171,100 | 6,687,550 |
| Crude runs to stills—daily average (bbls.) | May 4 | ¶7,626,000 | 7,447,000 | 7,517,000 | 7,029,000 |
| Gasoline output (bbls.) | May 4 | 24,725,000 | 24,904,000 | 25,579,000 | 23,959,000 |
| Kerosene output (bbls.) | May 4 | 2,276,000 | 2,205,000 | 2,342,000 | 2,075,000 |
| Distillate fuel oil output (bbls.) | May 4 | 11,979,000 | 11,867,000 | 12,174,000 | 10,307,000 |
| Residual fuel oil output (bbls.) | May 4 | 8,135,000 | 7,858,000 | 7,559,000 | 7,530,000 |
| Stocks at refineries, bulk terminals, in transit, in pipe lines— | | | | | |
| Finished and unfinished gasoline (bbls.) at | May 4 | 189,220,000 | 190,188,000 | 197,322,000 | 174,243,000 |
| Kerosene (bbls.) at | May 4 | 18,349,000 | 17,894,000 | 17,644,000 | 22,195,000 |
| Distillate fuel oil (bbls.) at | May 4 | 63,990,000 | 61,923,000 | 60,808,000 | 70,551,000 |
| Residual fuel oil (bbls.) at | May 4 | 33,216,000 | 32,476,000 | 32,651,000 | 43,305,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | May 5 | 770,558 | 778,398 | 685,397 | 736,904 |
| Revenue freight received from connections (no. of cars) | May 5 | 679,138 | 678,088 | 655,544 | 640,909 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:** | | | | | |
| Total U. S. construction | May 10 | $557,690,000 | $389,020,000 | $529,844,000 | $458,746,000 |
| Private construction | May 10 | 370,489,000 | 238,826,000 | 376,133,000 | 286,442,000 |
| Public construction | May 10 | 187,201,000 | 150,194,000 | 153,711,000 | 172,304,000 |
| State and municipal | May 10 | 130,510,000 | 129,312,000 | 109,657,000 | 116,208,000 |
| Federal | May 10 | 56,691,000 | 20,882,000 | 44,054,000 | 56,096,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | May 5 | 10,020,000 | 10,160,000 | 8,595,000 | 8,552,000 |
| Pennsylvania anthracite (tons) | May 5 | 519,000 | 563,000 | 462,000 | 417,000 |
| **DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100** | May 5 | 125 | *119 | 104 | 134 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | May 12 | 10,837,000 | 10,815,000 | 10,918,000 | 9,673,000 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.** | May 10 | 258 | 277 | 255 | 233 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | May 8 | 5.179c | 5.179c | 5.179c | 4.797c |
| Pig iron (per gross ton) | May 8 | $60.29 | $60.29 | $60.29 | $56.59 |
| Scrap steel (per gross ton) | May 8 | $53.17 | $55.00 | $54.83 | $34.67 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | May 9 | 45.475c | 45.475c | 46.875c | 35.700c |
| Export refinery at | May 9 | 43.775c | 43.900c | 48.250c | 35.575c |
| Straits tin (New York) at | May 9 | 98.250c | 97.875c | 99.125c | 91.125c |
| Lead (New York) at | May 9 | 16.000c | 16.000c | 16.000c | 15.000c |
| Lead (St. Louis) at | May 9 | 15.800c | 15.800c | 15.800c | 14.800c |
| Zinc (East St. Louis) at | May 9 | 13.500c | 13.500c | 13.500c | 12.000c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | May 15 | 94.28 | 93.96 | 92.69 | 96.75 |
| Average corporate | May 15 | 105.00 | 105.00 | 105.86 | 108.88 |
| Aaa | May 15 | 108.16 | 107.98 | 109.06 | 112.37 |
| Aa | May 15 | 106.92 | 107.09 | 107.62 | 110.34 |
| A | May 15 | 104.66 | 104.83 | 105.86 | 109.06 |
| Baa | May 15 | 100.32 | 100.49 | 101.14 | 104.14 |
| Railroad Group | May 15 | 103.64 | 103.80 | 104.83 | 107.27 |
| Public Utilities Group | May 15 | 105.17 | 105.17 | 106.74 | 109.42 |
| Industrials Group | May 15 | 105.86 | 106.04 | 106.04 | 109.97 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | May 15 | 2.94 | 2.97 | 3.08 | 2.74 |
| Average corporate | May 15 | 3.45 | 3.45 | 3.40 | 3.23 |
| Aaa | May 15 | 3.27 | 3.28 | 3.22 | 3.04 |
| Aa | May 15 | 3.34 | 3.33 | 3.30 | 3.15 |
| A | May 15 | 3.47 | 3.46 | 3.40 | 3.22 |
| Baa | May 15 | 3.73 | 3.72 | 3.68 | 3.50 |
| Railroad Group | May 15 | 3.53 | 3.52 | 3.46 | 3.32 |
| Public Utilities Group | May 15 | 3.44 | 3.44 | 3.35 | 3.20 |
| Industrials Group | May 15 | 3.40 | 3.39 | 3.39 | 3.17 |
| **MOODY'S COMMODITY INDEX** | May 15 | 419.4 | 417.1 | 423.4 | 401.6 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | May 5 | 387,268 | 276,341 | 380,425 | 372,718 |
| Production (tons) | May 5 | 289,465 | 293,282 | 276,703 | 271,427 |
| Percentage of activity | May 5 | 99 | 99 | 94 | 97 |
| Unfilled orders (tons) at end of period | May 5 | 633,043 | 535,018 | 647,160 | 611,141 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100** | May 11 | 109.12 | 109.13 | 108.45 | 106.79 |
| **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 21 | 1,420,324 | 1,527,717 | 1,598,596 | 1,369,366 |
| Dollar value | April 21 | $78,327,849 | $79,965,877 | $86,427,561 | $71,524,445 |
| Odd-lot purchases by dealers (customers' sales)— | | | | | |
| Number of orders—Customers' total sales | April 21 | 1,094,719 | 1,214,538 | 1,326,752 | 1,302,009 |
| Customers' short sales | April 21 | 5,649 | 5,834 | 8,383 | 7,078 |
| Customers' other sales | April 21 | 1,089,070 | 1,208,704 | 1,318,369 | 1,294,931 |
| Dollar value | April 21 | $55,561,855 | $61,920,057 | $67,600,841 | $65,679,789 |
| Round-lot sales by dealers— | | | | | |
| Number of shares—Total sales | April 21 | 251,210 | 283,550 | 296,470 | 398,430 |
| Short sales | April 21 | ------ | ------ | ------ | ------ |
| Other sales | April 21 | 251,210 | 283,550 | 296,470 | 398,430 |
| Round-lot purchases by dealers— | | | | | |
| Number of shares | April 21 | 593,630 | 595,080 | 565,450 | 421,850 |
| **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 21 | 500,160 | 557,770 | 569,630 | 569,080 |
| Other sales | April 21 | 11,567,580 | 12,906,630 | 14,546,840 | 14,747,530 |
| Total sales | April 21 | 12,067,740 | 13,464,406 | 15,116,470 | 15,316,610 |
| **ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:** | | | | | |
| Transactions of specialists in stocks in which registered— | | | | | |
| Total purchases | April 21 | 1,466,530 | 1,790,900 | 1,827,630 | 1,715,410 |
| Short sales | April 21 | 290,220 | 309,280 | 318,150 | 335,390 |
| Other sales | April 21 | 1,249,540 | 1,442,650 | 1,555,890 | 1,545,120 |
| Total sales | April 21 | 1,539,760 | 1,751,930 | 1,874,040 | 1,880,510 |
| Other transactions initiated on the floor— | | | | | |
| Total purchases | April 21 | 268,430 | 444,500 | 396,990 | 301,600 |
| Short sales | April 21 | 27,700 | 30,100 | 28,620 | 33,700 |
| Other sales | April 21 | 290,460 | 386,320 | 366,620 | 330,740 |
| Total sales | April 21 | 318,160 | 416,420 | 395,240 | 364,446 |
| Other transactions initiated off the floor— | | | | | |
| Total purchases | April 21 | 608,443 | 572,402 | 654,620 | 596,625 |
| Short sales | April 21 | 63,310 | 68,130 | 99,630 | 98,880 |
| Other sales | April 21 | 746,185 | 785,143 | 866,105 | 643,524 |
| Total sales | April 21 | 809,495 | 853,273 | 965,735 | 742,404 |
| Total round-lot transactions for account of members— | | | | | |
| Total purchases | April 21 | 2,343,403 | 2,807,802 | 2,879,240 | 2,613,635 |
| Short sales | April 21 | 381,230 | 407,510 | 446,400 | 467,970 |
| Other sales | April 21 | 2,286,185 | 2,614,113 | 2,788,615 | 2,519,384 |
| Total sales | April 21 | 2,667,415 | 3,021,623 | 3,235,015 | 2,987,354 |
| **WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):** | | | | | |
| Commodity Group— | | | | | |
| All commodities | May 8 | 113.7 | 113.8 | 113.4 | 110.4 |
| Farm products | May 8 | 88.7 | 89.0 | 88.0 | 92.3 |
| Processed foods | May 8 | 101.1 | 101.5 | 100.8 | 103.3 |
| Meats | May 8 | 76.7 | 78.5 | 76.5 | 85.2 |
| All commodities other than farm and foods | May 8 | 121.4 | 121.4 | 121.3 | 115.7 |

*Revised figure. ¶Includes 905,000 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 IRON AND STEEL INSTITUTE:** | | | |
| Steel ingots and steel for castings produced (net tons)—Month of April | 10,547,000 | *10,924,788 | 9,815,095 |
| Shipments of steel products (net tons)—Month of March | 8,255,824 | 7,468,393 | 7,268,795 |
| **BUILDING CONSTRUCTION — U. S. DEPT. OF LABOR—Month of April (in millions):** | | | |
| Total new construction | $3,250 | $2,980 | $3,283 |
| Private construction | 2,333 | 2,197 | 2,367 |
| Residential building (nonfarm) | 1,207 | 1,112 | 1,319 |
| New dwelling units | 1,065 | 995 | 1,190 |
| Additions and alterations | 110 | 87 | 106 |
| Nonhousekeeping | 32 | 30 | 23 |
| Nonresidential building (nonfarm) | 662 | 655 | 563 |
| Industrial | 236 | 226 | 184 |
| Commercial | 253 | 257 | 214 |
| Office buildings and warehouses | 98 | 96 | 85 |
| Stores, restaurants, garages | 155 | 161 | 129 |
| Other nonresidential building | 173 | 172 | 165 |
| Religious | 53 | 53 | 54 |
| Educational | 40 | 39 | 40 |
| Hospital and institutional | 24 | 25 | 28 |
| Social and recreational | 19 | 18 | 17 |
| Miscellaneous | 37 | 37 | 26 |
| Farm construction | 105 | 94 | 114 |
| Public utility | 351 | 329 | 357 |
| Railroad | 32 | 30 | 28 |
| Telephone and telegraph | 65 | 60 | 55 |
| Other public utility | 254 | 239 | 274 |
| All other private | 8 | 7 | 14 |
| Public construction | 917 | 783 | 916 |
| Residential building | 18 | 18 | 22 |
| Nonresidential building | 322 | 303 | 361 |
| Industrial | 35 | 33 | 71 |
| Educational | 205 | 195 | 202 |
| Hospital and institutional | 25 | 23 | 28 |
| Other nonresidential building | 57 | 52 | 60 |
| Military facilities | 97 | 87 | 98 |
| Highway | 280 | 200 | 270 |
| Sewer and water | 102 | 92 | 88 |
| Public service enterprises | 38 | 30 | 16 |
| Conservation and development | 46 | 42 | 48 |
| All other public | 14 | 11 | 13 |
| **CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE — Month of March (000's omitted)** | $1,607,000 | $324,000 | $1,340,400 |
| **COAL OUTPUT (BUREAU OF MINES)—Month of April:** | | | |
| Bituminous coal and lignite (net tons) | 40,580,000 | 43,090,000 | 34,555,000 |
| Pennsylvania anthracite (net tons) | 2,223,000 | 2,029,000 | 1,734,000 |
| **COKE (BUREAU OF MINES)—Month of Mar.:** | | | |
| Production (net tons) | 6,886,556 | *6,476,135 | 6,232,313 |
| Oven coke (net tons) | 6,624,527 | 6,234,670 | 6,130,731 |
| Beehive coke (net tons) | 262,029 | *241,465 | 101,582 |
| Oven coke stock at end of month (net tons) | 1,674,229 | 1,634,689 | 2,525,662 |
| **CONSUMER PRICE INDEX — 1947-49=100—Month of March:** | | | |
| All items | 114.7 | 114.6 | 114.3 |
| Food | 109.0 | 108.8 | 110.8 |
| Food at home | 107.3 | 107.1 | 109.7 |
| Cereals and bakery products | 124.4 | 124.3 | 123.9 |
| Meats, poultry and fish | 92.8 | 93.6 | 102.3 |
| Dairy products | 106.9 | 107.3 | 105.4 |
| Fruits and vegetables | 114.8 | 113.3 | 112.0 |
| Other foods at home | 110.7 | 109.6 | 111.9 |
| Housing | 120.7 | 120.7 | 119.6 |
| Rent | 131.6 | 131.5 | 130.0 |
| Gas and electricity | 111.7 | 111.7 | 110.3 |
| Solid fuels and fuel oil | 130.6 | 130.0 | 126.2 |
| Housefurnishings | 103.1 | 102.5 | 104.6 |
| Household operation | 121.6 | 121.4 | 117.9 |
| Apparel | 104.8 | 104.6 | 103.2 |
| Men's and boys' | 106.6 | 106.5 | 105.6 |
| Women's and girls' | 98.3 | 98.3 | 97.4 |
| Footwear | 121.9 | 121.3 | 116.7 |
| Other apparel | 91.1 | 91.0 | 90.4 |
| Transportation | 126.7 | 126.9 | 127.3 |
| Public | 170.8 | 170.5 | 164.6 |
| Private | 116.8 | 117.0 | 118.2 |
| Medical care | 131.4 | 130.9 | 127.0 |
| Personal care | 119.2 | 118.9 | 113.5 |
| Reading and recreation | 107.7 | 107.5 | 106.6 |
| Other goods and services | 121.2 | 120.9 | 119.8 |
| **COTTON GINNING (DEPT. OF COMMERCE)—** | | | |
| Final report (running bales) | 14,542,040 | ------ | 13,618,392 |
| **DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM — 1947-49 Average=100—Month of April:** | | | |
| Adjusted for seasonal variations | 122 | *121 | 119 |
| Without seasonal adjustment | 113 | *110 | 114 |
| **MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of April:** | | | |
| Industrials (125) | 3.69 | 3.68 | 4.03 |
| Railroads (25) | 4.97 | 5.02 | 4.65 |
| Utilities (not incl. Amer. Tel. & Tel.) (24) | 4.66 | 4.52 | 4.44 |
| Banks (15) | 4.35 | 4.36 | 3.94 |
| Insurance (10) | 2.89 | 2.72 | 2.50 |
| Average (199) | 3.87 | 3.86 | 4.12 |
| **SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of February:** | | | |
| Net railway operating income | $67,038,901 | $62,877,376 | $67,563,490 |
| Other income | 18,862,622 | 22,756,895 | 17,625,770 |
| Total income | 85,901,523 | 85,634,271 | 85,189,260 |
| Miscellaneous deductions from income | 4,468,619 | 4,859,499 | 4,375,405 |
| Income available for fixed charges | 81,432,904 | 80,774,772 | 80,813,855 |
| Income after fixed charges | 50,506,606 | 49,813,714 | 49,576,534 |
| Other deductions | 3,432,660 | 3,449,683 | 3,030,504 |
| Net income | 47,073,946 | 46,364,031 | 46,496,030 |
| Depreciation (way & structure & equipment) | 45,282,986 | 45,095,906 | 44,131,450 |
| Federal income taxes | 24,371,175 | 25,057,419 | 22,059,134 |
| Dividend appropriations: | | | |
| On common stock | 36,122,378 | 32,757,869 | 34,251,999 |
| On preferred stock | 13,441,936 | 4,123,224 | 13,585,252 |
| Ratio of income to fixed charges | 2.63 | 2.61 | 2.59 |
| **U. S. GOVT. STATUTORY DEBT LIMITATION—As of April 30 (000's omitted):** | | | |
| Total face amount that may be outstanding at any time | $281,000,000 | $281,000,000 | $281,000,000 |
| Outstanding— | | | |
| Total gross public debt | 275,788,569 | 276,344,537 | 276,648,829 |
| Guaranteed obligations not owned by the Treasury | 56,342 | 59,205 | 37,455 |
| Total gross public debt and guaranteed obligations | $275,844,912 | $276,403,702 | $276,686,284 |
| Deduct—other outstanding public debt obligations not subject to debt limitation | 466,630 | 468,907 | 507,253 |
| Grand total outstanding | $275,378,282 | $275,934,795 | $276,179,031 |
| Balance face amount of obligations, issuable under above authority | 5,621,717 | 5,065,204 | 4,820,968 |

# Our Reporter's Report

The underwriting fraternity this week was treated to a development it has not witnessed many times since the turn of the year. It took the form of a quick rise to a premium for General Electric Co.'s huge offering of 3½% debentures.

**Preliminary inquiry had indicated that the massive $300 million offering would be a substantial success and it was no surprise when the sponsoring syndicate was able to announce, before midday, that the issue had been oversubscribed and the books closed.**

What added to the general satisfaction among underwriters was the fact that the successful flotation was accomplished without anything in the way of substantial aid from the Big Five insurance companies, and in spite of the reported drop-out of a major New England insurance firm which had indicated it would take a large block if the price was 100.

**The debentures found wide reception among smaller insurance companies with pension funds, either directly or through their supervising trust companies, taking down substantial amounts of the big electrical equipment manufacturer's only outstanding funded debt issue.**

While the premium was not large, it was nevertheless impressive considering the immensity of the undertaking and the fact that few recent emissions had been able to hold for long at the issue price.

### Relatively Attractive

Brought out at a price of 100½ to yield 3.47% the GE debentures had much to recommend them aside from the fact that they are the issuer's only public evidence of debt.

**The yield offered compared with an average return of 3.22% afforded in the open market for Triple A rated obligations, and with an average of 3.39% for the range from Triple A to BAA ratings.**

Moreover, the substantial sinking fund provided for in the indenture will reduce the average life of the issue from 20 years to around 14 years eight months, with either maturity probably fitting nicely into many portfolios.

### Lift to Other Issues

Market observers were convinced that the good reception accorded the debentures exerted a helpful influence on other recent flotations which had been lagging.

**It was reported on Tuesday that the group which brought out California Oregon Power Co.'s 30-year 3⅞s priced to yield 3.80% had been able to clean up the "pot" on that issue.**

And while the effect may not have been quite as pronounced in the case of Niagara Mohawk Power 3⅝s, brought out on a 3.55 basis, inquiry for this bond was reported noticeably improved.

### Big Five Operations

There had been a tendency to look for some activity on the part of the so-called Big Five in connection with the week's large offering. But even the prime name and the attractive yield failed to bring them in as buyers.

**Consensus is that these huge reservoirs are finding ample outlets for their funds through the medium of mortgage-lending and opportunities provided by private placements of corporations.**

Meanwhile the market is preparing for next week's two major undertakings, namely Consolidated Edison Co. of N. Y.'s $30 million of first and refunding mortgage bonds and Southern California Gas Co.'s $40 million of 25-year first mortgage bonds, on which bids will be opened next Tuesday and Wednesday, respectively.

## Joins United Western

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Betty J. Durant has been added to the staff of United Western Securities, Inc., 1419 Broadway.

## Joins Security Planning

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla. — Hervey S. Ross has joined the staff of Security Planning, Inc., Harvey Building.

## Joins A. C. Allyn

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Shedon B. Jacques is now connected with A. C. Allyn and Company, Incorporated, 1016 Baltimore Avenue. He was formerly with Waddell & Reed, Inc.

## Fred W. Schulz Joins Blair & Co. Inc.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Fred W. Schulz has become associated with Blair & Co., Incorporated, 105 South La Salle Street. Mr. Schulz was formerly in the municipal bond department of Shearson, Hammill & Co.

### DIVIDEND NOTICES

**LOEW'S INCORPORATED**

*May 16, 1956.*

The Board of Directors has declared a quarterly dividend of 25c per share on the outstanding Common Stock of the Company, payable on June 30, 1956, to stockholders of record at the close of business on June 14, 1956. Checks will be mailed.

CHARLES C. MOSKOWITZ
*Vice Pres. & Treasurer*

**Atlas Corporation**

33 Pine Street, New York 5, N. Y.

Dividend No. 58 on Common Stock

- Regular quarterly of 60¢ per share
- Payable June 20, 1956
- Record May 24, 1956

WALTER A. PETERSON,
*Treasurer*

May 15, 1956

**TENNESSEE GAS TRANSMISSION COMPANY**

HOUSTON, TEXAS

AMERICA'S LEADING TRANSPORTER OF NATURAL GAS

DIVIDEND NO. 35

The regular quarterly dividend of 35c per share has been declared on the Common Stock, payable July 2, 1956 to stockholders of record on June 8, 1956.

J. E. IVINS, Secretary

### DIVIDEND NOTICES

**J. I. Case Company**

(Incorporated)

Racine, Wis., May 14, 1956

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable July 2, 1956, to holders of record at the close of business June 12, 1956. No dividend action was taken on the Common Stock.

WM. B. PETERS, Secretary-Treasurer.

**BRIGGS & STRATTON CORPORATION**

BRIGGS & STRATTON

*DIVIDEND*

The Board of Directors has declared a quarterly dividend of thirty cents (30c) per share on the capital stock ($3 par value) of the Corporation, payable June 15, 1956, to stockholders of record May 25, 1956.

L. G. REGNER, Secretary-Treasurer.

Milwaukee, Wis.
May 15, 1956

**ALLIS-CHALMERS MFG. CO.**

**COMMON DIVIDEND No. 128**

A regular quarterly dividend of one dollar ($1.00) per share on the outstanding $20 par common stock, (equivalent to a regular quarterly dividend of fifty cents (50c) on the new $10 par value common stock), has been declared payable June 30, 1956 to common shareholders of record at the close of business June 1, 1956.

**3-¼% PREFERRED DIVIDEND NO. 39**

A regular quarterly dividend of eighty-one and one-quarter cents (81¼c) per share on the 3¼% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable June 5, 1956 to shareholders of record at the close of business May 18, 1956.

**4.08% PREFERRED DIVIDEND NO. 8**

A regular quarterly dividend of one dollar and two cents ($1.02) per share on the 4.08% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable June 5, 1956 to shareholders of record at the close of business May 18, 1956.

Transfer books will not be closed.

Checks will be mailed.

W. E. Hawkinson,
*Vice President and Secretary*

May 2, 1956

*CYANAMID*

**AMERICAN CYANAMID COMPANY**

**PREFERRED DIVIDENDS**

The Board of Directors of American Cyanam'd Company today declared a quarterly dividend of ninety-three and three-quarter cents (93¾¢) per share on the outstanding shares of the Company's 3¾% Cumulative Preferred Stock, Series C, and a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series D, payable July 2, 1956, to the holders of such stock of record at the close of business June 4, 1956.

**COMMON DIVIDEND**

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of sixty-two and one-half cents (62½¢) per share on the outstanding shares of the Common Stock of the Company, payable June 29, 1956, to the holders of such stock of record at the close of business June 4, 1956.

R. S. KYLE, *Secretary*

New York, May 15, 1956.

### DIVIDEND NOTICES

**TEXAS GULF SULPHUR COMPANY**

The Board of Directors has declared a dividend of 50 cents per share on the 10,020,000 shares of the Company's capital stock outstanding and entitled to receive dividends, payable June 15, 1956, to stockholders of record at the close of business May 25, 1956.

E. F. VANDERSTUCKEN, JR.,
*Secretary.*

**B**

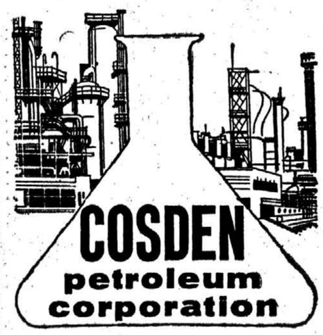
226th CONSECUTIVE CASH DIVIDEND

A dividend of twenty-five cents ($.25) a share has been declared upon the stock of BURROUGHS CORPORATION, payable July 20, 1956, to shareholders of record at the close of business June 22, 1956.

SHELDON F. HALL,
*Vice President and Secretary*

Detroit, Mich.
May 10, 1956

**Burroughs**



**COSDEN petroleum corporation**

DIVIDEND NOTICE

The Board of Directors has declared a regular quarterly dividend of 37½¢ per share on the common stock of this Company, payable June 14, 1956, to stockholders of record at the close of business May 29, 1956.

HIGHER COSDEN OCTANE

R. L. TOLLETT,
*President*

May 8, 1956

**Public Service Electric and Gas Company**

NEWARK, N. J.

**QUARTERLY DIVIDENDS**

The Board of Directors has declared the following dividends for the quarter ending June 30, 1956:

| Class of Stock | Dividend Per Share |
|---|---|
| 4.08% Cumulative Preferred . . . | $1.02 |
| 4.18% Cumulative Preferred . . . | 1.045 |
| 4.30% Cumulative Preferred . . . | 1.075 |
| $1.40 Dividend Preference . . . | .35 |
| Common . . . . . . . . . . . | .45 |

All dividends are payable on or before June 30, 1956 to stockholders of record May 31, 1956.

F. MILTON LUDLOW
Secretary

NJ PUBLIC SERVICE
CROSSROADS OF THE EAST

### DIVIDEND NOTICES

**Johns-Manville Corporation**

**DIVIDEND**

JOHNS-MANVILLE JM PRODUCTS

The Board of Directors declared a quarterly dividend of 50c per share on the Common Stock payable June 8, 1956, to holders of record May 28, 1956.

ROGER HACKNEY, *Treasurer*

**MIAMI COPPER COMPANY**

61 Broadway, New York 6, N. Y.

May 3, 1956

A quarterly dividend of fifty (50¢) cents per share was declared, payable June 27, 1956, to stockholders of record at the close of business June 6, 1956.

An extra dividend of seventy-five (75¢) cents per share was declared, payable June 27, 1956, to stockholders of record at the close of business June 6, 1956.

JOHN G. GREENBURGH
*Treasurer*

**Southern Railway Company**

THE SOUTHERN SR SERVES THE SOUTH

**DIVIDEND NOTICE**

New York, N. Y., May 15, 1956.

A dividend of fifty cents (50¢) per share on the 6,491,000 shares of common stock without par value of Southern Railway Company (proposed to be outstanding after the stock split is effected), has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1955, payable on September 14, 1956, to stockholders of record at the close of business on August 15, 1956.

J. J. MAHER, *Secretary*

**SOUTHERN NATURAL GAS COMPANY**

Birmingham, Alabama

**Common Stock Dividend No. 69**

A regular quarterly dividend of 45 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable June 13, 1956 to stockholders of record at the close of business on May 31, 1956.

H. D McHENRY
Vice Presiden and Secretary

Dated: May 12, 1956

**SEABOARD FINANCE COMPANY**

**COMMON STOCK DIVIDEND**

*85th Consecutive Quarterly Payment*

The Board of Directors of Seaboard Finance Company declared a regular quarterly dividend of 25 cents a share on Common Stock, payable July 10, 1956 to stockholders of record June 21, 1956.

**PREFERRED STOCK DIVIDENDS**

The directors also declared regular quarterly dividends of $1.18¾ on the $4.75 Sinking Fund Preferred Stock and $1.25 on the $5.00 Sinking Fund Preferred Stock, both payable July 10, 1956 to stockholders of record June 21, 1956.

A. E. WEIDMAN
*Treasurer*

April 26, 1956

# Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.— Scratch one bill which would subject to the financial disclosure requirements of the SEC, all corporations which have assets of $2 million or more and a minimum of 750 stockholders.

This bill looks like it is going to be forgotten, buried, omitted.

Senator J. William Fulbright (D., Ark.) of the Senate Banking Committee introduced the bill which would subject companies whose securities are traded in the Over-the-Counter Market to the financial disclosure and proxy regulations of the SEC.

**To be 'netted" a company would have to have a minimum of $2 million of assets and a minimum of 750 stockholders—both requirements. If the corporation had, say, $10 million of assets but only 749 stockholders, it could not come into the SEC regulatory maw.**

After considering the subject last year the securities subcommittee of the Senate Banking Committee sat back and awaited a report on the virtues and/or vices of the proposition, to be rendered to the subcommittee by the SEC. The latter queried by mail all corporations which might be affected by the enactment of the bill, to please send the SEC what information such companies now disclose as to their financial status.

The SEC's report on the Fulbright bill was due last Jan. 15 "at the latest." Then it was due in a week or 10 days, but it didn't come, and it was due in another week or 10 days, and it didn't come, and so on. If it is sent to the Banking Committee it will be transmitted late enough so that the prospect for action this session on the bill will be nearly zero. For while a Federal agency can move with terrific speed to report on a bill it wants, it can slow down with massive deliberation on something that it doesn't want.

For the Administration, while flirting with all kinds of fancy things to further regulate corporation mergers, bank holding company expansion, and bank mergers, for some reason does not want the Fulbright bill.

**So far as the House Interstate Commerce Committee is concerned, it wants to have no part of fooling with this financial disclosure proposition for the unlisteds until and after it has passed the Senate. Even if there is a surprising last-minute burst of activity in the Senate, it is said to be most likely that it will be too late for House action, and all pending legislation dies with the end of this Congress and has to be born again before it gets anywhere in the new Congress next year.**

### Holding Company Bill Enacted

A strange phenomenon of the Eisenhower Administration is the fact of enactment of a bill to regulate further the expansion of bank holding companies and to provide for them to sell out their ownership of non-banking businesses.

For some 21 years this proposition has previously been agitated to no conclusion.

One of the theories behind the bill is that a holding company would buy up banks and use them as captive sources of credit. This sounded plausible and demagogic enough, but the "independent" banks scarcely could adduce a shred of evidence that this sort of an enterprise had been even attempted. It was agitated as a **potential** possibility by the opponents of the holding companies. But the holding companies have been good little companies who haven't tried to loot any of the banks they bought.

**A further background factor is that even though they might be owned or controlled by bank holding companies, the banks which belonged to any such group are individually as carefully supervised by bank supervisory officials as the greatest or the smallest of individual banks. If anybody tried to loot them, the bank supervisory officials would crack down hard, and a bank examiner is a guy a bank doesn't fool with pushing around. It is the bank examiner who does the pushing, if any.**

### "Bigness" Argument Wins

What really "sold" the holding company bill was not so much the theoretical possibility of self-dealing between bank holding companies and the individual bank members of their groups, but the nice, demagogic argument which clarions the cry of "the big monopoly money power." Anything in the least approaching "money power" is bad, no matter how small, when it is in the hands of private interests.

When it is the Government which is becoming the big money power, then big money power becomes virtue incarnate.

**However, this argument had been agitated to no success for more than two decades. It was Dwight D. Eisenhower who really tripped the gun that shot the bank holding company bill through the Senate in the face of the original private opinion of the dominant leadership that this proposition—at least in the form passed—was unnecessary and, in fact, bad. The President adopted this as another of his slick and pretty inventory of politically salable merchandise, listed in that particular Federal political catalog known as the "President's Economic Report."**

### Stops Holding Company Growth

As finally passed by the Congress, the new bank holding company act all but stops the growth of bank holding companies in their tracks, at least for the next few years.

For one thing, the bill absolutely prohibits a bank holding company from acquiring control of a bank outside the state in which the holding company has its main office, unless the state where the bank is to be purchased by statute expressly authorizes such a purchase. Officials know of no state which by statute expressly authorizes bank holding companies from across state lines to buy banks in the state.

It is a pretty good bet that enactment of such state statutes is going to be no facile job, what with the independent banks highly organized and successful already on a Federal scale in cutting down the competition of holding companies.

**So existing well-run holding companies in Minnesota and California, for example, hereafter will be allowed to purchase no new banks even in the states in which they already own banks. They may not purchase banks across state lines even when death removes a dominant owner of an independent bank, and the surviving shareholders come begging to sell so they can raise estate tax money to pay off Uncle Sam.**

### Intrastate Sales Delayed

Theoretically, the Federal Reserve Board, which will administer the new Bank Holding Company Act, can allow a holding company in one state to purchase banks within that state. However, this often would require a bank holding company to be organized, no easy task, for the Federal Reserve will first have to go more extensively into the considerations involved than if a bank supervisory agency were granting a charter to a proposed new bank.

Finally, the spirit of the act is indubitably that holding company banking is bad as such, and the Reserve Board would have to lean over backwards to justify permission for a holding company to buy a bank. The ready opponents of the so-called Big Money Power (not the Government) would be quick to castigate the Federal Reserve Board for approving holding company purchases unless the weight of consideration is overwhelmingly in favor thereof.

### Method in Madness

As this column has frequently pointed out but unfortunately few others have written, the Eisenhower Administration has discovered the trick of spending the bank deposit or the insurance reserve in lieu of the appropriated Treasury dollar, by taking Frank Roosevelt's initial idea of the guaranteed and insured loan, and blowing it up to a great and variegated enterprise.

For instance, the Administration has just launched the operation of the two-year-old lease-purchase act whereby Federal buildings are to be purchased on the installment plan, with bank or insurance or pension funds financing the original cost.

Housing aids galore are springing up all over the place under the Eisenhower Administration, and their essential basis of operation is to use the bank deposit under an "insured" loan, to allow the government to accomplish spending without it showing in the budget.

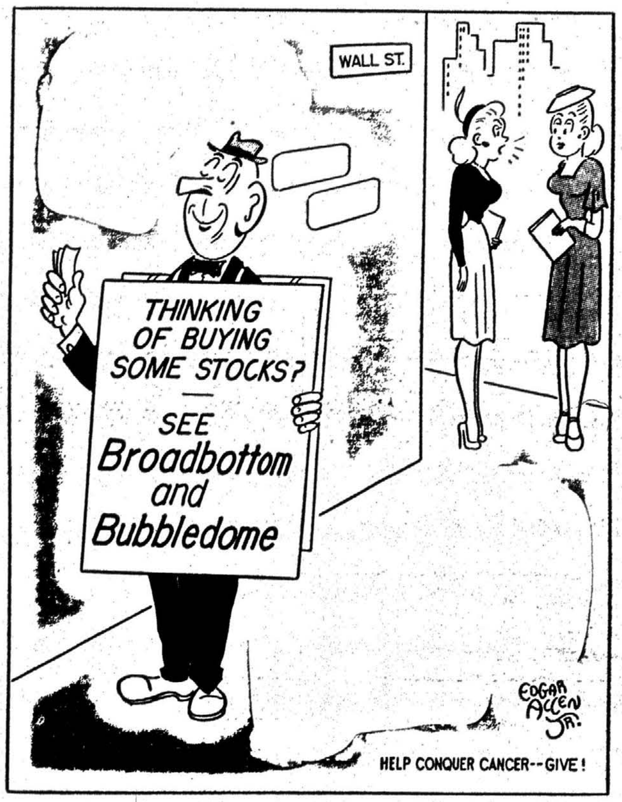
**In particular "military housing" is hereafter to be paid for 100% initially in the form of bank or other loans, instead of out of the Treasury. It will not take many more years before more and more areas of Federal spending can be shifted from the budget to the guaranteed and insured loan.**

Under the circumstances, it might facilitate the government, whichever party is in power, through the Holding Company Act and the additional Eisenhower-backed bill, to further crimp bank mergers, to put its weight against the development of bigness in banking to match the bigness in government, in unions, and in business.

Dispersed, relatively financially weak banks may be easier for this species of government looting. The Eisenhower Administration might not even be unconscious of its motives in backing anti-bank merger and holding company restrictions. These projects lessen the contingency that banking ever might be strong enough to say the government "nay," or do some of the big jobs all by itself.

*[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




**"So THAT'S what he meant when he told me he was responsible for all of his firm's outdoor advertising!"**

## N. Y. Mun. Women to Visit Triboro Authority

The members of The Municipal Bond Women's Club of New York will be the guests of the Triborough Bridge and Tunnel Authority on May 24, on an inspection tour of some of its facilities, and at dinner. The tour will start at 4 p.m., at Pine Street between Nassau and William Streets.

This will be the final session of the educational program for the current season.

## Rudolph Guenther 60 Years in Adv.

Rudolph Guenther, a founder and director of Albert Frank-Guenther Law, Inc. advertising agency, is celebrating his sixtieth anniversary in the advertising business. Back in May, 1896 Mr. Guenther, who is known as the dean of financial advertising, opened his first office at 108 Fulton Street at what was to him a stupendous rental of $7 a month.

Now in his eighty-fifth year, Mr. Guenther has witnessed three mergers of his own firm and has been through numerous periods of market prosperity and depression. Through the years he has helped guide Albert Frank-Guenther Law to its present position in the industry.

Mr. Guenther is highly optimistic for the future of advertising. He envisions many industries — electronics, transportation, travel, among others—which will grow larger through the increasing use of print and electronic media.

## 2 With French & Crawford

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Garner A. Johnson and Thornton D. Lane have been added to the staff of French & Crawford, Inc., 68 Spring Street, N. W.

## Joins Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif. — Paul G. Christopulos is now connected with Mutual Fund Associates, Incorporated, 529 West Alpine Ave.