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EDITORIAL

As We See It

If the relationships among the nations of the world had not always been so bedeviled by hypocrisy, cunning self-serving, and callous ruthlessness the current situation as it is working itself out before the eyes of us all would almost inevitably produce a profound feeling of discouragement. It is depressing enough as it is, the more so since it is now more than ever burdened with the almost Messianic fervor of the numerous "uplifters" with their plans and programs of reform.

The Kremlin with its historic genius for fishing in troubled waters is now drinking toasts to all nations and all peoples who are "trying to gain their independence"—an act which can hardly be regarded as free of hypocrisy on the part of a clique which holds its long list of satellites in rigid chains. The Soviet masters are not only drinking toasts, moreover, but promising all sorts of things in the form of gifts and "trade." Meanwhile, we as a nation are being rebuked by reformers and idealists for failing to be more generous and more New Deal-like in the extension of economic aid and technical help to foreign peoples. Certainly, one can not fail to feel a very considerable degree of sympathy with the criticisms leveled against some of the programs that we have developed and effected in recent years, but one must wonder about the wisdom of alternative programs which are advocated.

Admittedly, this whole subject of our foreign relations in the present setting is about as difficult as it has ever been in our history. A ferment is at work virtually everywhere in the world, causing former empires to crumble and many

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Looking at the Economy And Problem of Inflation

By DR. ARTHUR F. BURNS*
Chairman, Council of Economic Advisers

President's economic adviser describes the economy as being perched on a "very high plateau" between inflation and recession threats. Expects the factors accounting for the rough over-all stability of consumer and wholesale prices since 1952 can be counted on to operate in the years ahead and, thus "should make us hesitate about describing our times as an age of inflation." Dr. Burns cites the divergent movements of rising capital and Government expenditures, sluggish home building and retail trade situation, potential danger of current wholesale price rise, but believes the economic goals of price stability and rising level of maximum production "are broadly compatible."

It is frequently said that we are living in an inflationary age, that the dollar is depreciating in value, and that it is likely to continue depreciating. The history of recent decades lends some support to this thesis. But it is well to keep in mind that the years from 1933 to 1939 were dominated by efforts to engineer a recovery of prices as well as of production, and that the broad movement of prices from 1939 to 1951 was dominated by war finance or its *sequelae.* Although the period is very brief, it seems desirable to give special attention to the course of events since 1952 if we wish to sense the forces that may be operating on the general price level in the years immediately ahead.

Dr. Arthur F. Burns

The past four or five years have witnessed an extraordinary economic expansion in our own country and Western Europe. People everywhere have been impatient with their standard of living and eager to improve it. Capital expenditures have been rising by leaps and

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*An address by Dr. Burns before the National Federation of Financial Analysts Societies, Boston, Mass., May 21, 1956.

Quarterly Investment Company Survey

Activity in Auto Industry Features Fund Operations

Broad shift to newly offered Ford issue from General Motors noted. Midst general attitude of cautious confidence, selective buying includes oil, rail, and coal issues. Drug issues continue previous popularity. Growing interest in building and equipment. Electrical equipments mixed, with Westinghouse again bearing the brunt of heavy liquidation. Some specialties popular.

[*Tables showing 1st quarter portfolio changes and funds' comparative cash positions appear on pages 45 and 46.*]

The motor industry, so widely regarded as the worrisome key to our immediate industrial outlook, supplied the most interesting feature of investment company portfolio operations during the year's first quarter. General Motors, the industry giant, was sold by no less than 22 of the funds in our Survey, with nine units closing out their holdings. Such liquidation in this issue aggregated 321,000 shares, and represented a marked stepping-up of the liquidation in this issue which had set in during the previous quarter. Only two managements bought GM.

On the other hand, the newly offered Ford Motor stock was acquired by 21, or almost one-half the leading funds we review, in the amount of 279,000 shares. (In contrast to the broad acquisition of the parent Ford Company stock, scattered transactions in outstanding Ford of Canada were about equally balanced between purchases and sales.)

Dealings in Chrysler were light and mixed. Fruehauf Trailer was bought by six funds, in the amount of 43,850 shares, and sold by only one.

DuPont, the higher-priced Blue Chip parent of GM, was also bearishly regarded, transactions, as in the previous quarter, being almost entirely centered in sales. There was liquidation by eight managements, including one complete elimination.

A somewhat more optimistic attitude was displayed toward the balance of the chemical industry. Olin

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 50.

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.)

NORMAN V. CONWAY
Partner, Conway Brothers,
Des Moines, Iowa

Meredith Publishing Company

This is a presidential year and the favorite sons will be getting recognition from their own local areas. Running on the same form, my favorite equity investment is the common stock of **Meredith Publishing Company** whose main plants and offices are located in Iowa. While the company's atmosphere may be local to us hometown constituents, its products and activities are nationwide. The common shares have broad distribution in the over-the-counter market.

Norman V. Conway

The company publishes two top ranking magazines, "Better Homes and Gardens" and "Successful Farming." "Better Homes" has an average monthly circulation of over 4,000,000 copies and "Successful Farming," 1,400,000. Various "How to Do" books are also published. For example, the "Better Homes and Gardens Cook Book," a volume that has sold over 5,000,000 copies, makes it one of the top best sellers of all time. Others include gardening and handyman books, also with large selling backgrounds.

For these accomplishments, the company's basic policies can be credited—to provide advice, information and inspiration on the most fundamental interest of mankind—better ways to better living.

In the past few years, the company has expanded into the television and broadcasting fields with very profitable results. Outlets are owned and operated in New York, Nebraska, Missouri and Arizona.

Now to look at financial records. We find annual revenues have risen from $8,000,000 in 1945 to $42,750,000 in the fiscal year ending June 30, 1955. Net profits after taxes have followed the same pattern, from $750,000 in 1945 to $3,600,000 in 1955.

On the present stock outstanding, share earnings have averaged $2.27 per share in the last ten years. In 1955 they were equal to $2.81. In the first six months of the fiscal period ending this coming June 30, it appears as though they will exceed $3.

The stock was first offered to the public in 1946 from family interests at $23.50 per share. There were outstanding 645,000 shares and 129,000 shares were sold. In 1953 the shares were split two for one, and shortly after, another 175,000 shares of stock was sold by the family at $16.50. Today there are 1,390,000 shares of outstanding stock, approximately 525,000 shares are in the public's hands trading in current range of 25 to 26.

Dividends have always been generous. The current rate is $1.40 per annum, and this is in excess of 5% at present market levels.

The company has a strong financial background. A late financial report shows current assets of $19,800,000 almost 3 times current liabilities. Plant and properties are carried at $11,000,000 and in excess of this amount has been spent on expansion in the last decade.

The immediate past shows revenues and profits increasing five-fold, and common stock values and dividend pay out more than doubling. What more can the investor expect from his working partners?

Looking to the future I can see no change in the trend pattern established by the company. They have a close tie-in with the basic ingredient of this country's progress—the people. As long as the ambition remains to find better ways to better lives, the Meredith institution should continue to grow and prosper.

WILLIAM G. HOBBS, JR.
Vice-President, Russ & Co., Inc.
San Antonio, Texas

The Frito Company

The Frito Company is an outstanding example of American enterprise and of the opportunities that still exist in our country for men of faith, energy and determination. From a humble beginning in a $100 investment, the company has expanded to the point where its principal product, Fritos, is sold from coast to coast. The company's total sales for 1955 amounted to $20,519,675. Fritos is the original corn chip and is the only one sold on a national basis.

W. G. Hobbs, Jr.

C. E. Doolin, president and founder of The Frito Company, and his mother, Mrs. Daisy Doolin, now deceased, made the first famous Fritos Corn Chips in the kitchen of their modest home at 1420 Roosevelt Street in San Antonio during the depression year of 1932. These corn chips were at first made by hand by the Doolins and sold to a few San Antonio cafes and grocers from the back of the family car.

Success was not immediate as corn chips were an entirely new product and it took many years of hard work to solve a multitude of problems. As the demand for Fritos grew, one of the special problems with which Doolin was faced was the development of production machinery. Employing his inventive mind which has since solved many a Frito problem, he was instrumental in designing an entire production line, which produced quality Fritos efficiently and in volume.

Today, The Frito Company's established position in the food industry has been achieved through adherence to the basic pattern of high volume sales, fair and competitive pricing, aggressive promotion and high quality standards. The company's expansion in the future on this basis, could possibly bring higher sales, increased earnings and bigger dividends to stockholders.

Through the operation of eight manufacturing plants of its own, the company distributes its products in 16 southwestern and western states. Eleven franchised licensees distribute Fritos in all of the remaining states of the nation. Since establishment of licensee territories, The Frito Company has purchased controlling interest in two of them, The Frito Company of Cleveland and Fritos Wisconsin, Inc.

This Week's Forum Participants and Their Selections

Meredith Publishing Company—Norman V. Conway, Partner, Conway Bros., Des Moines, Iowa (Page 2)

The Frito Company—William G. Hobbs, Jr., Vice-President, Russ & Co., Inc., San Antonio, Texas. (Page 2)

The company's three most important manufactured products are Fritos, Ta.tos (potato chips) and Chee.tos (cheese coated corn snack). They account for approximately 49%, 11% and 7% respectively, of total sales. Other manufactured products are Fluffs (fried bacon rinds), Fritos Brand Chili, Fritos Brand Tamales, Fritos Brand Jalapeno Bean Dip, and many other allied lines. The company also refines and processes vegetable oils through its subsidiary, Texas Vegetable Oil Company. Several food products are jobbed from other manufacturers. Too, the company manufactures and sells food production machinery used by affiliates and licensees.

The Frito management is doing an excellent job of promoting the company's products. Fritos are the first Texas product to be advertised on the NBC Television Network. Beginning last Feb. 10, Fritos went on the Dave Garroway show, "Today," on 88 stations over the country.

In addition, The Frito Company is the only Texas company represented at Walt Disney's fabulous "Disneyland." There, the company operates Casa de Fritos, a Mexican cafe, designed and decorated in the gala atmosphere of Old Mexico with a flavoring of Texas. Frito products are the only ones of their kind sold at the giant amusement park.

Recently, Charles E. Beard, president of Braniff International Airways, and William D. Baird, vice president of Mrs. Baird's Bakeries, were elected to the company's board of directors. These two outstanding business leaders should make important contributions to the future progress of the company.

The year 1955 was the greatest in the history of the company. Earnings per share amounted to $1.49, compared to 89c in 1954, on the basis of 450,000 shares of common stock outstanding. Net income, after provision for taxes, was $671,680, an increase of 68%, while income before taxes was up 80%.

Currently, the company is on a 60c per share annual cash dividend basis, payable 15c quarterly.

Total net working capital increased by 41% to $1,453,354 in 1955. The ratio of current assets to current liabilities was an improved 1.74 to 1, compared to 1.67 to 1 the year before.

Net sales of all manufactured and purchased products, the company's highest profit makers, increased by 8% in 1955. Fritos sales, alone, increased 18%. Total net sales of the company and its subsidiaries was $20,519,675 the past year. This was a 1% decrease over 1954 and was due to completion early in the year of Texas Vegetable Oil Company's government refining contracts. This was high volume, but low profit business as is borne out by the earnings for 1955.

The Frito Company ended the year in a favorable position in regard to long-term debts outstanding. These debts total $584,858, with $142,673 being due within one year. All long-term debts are due by 1965.

The Frito Company is in a period of rapid expansion—expan-

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The Outlook In the United States For Business and Investment

By GORDON W. McKINLEY*
Director of Economic Research
The Prudential Insurance Company of America

Though the gap between demand and supply of funds is expected to be smaller than in 1955, the banks' negative free reserves position, without further Federal Reserve tightening or easing, is cited by Prudential research head in predicting an investment outlook of continued heavy volume market, but with no appreciable change from the present price-interest rate structure. Mr. McKinley envisions a total 1956 business spending increase of $18 billion over 1955, with the second half stronger than the first. Other views include: (1) Federal Reserve would resort to open market operations to prevent further credit tightening; (2) inventory purchase rate to remain unchanged; (3) no further decrease, pricewise, for debt securities; and (4) yields will remain firm, but unlikely to go higher.

I want to talk about the business and investment outlook for the remainder of this year in the United States. Although my remarks will thus be divided into two parts—the outlook for general business, and the outlook for investments—it is obvious that these two areas of our economy are inextricably bound up with each other. It is in fact impossible to discuss the outlook for investments without first answering the question, "What is going to happen to business activity?"

Gordon W. McKinley

In the United States during the past four or five months, this question is being asked with a great deal of seriousness. Toward the end of 1955, and in the first quarter of 1956, there has been a steady accumulation of rather ominous economic signs. In looking at the current economic scene, I find myself constantly reminded of the situation in early 1953. As in early 1953, the United States has just come through a period of startlingly rapid economic growth. Business and consumer attitudes today are optimistic, as they were at the beginning of 1953. Consumer credit has been steadily expanding for over a year, as it had been in 1953. As in 1953, personal incomes are high, unemployment is low, and the labor market is very strong. Last but not least, the money market today is becoming so tight that one once again hears the talk, which was common in early 1953, of an approaching "money panic." Faced with these similarities, and remembering that the boom ended in July of 1953, it is no wonder that some are asking whether the recession of 1956-57 will start this summer.

Spending's Importance

In attempting to look ahead, and judge the most likely future course of the U. S. economy, I find it helpful constantly to remind myself of a very simple, yet basic, fact about our economic system. In a free enterprise system—such as that in the United States and in Canada—it is spending which causes business activity. In socialist or communist societies, the direction and the volume of business activity is determined by the order of some government official or committee. But in a free enterprise society, it is spending which evokes production. All of us are quite aware of the fact that the **pattern** of our economic activity is determined by the **pattern** of spending. That is, as demand for specific goods or services rises, labor and resources are shifted to the production of those goods or services and away from other lines where demand is declining. Although we all recognize this response of the economic machine to the **pattern** of spending, we sometimes forget that the **overall volume** of business activity is also determined by spending. It can be put as simply as this: If we have lots of spending, we will be prosperous; if spending declines substantially, we will fall into a recession or a depression.

It follows from this basic principle that, if we want to know what is going to happen to business activity, we must find out what is going to happen to spending. But total spending in the United States—or in Canada—is too tremendous a sum to think about all at once, particularly since some kinds of spending are often declining while others are rising. In order to reduce the problem to manageable proportions, economists therefore divide the economy up into its principal spending segments and discuss each separately. In the United States, the principal spending segments are these: government spending, business spending on plant and equipment, business spending on inventory, consumer spending on homes, and consumer spending on all other goods and services.

I should like to discuss what I think will happen to each of these types of spending in the United States during the coming year. Then, at the end, we can add them all up to obtain an estimate of

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*An address by Mr. McKinley before the Dominion Mortgage and Investment Association, Toronto, Canada, May 3, 1956.

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Martin's Martian Missiles

By IRA U. COBLEIGH
Enterprise Economist

A topical review of The Glenn L. Martin Company, long renowned for aircraft, and now in the vanguard of our indispensible missile program.

On Sunday, May 20th, 25,000 Americans got, for the first time, a public preview of the guided missiles of the future and some notions about how we may deliver massive retaliation to any aggressor. To celebrate Armed Forces Day, the Air Force launched, for the enlightenment of the aforementioned audience, at the Patrick Air Force Base (at Cocoa, on the East Coast of Florida) a Martin Matador. This eerie weapon, which looks like a jet fighter (but carries no pilot), zoomed out over the ocean at a rate of acceleration so tremendous that following it with the eye was possible only by virtue of a specially applied exhaust dye which left a cerise streak in the wake of its mile and a half per second take off. This TM-61 Matador was the first ground-to-ground tactical missile to really work; with the original delivery made back in 1952. The Matador with a range of several hundred miles is just one of an amazing arsenal of attacking aeronautical automations being designed, engineered, perfected, produced and projected by The Glenn L. Martin Company, topic for today's piece.

Ira U. Cobleigh

More important than tactical missiles, however, in our vital defense against any possible aggression animated by Cossack cussedness, is the Intercontinental Ballistic Missile (ICBM). To research this powerful persuader for peace, the Glenn L. Martin Company shares, with Convair division of General Dynamics Co., the awesome assignment of development and production. Convair is to work on one type (Atlas), while Martin is to work on another, the Titan. Obviously this project is of great magnitude; and to forward it Martin is building a $10 million testing and engineering facility at Denver, Colorado, to be completed this year, and to give employment to 5,000, by 1958. This is only the beginning of a large outlay on a 5,000 mile missile with a 2 mile a second speed, which could plaster a retaliative Hydrogen pancake on the Kremlin before Khruschev could finish his seventh Vodka Martini. The Denver plant will, in due couse, involve an investment of upwards of $40 million, and compensation to Martin will be on a cost plus fixed fee basis. Ultimate production orders for Titan may well mean a large volume of business for Martin for a number of years to come.

Another widely publicized stratospheric vehicle is the Earth Satellite. For this, Martin has already been awarded, by the Naval Research Laboratory, a contract estimated at some $25 million to create "Vanguard," a robot, rocket-launched, satellite that can circle the globe a few times before it burns out; and tell us all about celestial conditions a few hundred miles up. It might even photograph things behind the Iron Curtain; and simulate the atom-plant inspection which Bulganin has repeatedly refused, on a voluntary basis.

Other related Martin products include the Missile Master, a defense-minded electronic brain which picks out hostile planes or missiles, and directs and controls the fire of Nike batteries, the Army's lethal answer to aerial invasion. This combination of Missile Master and Nike may become the basic ground defense against any air attack upon our large cities or strategic points.

While many of the foregoing items are still in the experimental phase, Martin has in actual production the Canberra, its B-57 twin jet practical Air Force bomber; the P5M-2 (Marlin) a big seaplane especially designed for "sub" hunting; the Viking rocket for the Navy; the "Matador" aforementioned; and wings for the McDonnell F-101, under a subcontract. There has also been produced a working model of what may turn out to be a valuable strategic craft, the Sea Master (P6M-1). This unusual multi-jet manned plane can be a bomber, a mine layer, or a reconnaissance sea plane capable of speeds of above 600 MPH and with capacity to cruise seven miles up. Martin, an early pioneer in sea planes, has perfected this new 100 foot wing span job as a Navy attack craft, requiring neither air base nor plane carrier for effective operation. Large scale production of this water based Sea Master is a distinct possibility; and it has been thought this model might be adaptable to nuclear propulsion. A plane so big also has an obvious potential as a transport unit.

The foregoing rough sketch of activity at the Glenn L. Martin Company brings to light two major points. The first is that Martin does virtually its entire business with the government—and in a vital area where huge expenditures are almost certain to continue for years to come—rockets, missiles and aircraft. Secondly, Martin managerial competence must be highly respected or the company would never have had entrusted to it, tasks of such strategic importance, urgency and magnitude.

About this management, it has been easy to detect a "new look," topside, since the arrival on the scene of Mr. George M. Bunker as President in 1952. The youthful and energetic executive echelon, developed since then, has been, in no small way, responsible for the following: (1) Increase in working capital, from Dec. 31, 1951 to Dec. 31, 1955, by $23 million, coupled with elimination of $35 million in debt, (2) increase in net sales from $144 million in 1952 to $272 million last year, and (3) a $48 million increase in net worth between the end of 1952 and the end of 1955.

Much of the potential of Martin lies in the longer range, rather than the immediate future. For example, net for 1955 was $4.92 a share on the 2,700,953 shares of common outstanding (sole capitalization). Of the $4.92, however, $1.30 was non-recurring, so that regular operational net was actually $3.62. Against that a reasonable conjecture for 1956 is in the order of $4 per share, ample coverage for the current $1.60 dividend rate. But if the promise of Martin in missiles, especially IBCM, in nuclear research and applications, in satellites, in strategic sea planes, and in electronics—if the promise in all these areas is fulfilled, then a dramatic advance in earning power is possible. Martin has the most solvent customer in the world who spends his money on military hardware regardless of conditions on the farm, on the building lots, or in Detroit!

ML had a backlog in orders at March 15, 1956 of about $660 million with some contracts running through 1959. The company has a huge plant at Middle River, Md., just outside Baltimore, with over five million square feet. This modern manufacturing facility is so laid out, that plant output could be doubled without the need of another foot of floor space; and of course there's the big new missile plant in Denver mentioned earlier. With 21,000 employees and 8,300 stockholders, Martin is an enterprise of considerable stature.

Martin's commercial plane production was unprofitable. It was discontinued in 1953. Since then (beginning in 1954) ML was able to resume dividends, which had been suspended since 1947. The cash dividends in 1954-1955 were conservative, totaling only $6 million, permitting a big plowback of net. This has, of course, strengthened the cash position, while shareholders have received tangible evidence of the increase in net worth, by a 10% stock dividend in 1954, and a 5% one in 1955. Declaration of similar stock dividends in the future seems consonant with Martin's financial program.

ML common at 33½ sells at around eight times earnings. With good fortune, two things might happen: (1) the price-earnings ratio could, in time, move up from eight to ten, and (2) the earnings themselves could improve substantially. Meanwhile, the stock yields almost 5% and the line of business is presently as essential as any you can name.

Wittenwiler Appointed By Smith, Barney

PHILADELPHIA, Pa. — Smith, Barney & Co. announced that John J. Wittenwiler has been appointed manager of the trading department of the firm's Philadelphia, Pa. office, Philadelphia National Bank Building.

Future Planning Formed

Future Planning Corporation has been formed with offices at 122 East 42nd Street, New York City. Karl D. Pettit, Jr. is a Principal. The firm maintains a branch office at 112 West 34th Street.

Peter H. Bergson Opens

Peter H. Bergson has opened offices at 22 East 29th Street, New York City, to engage in a securities business.

The State of Trade and Industry

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

Some contraction was noted in over-all industrial production in the United States for the period ended on Wednesday of last week, but output, however, remained moderately above the level of the corresponding week a year ago.

Fractional increases in the output of steel, coal and electric power were offset by moderate production declines in the automobile, lumber, petroleum and food processing industries.

Electric power output rose fractionally last week, and was 12% higher than that of a year ago. The most noticeable yearly gains occurred in the Central Industrial and Pacific Northwest regions. Awards for heavy civil engineering construction contracts declined 46%, and were 37% below those of the similar 1955 period.

Steel production rose fractionally last week, and was 1% above that of a year ago. Steel mills scheduled operations at 95.7% of capacity. Numerous shutdowns for maintenance and repairs somewhat curtailed production.

The unemployment situation in the Detroit area worsened the past week as reports of new auto layoffs came to hand with more expected. The latest report of the United States Department of Labor's Bureau of Employment Security estimated auto unemployment in the week of May 12, at 159,000, or 22,000 more than the number reported just two weeks earlier.

A survey of consumer spending appearing in the May issue of the United States Department of Commerce magazine, "Survey of Current Business," notes that consumer spending for services amounted to an annual rate of $95,000,000,000 in the first quarter. This compared with an actual $91,200,000,000 spent during the full year 1955.

Spending for housing more than doubled between 1947 and 1955, and expenses closely related to home occupancy, such as electricity, gas, water and telephones were among the services showing the greatest growth, it added.

In its review of the steel market this week, "The Iron Age" reports that auto firms have been shying away from July and August steel commitments, figuring they can live largely off inventories until new models go into production. Some of this tonnage is being snapped up by other consumers and the mills are warning Detroit it will be difficult to get back on order books in an emergency.

As things stand now, the third quarter is shaping up as a period of letdown in steel. It will be a breather for the mills, who plan to use it for urgently-needed maintenance work. Hot weather and vacations also will slow output, this national metalworking weekly states.

Indications this week are against a peaceful settlement, since labor's demands are outlandishly high and will have to be cut drastically before steel companies will go along. The sensitive point that might lead to a strike or no strike is between a 17c and 20c an hour package, continues this trade authority.

Steel inventories in consumers' hands are hard to put the finger on. Cold-rolled sheet and strip stocks are fairly ample, but inventories of other steel shapes are at the least out of balance and it would not be long before some consumers would be running short if steel supply is cut off. It's estimated that a two-week strike would hit hard at more than 50% of steel users, "The Iron Age" concludes.

Automotive production in the United States last week continued to reflect a reduction of schedules at many plants as "Ward's Automotive Reports" estimated output at 127,558 cars and trucks, the lowest weekly total of the year.

"Ward's" noted that it was the fifth straight week that domestic output of vehicles had shown a decline. The descent began the week of April 9-14, causing truck activity as well as car operations to fall behind 1955's pace.

General Motors reportedly restored its Buick-Oldsmobile-Pontiac and Cadillac plants to five-day scheduling last week. In the previous week, the entire corporation worked only four days. Most of Chevrolet's assembly plants, however—the ones which did not close down the Friday before last—were down on Monday.

Ford Motor Co. inactivated several of its Ford Division assembly units the past Friday.

Chrysler Corp., however, suffered the most shutdowns: Plymouth's Los Angeles facility worked only four days; none of DeSoto's plants operated on Friday; Chrysler Division's Detroit plants closed two days last week and Dodge lost half a day the past Tuesday because of a labor dispute.

Elsewhere, there was no word from American Motors concerning return to production of its "big" cars, although Rambler lines operated five days. Both Studebaker and Packard scheduled five days last week.

Total dollar volume of building permits for the month of April rose slightly above the April 1955 level, following small year-to-year declines witnessed in March and February. The aggregate for 217 cities, including New York, last month was $524,093,168, according to the latest tabulation by Dun & Bradstreet, Inc. This compared with $521,173,029 in April last year, or a rise of 0.6%, and with 503,133,253 in March, for a gain of 4.2%.

Building plans filed in New York City during April declined sharply. The total at $33,453,589, reflected a drop of 33.0% from $49,939,864 a year ago, and of 36.3% from $52,512,472 in March.

Steel Production Set at 96.6% of Capacity This Week

The steel industry is speculating on how sharply steel prices will be hiked to offset the June labor wage settlement and to pro-

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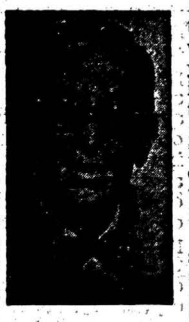
Observations . . .

By A. WILFRED MAY

ACCENTS ON THE PESSIMISTIC

(The Current Brain-Washing of the Investor)

Again we are witnessing the public's proclivity to slant its emphasis to particular phases of the news in its economic thinking. Now—against a background of reactionary stock markets—the tendency is to concentrate attention, and "explanation," on the pessimistic elements in the external news.



A. Wilfred May

This applies first to the *selection of items* for attention. *Now:* this year's decline in auto production and housing softness, "tight" money, and the vulnerability of consumer credit, emerge as the major focal points of current events discussion. The high spots of strength, like the very highly sustained level of industrial activity (at 42% above the 1947-49 level, and 6% over a year ago), and the 12-15% in average corporate profits over the first quarter of 1955, are glossed over.

The achievement of industry in absorbing in other lines without great over-all decline in output and employment, the one-third drop in automobile production, is now disregarded by most commentators and investors.

And equally important, this rationalization of alternative news interpretation is applied to particular events. Thus, the Russians' boldly announced cut in their armed forces and prospects of general easing of tension, *now* are not hailed as the harbinger of bullish peace prospects, but as threatening the inflationary and expansionary prop to our economy stemming from defense spending.

Pauper Takes Over Prince Role

In the case of the steel industry, attention is concentrated on the strike prospects, and the possibly imminent downward turn of the cycle in this "prince-and-pauper" industry, in lieu of the long sustained tremendous output, and the "inflationary" strike aspects level, with the likelihood of an ensuing hike to the price structure, is also dwelled on now.

New Skepticism About Political Pump-Priming

The certainty of that Presidential Election year prop is now becoming doubted, with the spiking of confidence in certain interventionary helps, as in the farm area and in such fields as highway construction. In weighing the likelihood of a "1929" replay, Professor A. G. Hart told the Columbia Graduate Schools' Alumni last week of the potential interference with such stimuli by very reason of this period's political motivations.

In similar vein, George A. Renard, Executive Secretary-Treasurer of the National Association of Purchasing Agents, maintained before a Cleveland economists' brain-washing session this week that "Government is the cause of depression, not the cure. Government can cause them by waste, deficit spending and inflation."

Misgivings About Expansion Plans

One of the greatest props to vulnerable morale have been the estimates of business plans for expansion of plant and equipments, and for research. In line with the recent Department of Commerce estimates, the periodic report of McGraw-Hill's Economic Research Department issued under the aegis of Dexter Keezer last week, estimates that business this year will thus spend $39 billion in 1956, or no less than 30% more than last year. Similarly, this survey, based on direct questionnaires, discloses that such high expenditures are expected to continue on through 1957, 1958, and 1959.

Such estimates customarily supply an important fillip to popular sentiment and forestall much forecaster doubt and misgiving. The relevant point we wish to make is that now, midst the changed economic climate, unprecedented skepticism accompanies these surveys. At a discussion of the McGraw-Hill conclusions, previous errors in individual series was strongly recalled. Vulnerability of the key motor industry was re-emphasized. Again, it is pointed out that such raising of business sights may merely reflect human boom psychology presaging a bust just when the blue skies excite the businessmen to their greatest enthusiasm.

And on postponability, coincident either with change in psychology or a lessening in the demonstrated need for expanded facilities, Professor Hart reminds us that a month's putting-off in the projects previously scheduled for 1957 would itself effect a reduction in the outlays by 12% below 1956.

And here too in the area of prospective business expansion, the possibly deleterious effect of tighter money is also cited.

From Hot-to-Cold With Inventories

The inventory situation represents another instance of hot-and-cold oscillation in the public's attitude. In lieu of shortages, surplus inventory in the face of the threat of sales declines now represents the focal point of forecasters' worry.

Similarly, curtailment of foreign aid midst this period of sobered morale is looked at for its deflationary aspects; in contrast to the constructive effects from ensuing tax relief and the like, during rosier psychological states.

"The other side of the medal" is now also applied to the securities markets, even to that most popular oil sector. The threat of new discoveries, and competition from atomic energy, are some of the dire eventualities now envisaged in some quarters.

* * *

Some day *all* will be sweet and bullish again—the comment as well as the statistics! Meanwhile, the intrinsic investment *values* carry on with comparative stability.

Two With Lee Higginson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph T. Feeney and Robert C. Hodgkins have been added to the staff of Lee Higginson Corporation, 231 South La Salle Street.

Joins B. J. Vincent

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John E. Earle has joined the staff of Burton J. Vincent & Co., 105 South La Salle Street. He was formerly with S. A. Sandeen & Co.

The Stock Market Today And Tomorrow's Outlook

By JACOB GOULD SCHURMAN III*
Partner, Schwabacher & Co., San Francisco

After describing stock market functions, Mr. Schurman states security prices may look high today, and in the intermediate term may rise, decline or consolidate, yet over the longer term they "must almost inevitably seek substantially higher levels." Advises selectivity be applied on both a short- and long-term basis, and stresses the advantages of firms with technological, engineering researchability, and managerial foresight. Finds conceivable, with current money tightness, that the spread between stock and bond yields may disappear entirely.

Before looking at the market itself, we should perhaps stop for a second to define it and to briefly consider its functions. The New York Stock Exchange is a market place for securities and a share of stock represents an ownership interest in a business. The stock market is the place where such interests are bought and sold at different prices depending in great measure on the law of supply and demand. The stock market performs a number of very essential functions.

Jacob G. Schurman

In the first place, it enables those who save and people with available funds to easily invest their funds in selected industries or companies. It provides these investors, for that is what they are, with an extremely high degree of liquidity. It offers the owners of these funds an opportunity to place comparatively small amounts of money in many different industries or businesses and yet be able to withdraw this money at will.

From a social point of view it has in great measure made possible the growth of American industry. Successful corporations find it easier to raise money from a multitude of investors because of the existence of a convenient buy and sell market. While new securities issues are, of course, not floated on the New York Stock Exchange, nevertheless the fact that the new shares offered may be listed on the Exchange or may be traded in the Over-the-Counter market provides the degree of liquidity which investors demand. In short, the stock market and the New York Stock Exchange are vital to the health of our economic system.

History

A brief word of history—It is probably fair to say that the birth date of the Stock Exchange was May 17, 1792. The first security traded was an $80 million Government issue authorized by Congress in 1790 to help pay for the costs of the Revolutionary War. In 1863, the name New York Stock Exchange was adopted; in 1867 the first stock tickers were installed, and in 1879 the first telephones were installed in the Exchange. In 1886, for the first time, one day's volume of trading topped one million shares.

I should perhaps add that today 1,509 stocks, 1,081 of them common stocks and 428 of them preferred stocks, are listed on the New York Stock Exchange and that 500,000 miles of telegraph and telephone wires connect the trading floor with the offices of members of the Exchange in 470 cities in the U. S. and with many foreign countries. This organization and these facilities make possible the exchange and constant revaluation of shares, which we call the market.

So much for history. **Where does the market stand today?**

Market's Stand Today

Historically, and on an absolute basis, the market is high, but it is not as high as it has often been in the past. It is probably not high at all on a very long-term basis, for I anticipate that at some time in the future we will see much higher prices paid for the shares of most of America's great companies. This is not to imply that before this occurs prices of these stocks may not decline substantially.

The most widely used average of stock prices is the Dow Jones Industrial Average. The Average is made up of the stock of 30 representative industrial companies. It is not an average of the prices of the stocks of which it is composed. It is more truly a mathematical computation; nevertheless, it is the most universally quoted market trend indicator. At 501 (May 11 close), the Dow Jones Industrials were selling at 14 times last year's earnings of $35.78 per share. In 1946, the Industrials sold at 15.7 times earnings, in 1937 at 17 times earnings, in 1936 at 18½ times earnings, in 1929 at 19.7 times earnings, in 1928 at 19½ times earnings, and in 1927, at 14.6 times earnings.

Based on 1955 dividend payments of $21.58 per share for the Dow Jones Industrials, the averages at 501 were selling to yield 4.31%. At the 1929 high, the yield on the Industrials was 1.9%, in 1928 it was 2%, and in 1927 it was 2.7%. However, dividends have been increasing quite sharply in recent months. For the first two months of 1956, corporate dividend payments were up approximately 15% over the same 1955 period. While this rate will probably not be maintained throughout the year, nevertheless it is probable that payments this year will exceed payments in 1955 by a fair margin.

Stock-Bond Yields

With the current money tightness, and I emphasize the word "current," despite the rising trend of dividends, it is conceivable that the spread between stock and bond yields, which has been narrowing within the past few months, may disappear entirely. In 1942, stocks yielded 7.4% and bonds 2.8%—in late April of this year, the yield on highest grade bonds was 3.24% compared to our present stock yield of 4.31%, a differential of only 1.07%. What will happen if bond yields exceed stock yields? Probably nothing, so long as confidence in stocks continues to remain at a high level. Historically, stock and bond yields were even in 1919 and bond yields exceeded stock yields in 1901, 1906, 1928 and 1929. These factors all point up the obvious fact that while the market as a whole is no longer in a zone of deep undervaluation, a zone which existed for many of the postwar years, yet it has not reached levels comparable to past highs.

Low Trading Volume

I do not wish to bore you with too many figures nor tire you with too much statistical data but for a moment I think we should look at a few statistics on the other side of the picture. Trading volume is low when compared to market activity at previous highs. At the present rate of trading it would take over six years for all of the shares (over four billion) currently listed on the New York Stock Exchange to change hands. Trading this year has been at the rate of 16% of all listed shares. In 1901 all listed shares changed hands at the rate of 319%, 153% in 1919, 132% in 1928, and 119% in 1929. To equal 1928's rate of turnover today, daily market volume would have to exceed 21 million shares.

Today, loans on securities are extremely low. Actually in dollars brokers' loans against securities were larger in 1925 than they are right now. In 1929 almost 10% had been loaned against the total value of all listed securities and this compares with a figure of approximately 1.2% today. Today, brokers' loans amount to approximately $2,800,000,000 against 1929's $8½ billion.

Dealing, therefore, largely with statistics, we find that although the market is high, it has been higher . . . that while in some measure present levels may be compared to past market highs, there are nevertheless important points of dissimilarity. What then makes the market—what is its

Continued on page 37

*An address by Mr. Schurman before the Fort Sutter Lions Club, Sacramento, Calif., May 15, 1956.

Research Economics from Stockholder's Viewpoint

By ROLAND P. SOULE*

Vice-President, Irving Trust Company

Noting that stockholder and management views of research differ, Mr. Soule suggests basic principles management should consider in order to take the point of view of what is best for the common stockholder. Explains: (1) difference between expansion and protection research; (2) quality of earnings is as important as magnitude; (3) how to measure effective cost to the stockholder of capital in a new project; (4) advantages in calculating rate of return on Project's original investment than its average book value; (5) how to calculate cost of new capital—to the stockholder; (6) usefulness of "pruning the corporate tree" by selling or liquidating and dangers of concentrating on adding increments of business; and (7) methods to reduce such capital costs as new common equity by pursuing right kind of diversification, stability in dividends, and right rate of growth.

My subject is not what the average stockholder thinks of industrial research. It is what the management of the average industrial company must think of research when it takes the point of view of what is best for the common stockholder.

Roland P. Soule

The average stockholder, as you all know, thinks so well of research that he needs little further argument to persuade him of its merits. Management, however, has necessarily taken a somewhat more critical attitude. It recognizes of course, the great contribution which research has made to the country's rise in productivity. It is also keenly aware of the spectacular growth in earnings of the companies whose technology is based on research. And it would agree that some research is probably good for almost every company in every industry. But managements of companies in various industries differ markedly in their opinion of the extent to which research can profitably be used in their particular situations. Thus, the ratio of research expenditures to sales varies widely from industry to industry and, even in the same industry, from company to company.

Many managements have undoubtedly used research too sparingly. But there are some who have used it too lavishly or too unwisely. The records of the stock market provide more than a few case histories of companies which have continuously spent large sums for research but without corresponding benefit to their stockholders. And I am particularly concerned that the number of such case histories may multiply in the future. Expenditures by industry for research and development have been growing much faster than our economy as a whole. Thus, it has been estimated[1] that in the last 30 years they have been increasing at an average annual rate of about 10%, compared with only about 3% for the gross national product. If they continue to rise at this rate research expenditures in the next 10 years will be over 2½ times as much as in the last 10 years and nearly seven times as much as in the preceding decade, i.e. the not-so-remote period between 1936 to 1946. Is this too fast? Will research in these gargantuan doses help or harm the stockholder?

The risk, of course, lies in the huge new investments which must continuously be made in new machinery and equipment to give economic life to the facts learned in the laboratory and pilot plant. Each new investment, of course, carries with it not only the hope of something to be won but also the threat of something to be lost so far as the interest of the stockholder is concerned. If the result is to be good, then a number of basic economic principles must at all times be borne in mind. These principles relate, for example, to the screening of new projects, the means selected to finance them, the choice of capital structures, the percentage of earnings to be distributed as dividends, the types of business to acquire or liquidate and certain other broad questions of company policy.

I do not pretend that these principles are either original or new. I believe that they are already being observed—either consciously or unconsciously—by the companies which have been most successful in their programs of diversification and expansion. And, finally, I do not offer these principles as a substitute for sound business judgment, but only as an aid in making executive decisions. With these reservations let me proceed to my discussion, which I shall divide into three parts. The first part will relate to the measurement of successful research. The second part will be concerned with its financing and the third part with its management.

The Measurement of Successful Research

Let me say at the outset that nobody expects every successful engineering project undertaken by a company to increase its profits. For example, new models of automobiles, refrigerators and domestic appliances of all sorts need to be brought out at regular intervals. This can be a very expensive operation. Huge new investments in tools and dies may have to be made each year. Of course, the hope is always held that the new model will outrun the competition and that a bigger share of the business will be obtained. But the project can still be considered successful if its only result is to keep profits at the same level as in the past.

For the purpose of my discussion today, however, I choose not to regard the periodic development of new models of established products as an activity which is properly classified as "research and development." I concede that the two activities may overlap in many instances, but it seems to me there is a fundamental difference in principle. Thus, the engineering of new models is mandatory if a company is to manufacture the product at all. It is almost as much a part of the company's day-to-day cost of operations as materials and direct labor. Presumably the only alternative to engineering of this nature would be to go out of the business completely.

I propose to talk today about research of the type to which an alternative course of action might be reasonably considered. The most obvious example of such research is, of course, that which is designed to increase a company's earnings above the already existing level. It is the so-called *aggressive or expansion-minded* type of research. It consists characteristically of the development of new markets for existing products (in either their present or modified form) and the addition of entirely new products to the line. A company is under no immediate compulsion to undertake research of this type in order to stay in business. In this application of research, therefore, it is entirely in order to inquire if the results are worth what they cost.

But what about research designed to reduce the cost and improve the quality of a company's already existing products? Work of this sort is always a major activity of industrial research organizations and often receives more attention than the development of new products. How can such research be classified? At one extreme its objective is to increase profits — which would classify it with the aggressive type of research. At the other extreme its objective is simply to keep the company in business — which would classify it with the engineering of new models. But between these two extremes the most common objective of the cost-reducing, quality-improving type of research is to combat long-term trends of an adverse nature. Thus it is not concerned so much with year-to-year changes in design as it is with the problems growing out of saturation of markets, shifts in consumers' buying habits and technological obsolescence in general. Research of this broad type may be classified as *defensive or protection-minded.* Since its goal is to prevent or to defer the loss of profits, it can be financially very successful even though it results in no increase in earnings.

Experienced and rational business managements see no reason, however, to appraise defensive research any less objectively than aggressive research. Just as the new earnings added by aggressive research must be enough to justify their cost, so must the old earnings saved by defensive research be enough also to justify their cost. The basic principle is the same in each case, even though the visible effect upon reported earnings may be quite different.

It is not in terms solely of the *magnitude* of earnings, however, that the financial advantages of research — whether aggressive or defensive—can best be measured from the viewpoint of the stockholder. The *"quality"* of earnings can be fully as important as their magnitude, as witnessed by the widely differing values given in the stock market to earnings of equal magnitude from various sources. Hence, it is in the market action of their stock that the shareholders of a publicly-owned company primarily feel the results of research. More specifically, it is the rise or fall in the price of the stock relative to the market as a whole, with proper credit for dividends received, that measures the benefits to them of what the company has been doing over some stated period.

Of course, the company may have been doing many other things in this same period, and not all of the benefits can be credited to research. But for the purpose of the present discussion all new projects can be measured by the same yardstick. It makes no difference whether the projects represent the results of a company's own research, or the outright purchase from others of new products or processes, or the acquisition of new companies for cash or stock. In each case the value created by the project must be worth its cost to the stockholder, or the stockholder will gain no benefit. This relationship between cost and value is of great importance, therefore, in measuring the results not only of a company's own research projects but of all the other projects which it may undertake in expanding its operations in various directions.

Effective Cost to Stockholder

Now what do I mean when I speak of the "cost to the stockholder" of some new project? It is the effective cost to the common stockholder of the capital required to finance that project, whatever its nature may be. For each project, of course, the capital must be the *total* amount required, including working capital where necessary.

If the sales of an existing product are to be expanded or if a new product is to be added to the line, some additional working capital is required and must be included with the cost of the new plant and equipment. And in the case of a project based on research, something further might be added for the cost of the research itself. It is common practice, of course, to write off all research costs as a current expense in the year in which they are incurred. But the cost accounting for each individual project would be more accurate if the research expenses allocated to that project were capitalized and included in the total investment along with the fixed assets and the working capital.

The effective cost to the common stockholder of providing this total amount of capital is the rate of return which must be earned thereon so that the financial rewards of his stock ownership will not be adversely affected. Stated more precisely, it is the minimum average rate of return which must be earned over the life of the project such that the resulting effect on the price of the company's stock plus credit for dividends paid will be at least as favorable as if the new project had not been undertaken. The higher the average rate of return earned on the project, the greater, of course, will be the financial reward to the stockholder. Conversely, the higher the average cost of the capital used to finance the project, the lower will be his financial reward. And, unless the new earnings are worth more per dollar than the old earnings, a rate of return on the new project exactly equal to the cost of capital will leave the stockholder's position unchanged.

The stockholder cannot expect, however, to see any precise correlation between the rate of return on a company's capital investments over some limited period of years and the improvement in that period in the market price of the company's stock and the dividends which it pays. The short-term movements of earnings and market prices are far too sensitive to other influences. They respond, for example, to the ups and downs of that part of the company's business which may be completely unrelated to the new investments. Also, new plants ordinarily do not produce their maximum profits in the early years of their life and hence their rate of return may be abnormally low in that period.

It is not suggested that a company's management, having determined what its average cost of capital is likely to be, should rigidly rule out all new projects unable on advance evidence to exceed this rate. The projects which are most certain to fulfill their forecasts are, unfortunately, usually those which yield the lowest rate of return. They are characteristically cost reducing in nature: a new steam plant or a program of retooling. On the other hand, projects which sometimes yield the highest return are often the most uncertain at the start. Thus, they may be only exploratory in nature and lacking in any specific objective. They may even be little more than basic or fundamental research. Yet the ultimate reward of this unpredictable type of activity may be a revolutionary new product or process.

But it would be quite short-sighted, however, if for this reason all restraint were thrown to the winds in the screening of proposed projects. A big majority of all the new undertakings of the average industrial company have objectives which are quite definite in nature and susceptible to advance estimates of a fair degree of reliability. For example, the objective may merely be an expansion in the capacity of a plant to make an old product of known cost and established consumer acceptance. And even when a completely new product is involved, there are usually available the results of a pilot plant operation and an extensive market test. In deciding whether or not to appropriate the necessary funds to carry out projects of this familiar sort management would be well advised to compare the indicated cost to the stockholder with the estimated value to be created. One result might be a general raising of sights with respect to the required rate of return. Of course, the riskier the project, the higher the rate of return which should be expected. But many managements may be surprised to see how high an average rate of return must be earned on all new projects — both safe and risky, and both successful and unsuccessful—if the stockholder actually is to be benefited. Another result might be a decision to take all possible steps to reduce the average cost of new capital, i.e., the effective cost to the stockholder of raising the funds necessary to finance the new projects.

The Financing of New Projects

How important is the cost of capital to the average industrial company? Is it large or small in relation to typical rates of return? Exactly how much does a stockholder stand to gain by a reduction in financing costs?

In answering these questions it is necessary first to define "rate of return." You may all be aware that industrial companies use widely differing formulas which, when applied to exactly the same set of conditions, result in correspondingly different "rates of return." Now I have no quarrel with any method which a company may choose, so long as the method is used solely to compare one project with another. But when the rate of return of a project is to be compared with the cost of the capital employed to finance that project, then the rate of return must be calculated on the same basis as the cost of capital or the comparison will have no meaning.

It may be assumed that all types of capital are fairly permanent in nature, although this is not strictly true of long-term debt or borrowed capital. This means that so long as the capital is outstanding in its original amount—which conceivably may be forever in case of common or preferred stock—the annual cost of the capital must be based on the original amount and not on some continuously declining figure. Hence, the rate of return, if it is to be a comparable number, must also be based on the same original amount and not on some continuously declining figure. This observa-

*An address by Mr. Soule before the National Industrial Research Conference, sponsored by Amour Research Foundation of Illinois Institute of Technology, Chicago, Ill.

[1] By Raymond H. Ewell of the National Science Foundation.

tion may appear trite and would not need even to be made if the new capital were to be invested in marketable securities or the common stock of some other company. But when the new capital is invested in plant and equipment—as is commonly the case with research-born projects—then the book value of the investment is a continuously declining figure. Hence, if the amount of the investment is assumed to be average book value, as so often is the case, the resulting rate of return may be as much as twice as high as when the investment is figured at its original cost. Consequently, the situation can well arise where the indicated rate of return will exceed the cost of capital and the project will thus appear to benefit the stockholder only if the investment is taken at its average book value. The possibility of self-deception by management is thus quite obvious, and herein lies one possible explanation of why the expansion programs of some companies have been so disappointing in their results.

Since all types of capital are fairly permanent in nature the rate of return should always be calculated on the original investment in the project and not on its average book value. If the original investment should contain no assets subject to depreciation or amortization, the resulting rate would be quite comparable with the cost of capital. On the other hand, if the original investment should consist exclusively of depreciable assets, the average effective rate of return over the life of the project might actually be 50% higher. This is because the cash accumulated by the depreciation reserves may average, over the life of the project, about 50% of the original investment and may conceivably be invested in other projects to return the same rate. In actual practice, however, the original investment usually contains a substantial amount of working capital, which is non-depreciable. Hence, the rate of return calculated on original investment usually need not be increased by more than 30 or 40% to give a figure comparable with the cost of capital.

I do not propose this relationship, however, as other than a rough "rule of thumb," since it obviously depends on the speed of depreciation and the average rate of return on all of the company's new projects. The theoretically correct method of calculating both rate of return and cost of capital is, of course, the discounted cash flow method, but this procedure involves practical difficulties of a rather formidable nature.

The pretax rate of return which well-managed industrial companies have earned on new projects in recent years has ranged from about 5 to 25% of the total original investment, with 10 to 12% very commonly reported. If we should raise these last figures by about one-third to provide for the added earnings on depreciation reserves, we would get 15% before taxes as a typical rate of return which in recent years would be comparable with the stockholder's cost of capital. In other words, the margin by which this 15% exceeded the average cost of capital in the same years would measure the extent to which the stockholders of the company benefited from its new investments.

Cost of New Capital

Now how much does new capital of various sorts cost the stockholder? Please note that I say "cost the stockholder" and not "cost the company." To the company only borrowed capital has cost in a true accounting sense. This is one reason, perhaps, why so many managements jump to the conclusion that other forms of capital, if they are "free" to the company, must be equally "free" to its stockholders. Let us finance a million dollar project by various kinds of capital and see its effect upon the common stockholder, which is the kind of stockholder I have in mind when I refer to stockholders in general.

Assume, first, that the project is financed by borrowed capital at 3½%. It must then earn only $35,000 a year *before* income taxes to pay the interest charges. If it earns no more, the project just breaks even and the stockholder is neither helped nor harmed. But if it earns 15%, as assumed for our typical company, then the common stockholders are better off by $150,000 minus $35,000, or $115,000 a year before taxes.

Assume, secondly, that the project is financed by preferred stock carrying a 4½% dividend. It must then earn $45,000 a year *after* income taxes to pay the preferred dividends. Assuming income taxes to be 50% for easy figuring, the project must earn $90,000 a year before taxes. A 9% pretax rate of return is then the break-even level. At the assumed 15% rate, however, the common stockholders are better off by $150,000

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Dealer-Broker Investment Recommendations & Literature

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

Atomic Commentary—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.

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

Credit Controls—Bulletin—Park, Ryan Inc., 70 Pine Street, New York 5, N. Y.

Electric Utilities—Survey with particular reference to **California Electric Power, Southern Company, Union Electric Co., Utah Power & Light.** Also in the same bulletin is a list of high-yield utilities — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

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

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

Making Money with Mutual Funds—Analysis of mutual funds and open end trusts and the degree of investment success each has attained with a "scoring screen" revealing individual characteristics of 61 mutual funds—Hugh Johnson—Henry Stewart, Inc., 210 Ellicott Street, Buffalo 3, N. Y. —$3.75 per copy.

Market Refunding of 2s of 8/15/56—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Mining News from Canada—Weekly publication "The Quebec Miner" containing information on all of Canada's mining activities covering copper, uranium, base metals, oil and gold—26 issues $5.00; 52 issues $8.00 (subscription entitles subscriber to complete analysis on any two Canadian Stocks) —Sample copy on request—The Quebec Miner, 455 Craig Street, West, Suite 104, Montreal, Que., Canada.

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.

Rail Stocks—Tabulation in current issue of "Pocket Guide"—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also in the same issue are a list of selected securities for income, for growth and for trading.

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Aberdeen Fund—Data—David L. Babson Distributing Corporation, Dept. CFC 51, 89 Broad Street, Boston 10, Mass.

American Chain and Cable—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

American Steel Foundries — Analysis — Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

Borax Consolidated, Ltd.—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

British American Oil Company Limited — Analysis — Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Capital Venture Fund — Literature — Knickerbocker Shares, Inc., 20 Exchange Place, New York 5, N. Y. Also available is data on **Knickerbocker Fund.**

Continental American Life Insurance Company of Wilmington, Del.—Report—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Cosmopolitan Life Insurance Company — Analysis — Herman Bensdorf & Company, Commerce Title Building, Memphis 3, Tenn.

Curtiss Wright Corporation—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y

L. A. Darling—Late data—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Emerson Electric—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Financial Industrial Fund—Data—FIF Management Corporation, Dept. W-3, 950 Broadway, Denver 3, Colo.

Gardner Denver Company — Bulletin — Gartley & Associates, Inc., 68 William Street, New York 5, N. Y.

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

General Investors Trust—Literature—Investors Planning Corp. of America, 60 East 42nd Street, New York 17, N. Y.

Gulf Mobile & Ohio Railroad—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Hollinger Consolidated Gold Mines, Ltd. — Analysis — James Richardson & Sons, 173 Portage Avenue East, Winnipeg, Canada, and Royal Bank Building, Toronto, Canada. Also available is an analysis of **Steep Rock Iron Mines Limited.**

Home Oil Company Limited — Analysis — Mitchell of Canada, 32 Davenport Road, Toronto 5, Ont., Canada. Also available is an analysis of **Tiara Mines, Ltd.** and **Consolidated Fenimore Iron Mines Limited.**

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

International Oil & Metals Corporation—Bulletin—Seaboard Securities Corporation, Tower Building, Washington, D. C.

Julius Kayser & Co.—Analysis—Henry Montor Associates, Inc., 40 Exchange Place, New York 5, N. Y. Also available is a circular on **Penn Texas Corp.**

Keystone Custodian Funds—Data—Keystone Company of Boston, Dept. D-160, 50 Congress Street, Boston 9, Mass.

Mountain Fuel Supply—Analysis—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah.

Mountain Fuel Supply Co.—Analysis—J. A. Hogle & Co., 132 South Main Street, Salt Lake City 1, Utah.

Pabco Products Inc. — Memorandum — Talmage & Co., 111 Broadway, New York 6, N. Y.

Pacific Uranium Mines Co.—Circular—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y. Also available is a circular on **Stancan Uranium Corp.**

Pepsi-Cola Bottling Company of Long Island, Inc.—Bulletin—Blair & Co. Incorporated, 44 Wall Street, New York 5, N. Y. Also available is a bulletin on **Progress Manufacturing Company, Inc.**

Reliance Electric & Engineering—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Carrier Corporation.**

Resistoflex—Report—Steiglitz & Co., 67 Wall Street, New York 5, N. Y.

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

Safeway Stores—Analysis—Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y.

Selected American Shares, Inc.—Data—Selected Investments Co., Dept. CF-5, 135 South La Salle Street, Chicago 3, Ill.

Speer Carbon Company—Study—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Wheeling Steel Corporation—Report—Mellott, Thomsen, Pitney & Co., 29 Broadway, New York 6, N. Y.

COMING EVENTS

In Investment Field

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 7, 1956 (Boston, Mass.)
Boston Securities Traders Association 37th annual summer outing at the Oakley Country Club, Watertown, Mass.

June 8, 1956 (Chicago, Ill.)
Bond Club of Chicago 43rd annual field day at Knollwood Club, Lake Forest, Ill.

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.

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

Nov. 14, 1956 (New York City)
Association of Stock Exchange Firms meeting of Board of Governors.

Southern California Gas Bonds Offered

A group of underwriters headed by Halsey, Stuart & Co. Inc. is offering, subject to clearance by the SEC, $40,000,000 of Southern California Gas Co. 3⅞% first mortgage bonds, series B, due 1981, at a price of 102.016% and accrued interest. The group was awarded the bonds on its bid of 101.1199%.

Proceeds from the sale of the bonds will be applied to the company's construction and expansion program.

Southern California Gas Co. is an operating public utility engaged in supplying gas in the counties of Los Angeles, San Bernardino, Ventura, Kern, Riverside, King, Tulare, Fresno, Imperial and Santa Barbara, all in the State of California. The total population served is now estimated at 5,200,000, a gain of approximately 22% in the past five years.

Halsey, Stuart Group Offers Iowa Power & Light 3⅝% Bonds

Halsey, Stuart & Co. Inc. heads a group of underwriters which is offering, subject to clearance by the SEC, $7,500,000 of Iowa Power & Light Co. first mortgage bonds, 3⅝% series due 1986, at 101.749% and accrued interest. The bonds were awarded to the group on its bid of 100.929%.

Net proceeds from the sale of the bonds and from the sale of 226,871 additional shares of common stock are to be applied to the company's construction program.

Iowa Power & Light Co. operates in central and southwestern sections of Iowa. It supplies both electric and natural gas service in and around Des Moines and in 17 other municipalities; it furnishes electric service in Council Bluffs, 85 other municipalities, and more than 100 unincorporated communities; and it furnishes natural gas service alone in six municipalities. The area served by the company includes some of the most fertile and prosperous farmland in the United States.

From Washington Ahead of the News

By CARLISLE BARGERON

The widely advertised radio debate between Estes Kefauver and Adlai Stevenson, rival Democratic candidates for the Presidency, turned out not to have been any debate at all. They were both against the Eisenhower Administration and for the same reasons. If one of them in his turn listed a grievance which the other one had overlooked, he returned to say, yes, that's right, this was one of his grievances, too.

Carlisle Bargeron

On the basis of what they said, there can hardly be a choice between the two men. But, if I must make a decision, I'll take Stevenson. He spoke his words from memory. Although he tried to disguise it, Kefauver had to read his.

But the man has improved in his reading. For one reason or another, I haven't had the time to listen to him much since he launched his crime busting crusade several years ago. At that time he merely mumbled. He still seems rather timid but this is apparently what has attracted a lot of voters. There is a sort of winsomeness about him. Stevenson is at home with the English language, quite cocksure, in fact.

It seems they are both worried that the Eisenhower Administration is losing our "friends" abroad. We are giving the impression that we are upholders of colonialism. Presumably they would have us join with the Algerians, the Cypriots, the other nationalist uprisings and help destroy what is left of Britain and France. After two world wars we have done our part in reducing the British Empire, as it is, but we should go further, all because we were once revolutionists and to acquire the love and affection of the "little peoples" throughout the world.

They both think we should put more emphasis on economic foreign aid in the future, rather than on military aid. We shouldn't let the foreign nations think we are just trying to use them. This idea is not original with either of these two gentlemen, nor is it a Democratic or a Republican idea. It has come recently to be quite a subject of intellectual discussion in the Washington salons and in the off-moments of Congress. It marks progress in our thinking.

No longer is it a question of whether we should continue the spending or cut down on it. It is simply how we should clothe it. To me the foreign aid has always been so mixed of economic and military purposes that it has been difficult to tell which was which, but it undoubtedly shows a growth in our intellectual stature to be thinking now of placing the emphasis on one of the two, particularly on the economic side.

The recent dropping of a hydrogen bomb from a plane in the Pacific makes both Kefauver and Stevenson shudder. They are awed by the tremendous power of destruction in the world. At least, Kefauver opened up on this theme and Stevenson, in his turn, felt the same way. It pointed up the need for one of them in the White House but the question of just which one was left unresolved.

It seems to me, though, that Kefauver has broader interests than Stevenson. You got the impression that the latter's interests center on a higher and universal plane. Kefauver is grippingly absorbed here, too, but then he would like to be President to do something for the farmer, the small farmer, the small business man, he doesn't think the work he started against crime has been completed and he would like to continue. He would like to do something for Florida's inland streams, he was speaking in Florida and he and Stevenson are contesting in a primary there; Estes wants also to do something for Israel, he wants to liberalize the social security system. Watching them, Stevenson seemed to be rather taken back by this wide range of interests.

Estes has it, all right. He wants to be President to stop the "give away" of our natural resources. He would be a very busy and versatile man in the White House, all right.

You can get a line on what sort of man he would really be from his desire to help the "little farmer." There are, out of a farm population of 22 million, some 1,700,000 of these "little farmers" whom Estes is talking about. They make less than $2,000 a year in net cash income, and they produce only 9% of the agricultural output. They are the "problem" farmers around whom all the political agitation for "doing something for the farmer" centers. They are the political justification for always tampering with the farm price structure, of giving price supports and removing acreage from production and the like. Yet none of these benefits ever reach them. They are completely outside the pale. They are a problem but not a farm problem. Estes is right in there with the other demagogues on this agitation.

Jones, Kreeger Branch

BETHESDA, Md. — Jones, Kreeger & Hewitt, members of the New York Stock Exchange have opened a branch office at 7730 Wisconsin Avenue under the direction of Robert M. Hanson.

E. P. Quinby With Albert Frank Agency

Ernest P. Quinby has joined the Public Relations staff of Albert Frank-Guenther Law, Inc. He was formerly manager of public relations for the Agricultural Division of Chas. Pfizer & Co., Inc., Brooklyn and prior thereto with the public relations department of Scott Paper Company, Chester, Pa.

Form Cochrane & Craven

BAY SHORE, N. Y.—John C. Cochrane and William P. Craven have formed Cochrane and Craven Agency with offices at 52 Maple Avenue to engage in a securities business.

The Economic Outlook And Demand for Oil

By C. L. BURRILL*
Chief Economist, Standard Oil Company (New Jersey)

Mr. Burrill scrutinizes the present and recent past in order to discern the near and future general economic prospects, and the demand for petroleum products. Believes indications suggest: (1) "sideways" movement for the next few months not to be followed by a broad upturn in economic activity for the balance of the year; (2) forthcoming inventory adjustment will not trigger an economic collapse, but might prompt a mild downturn; (3) GNP in 1954 prices should reach $535 billion by 1965, or 2% annual per capita increase in real income; (4) 60% greater demand in 20 years than now, and (5) increased oil demand in 1956 over past year, with future demand supplied by products of present type but share of total by each product to change considerably.

Today, there is no dominant trend in the economy either upwards or downwards. For about six months business as a whole has been remarkably stable at a very high level and it has become fashionable to say that the economy is moving "sideways." I think I can detect, among those who use this phrase most, a strong hint that they are also not committing themselves to any view at all as to how the economy will move next. In this respect they differ from what may be called two rival schools of thought which flourished last winter. At that time some people expected a dip in business early this year to be followed by a period of little change which would, in turn, give way to a brisk upturn in the fourth quarter. These people said the economic indexes for 1956 would assume the shape of a saucer. Other forecasters expected the 1955 expansion to continue into early 1956. These people foresaw a downturn quite late in the year, and they spoke of the 1956 economic indicators taking the form of an inverted saucer. In recent weeks, neither of these "saucer" schools of thought has been very vocal and we have heard much, instead, of "sideways" economic movement in 1956.

C. L. Burrill

The "sideways" movement we have had thus far has been the net result of a balance among several very large and powerful economic currents. Therefore, a forward look into the remainder of this year involves a judgment as to whether forces of expansion or forces of contraction will dominate or whether, possibly, they will continue approximately to counterbalance each other. I should like to turn to a consideration of these various expanding and contracting forces and give you some flavor of their relative strengths and their recent behavior.

The recession of 1953-54 was associated with a decline of $13 billion in the annual rate of federal government outlays for national security, but the recession was a mild one and the country's total output of goods and services fell by an annual rate of only $2 billion over the same period. The major reason for the mildness of that recession was that consumers went right on increasing their levels of living while the readjustment to a lower rate of federal spending took place. This 1954 increase in consumer demand was influenced by reductions in taxes, higher wage rates and a lower rate of saving.

But, in 1953-54, it was mainly consumers' spending on services that increased. It was only in 1955 that we as consumers spectacularly raised our expenditures on new homes, new cars and other consumer durable goods. It was this outburst of consumption in 1955, in fact, that made last year's boom much more robust than many people has expected it to be.

Lessened Consumer Demand

In connection with the consumer's energetic performance last year, you will recall many references to the fact it was financed to a considerable extent on credit. Consumers' installment debts rose last year by the unprecedented amount of $5½ billion, or by 25%, while mortgages on one to four-family houses rose by about one-sixth. There are indications now that the major thrust of this sharp rise in consumption has spent itself and neither "ordinary consumption expenditures" nor outlays for residential housing are expected to add as much to total demand in the economy this year as they did last year.

Turning from consumption expenditures, we next consider business investment in inventories, which has been an outstanding factor in determining the year-to-year level of activity in the postwar period. These postwar changes in inventories have in general tended to accentuate changes occurring in other sectors of the economy. In 1950-51 they rose very substantially, adding to the inflationary pressure of those days when the nation was facing difficult, trying, and new experiences in Korea. Then, in 1953-54, when the decline in national security outlays was lessening total demand, inventories moved into a liquidation phase, adding very considerably to the forces making for decline in output at that time. In 1955, business in the aggregate made sizable additions to inventories, and this build-up shared importance with the upsurge of consumer spending in accounting for the proportions of last year's boom.

Inventory Expectations

But in business inventories, we have another factor which is almost certain to be less expansive this year than it was last year. Their growth accounted for most of the business expansion in the fourth quarter of last year and all the available signs point to a further large growth thus far in 1956. Now inventories are held against the prospect of future sales, and clearly an economy could not prosper long by producing goods only to be held as inventories. Since they are related to current and anticipated sales, it may be regarded as quite certain that the recent rate of additions to business inventories cannot last very much longer because total business sales have been roughly unchanged since early last fall.

In one major industry inventory accumulation has already gone beyond a satisfactory relationship to sales. Last winter, new cars began to pile up in the hands of automobile dealers and production had to be curtailed in response to this evidence of a clogged market. Through mid-April new car assemblies were 20% below the same period a year ago and there was as yet no evidence that new car inventories had taken a decisive turn downwards.

Non-Buoyant Retail Sales

As I pointed out at the beginning of my remarks, we are now in a period when the economic trends are mixed. But the prevailing sentiments of consumers and businessmen do not suggest that they foresee any significant early easing off of business conditions. Instead, optimism is in the air generally, and this buoyancy of attitude is itself of importance in appraising the future. For example, a recent survey of consumers' finances indicated that people were taking about as optimistic a view of their own personal financial prospects this year as they did last year, and that they were planning to make purchases of major durable goods on about the same scale as last year. But most economists, keenly aware of the heavy debt consumers have incurred over the past year, are noting that retail sales have not yet reflected the buoyancy which consumers are said to have felt when they responded to questions about their economic outlook.

We do note, however, signs that optimism is having an important effect in another very important sector of the economy. One of the most impressive features of these postwar years has been the very high rate of business investment in fixed productive facilities—plant and equipment. These capital outlays have mightily enlarged our productive base and they have greatly exceeded anything known before. In 1954, business outlays for fixed capital declined somewhat, but early in 1955 they turned modestly upward and proceeded to increase in each successive quarter of the year. By the final quarter of 1955, investment in producers' capital was running at an annual rate of $42 billion, a higher rate than had ever been achieved before, and there was a further increase in the first quarter of this year.

Increase in Activity

In considering the outlook for business fixed investment, it is important to recall that more and more plans for business expansion are being formulated in terms of prospects over a fairly long period of time and that some of these plans are not very responsive to short-term ups and downs. Thus, the optimism which is influencing the investment plans of a part of the business community relates to a longer period of time than 1956 itself. We should also bear in mind that a sizable part of business investment serves to replace equipment that has depreciated or become obsolescent and that this influence is steadily increasing with the growth of the stock of equipment itself, and that it is also increasing because of the rapidity of technological progress.

Another sector of the economy where a sizable increase in activity is occurring again this year is expenditures by state and local governments. These have been rising steadily as a combined effect of the growth in population and the continuous postwar rise in levels of living. The additional demand for schools, streets and roads and other services by state and local governments this year will not be more than offset by declining federal government expenditures, as it was in both 1954 and 1955.

What can be said to summarize this survey of the present diverse business trends? For one thing, it is apparent that the considerable set-back already encountered by the automobile industry has had remarkably slight effects on the rest of the economy; steel production, for example, is continuing to set new records despite the falling off in its use for car production. One certainly might say that it would not be at all unpleasant to contemplate continued "sideways" movement for a while with gross national product running at the record rate of about $400 billion and with industrial production some 43% above the 1947-49 average. I think that such a "sideways" movement is, broadly, the most likely prospect for the next few months.

There are, however, few modern precedents for our economy to continue level movement for long. Signs that we may expect the next direction of movement to be downwards are beginning to multiply. As I have already indicated, the leading impetus for expansion this year is expected to consist of new investment in producers' plant and durable equipment, but these expenditures have probably already climbed up to the high level expected to prevail, on the average, for the year as a whole. Therefore, investment in fixed capital will not provide any further new demand in the remainder of this year unless business plans are revised yet further upwards.

Boom Period Ending?

Also, there are a number of indications which, when added together seem to suggest that we may be at or near the end of a boom period. In the field of finance, we see that the demand for funds is pressing hard upon available supplies and that the cost of borrowed funds has risen. In mid-April the U. S. Treasury awarded a weekly issue of 90-day bills at an average interest rate that was the highest the Treasury has had to pay since 1933. Business in general has found that internal sources of financing are not adequate to meet the requirements of carrying large inventories and also to finance the ambitious programs of expansion, and so has increased its call upon the nation's capital and money markets despite the relatively high cost of borrowing. There are reports of a scarcity of funds for investing in home mortgages and reports that state and local governments are postponing construction work because of the high cost to them of borrowing. At the same time, prices of some important industrial materials have been edging upward and some further significant increases are expected. These increases, when taken in conjunction with the recent 6% rise in railroad freight rates and a marked rise in construction costs, have thus far had a greater effect upon business costs than upon prices which the final consumer must pay. While they have been occurring, however, production and incomes have been merely moving "sideways." In fact, the official index of the nation's industrial production has been fractionally lower thus far in 1956 than it was in the final quarter of 1955 and preliminary estimates of total output—that is, industrial production plus all other productive activities in the economy—indicate that a fractional increase in the first quarter of this year was due to higher prices alone.

These developments are stressed by those observers who believe we may be at the peak—and some think we may already have passed over the peak—of what we might call a typical boom. But the trends are mixed today and other ob-

*An address by Mr. Burrill before the Empire State Petroleum Association, Elmira, N. Y., May 7, 1956.

servers note that the spectacle of relatively quiet conditions in consumer goods markets, side by side with a boom in the production of capital goods for business, might signify that our postwar economy is once again making an important shift in the structure of production with a minimum of disturbance to those of us who are not directly involved in the shift. These people point, for example, to some current indications that housing outlays will increase later this year, to the large backlogs of unfilled orders in those industries serving the business demand for plant and equipment, and to the probable increase in state and local governments' expenditures. They also believe that strength will come from the fact that radically new models may be introduced by major automobile concerns later this year, an event which in the past has acted as a powerful stimulant to the car buyer.

In these postwar years it is the optimists who have most often been right in their forecasts about our economy, and I, for one, surely wish that we could expect them to be right again this time. But we should not overlook the fact that the four areas of the economy in which they expect the most growth by the end of this year—housing, business capital expenditures, outlays by state and local governments, and consumer purchases of durable goods—will all require considerable new extensions of credit for their financing, and this at a time when competing demands for credit are already proving excessive relative to the current flow of savings.

Mild Downturn

These sources of demand may provide a little more strength during the next few months, but I do not believe that we can expect them to generate a broad upturn in economic activity during the balance of this year. Furthermore, as I have already pointed out, the economy is currently producing more than is being consumed by final users, and the excess output is going into inventories. This build-up of stocks is virtually certain to slow down, and may even turn to liquidation, before the end of this year, for there is little prospect of sales turning up from the very high levels they have already reached. I do not expect that this forthcoming inventory adjustment will trigger an economic collapse, but there are, I think, good reasons for expecting it to initiate a mild downturn in the general state of business. Such a downturn will have greater effects in 1957 than in 1956, but I suspect that the present sideways movement will come to an end sometime during the second half of this year as the elements of strength become weaker and the elements of weakness become stronger.

Much of the optimism in the air today is based not on the short-run outlook for business conditions but is, I think, due to a widespread feeling of inevitability about the long-run growth of our economy. The most convincing evidence for this view is in the changes which can be observed in the length of the planning horizon used by businessmen with respect to their yearly investments. Before World War II, investment decisions typically were made on the basis of one or two years' expectations; nowadays, many firms look not only to this year or to next year but to the prospective level of business two, three, four or more years in the future. There are some firms in our economy that now have long range plans based on 10-year projections of business conditions, and a few have even expressed an interest in the economic prospects 20 years from now. The implication of this change toward long-run planning is that capital expenditures are likely to fluctuate less violently in the future than they have in the past. And the willingness on the part of business to plan further ahead is based chiefly on a feeling of confidence about our long-run economic prospects.

Basis for Future Growth

One is entitled, on the basis of the available evidence, to believe that our long-run future will, in fact, be one of vigorous growth. In the first place our population is growing at a fairly rapid rate and this implies expanding markets for goods and services and a growing supply of workers to produce for this growing population. The existing bulge in the age distribution of the population, due to the postwar baby boom, suggests that the 60's will witness an accelerated rate of family formation and much larger additions to the labor force than are presently taking place. The stimulus to economic growth that comes from a growing population is likely to be supplemented by other stimuli derived from these future changes in the age distribution and the concomitant changes in the needs of the population with respect to n e a r l y everything that is produced and consumed.

Another factor of major importance in the long-run is that much greater amounts of money are being spent on research and technological development than were being spent only a decade ago, and the trend in research expenditures is still rising. The emphasis on research has many revolutionary consequences. It provides new products which stimulate consumer buying; it improves productive processes, thereby making old processes obsolete and accelerating capital investment; it reduces the costs of operation, and thus contributes to the increased productivity without which we could not raise wages and purchasing power unless at the same time we were to have a sustained inflation. The large and widespread research effort now going on should lead to more stability in the economy because inventions and innovations are likely to take place in a continuous stream rather than in intermittent waves as they did when research activity was less important than it is today.

Annual Real Per Capita Increase

Although there are other factors which support the belief in long-run economic growth, these are, I think, sufficient to indicate the basis for optimistic projections of our economic future beyond the next one or two years. Taken together, the relevant factors suggest that our average rate of growth in the future will be at least as high as that which has obtained in the past, and this implies a figure of from 3 to 3½% increase in production and consumption each year. Our gross national product, measured in 1954 prices, should reach the level of $535 billion by 1965; and sometime between 1975 and 1980 we should be producing and consuming twice as much as we are at the present time.

This outlook is indeed a rosy one, for with a population growth rate of only 1 or 1½% per year, the long-run increase in production that I just mentioned would provide us with about a 2% yearly increase in real income per person—what is generally referred to as our standard of living.

These estimates of our future potentialities do not constitute an extreme view. We have, in fact, enjoyed a rate of economic growth during the past 10 years that exceeds this projection by a wide margin. But we have learned, through painful experiences, that phases of such rapid growth do not persist, and that the economy must occasionally slow down in order to adjust itself to the internal stresses and strains that accompany the process of expansion.

Petroleum Demand

So much for the general economic outlook. What does this mean in terms of petroleum product demand in the United States?

Last year, in response to a sharply expanding economic situation, domestic demand for crude oil and petroleum products increased 8.4% to an average level of 8,415,000 barrels daily. All major products except kerosene contributed to this large increase in consumption.

Experience to date this year indicates an increase in domestic demand for the major products of about 5½% over last year, part of which was the result of colder-than-normal-weather. Based upon the economic outlook discussed earlier which shows only moderately better business this year than we had in 1955, and after considering our experience so far in 1956, I would expect domestic demand to average 8,800,000 barrels daily, 4.6% more than during last year. Gasoline and distillate demand should increase about 5%, heavy fuel oil demand less than 1%, and kerosene demand may decline almost 2%.

Looking farther down the road, I believe that petroleum demand during the next 20 years will be supplied by products of the types we now have, although the share that each product now has of total demand may change considerably. Some new products will undoubtedly be developed, particularly in the chemical field where the volume is relatively small in terms of total petroleum outlet but is large in terms of the total supply of chemicals.

Jet fuels will become the basic fuel for aircraft, thereby substantially changing the character of this portion of petroleum consumption. In addition, we may experience the beginning of radical changes in automotive design, such as the use of the gas turbine, which would certainly change the character of demand for automotive fuels. Atomic energy will constitute a part of the total power picture during this period, even though the amount will be relatively small and will be confined to a few uses.

Natural gas will compete more and more with heating oil. This is assuming, of course, that the discovery and production of natural gas, and its sale to interstate transmission lines is not artificially discouraged as it would be under a utility type of price control at the well. The future growth rate of distillate consumption will also taper off for another reason. Dieselization of railroads is almost complete so that the past rapid expansion of demand for this purpose cannot be expected in the future.

In the longer run the outlook for the petroleum industry is still one of continued growth. Demand in the United States 20 years from now will probably be 60% greater than at present, and this forecast of growth could be conservative as most of the long range projections have been in the past.

Boenning & Co. to Open New York Office

PHILADELPHIA, Pa.—Boenning & Co., 1529 Walnut Street, members of the Philadelphia-Baltimore Stock Exchange, as of June 1 will become members of the American Stock Exchange, and will open a New York office at 115 Broadway, New York City. Arthur J. Conroy and George Furst, Jr., both members of the American Exchange, will be resident partners in New York. Both are partners in Conroy & Co. which will be dissolved as of May 31.

Charles Wildman will be admitted to partnership with headquarters in the Philadelphia office also as of June 1.

The Working Man's Best Friend

By ROGER M. BLOUGH*

Chairman of the Board, United States Steel Corporation

In describing profits as "the working man's best friend," U. S. Steel Chairman holds that, in order to be adequate, profits must be large enough to cover inflated replacement cost, protect existing jobs, provide or attract capital necessary to expand production, create new jobs, new products and sales, and provide dividends large enough to provide shareholders a fair rental for the tools and facilities supplied to the workers. Refers briefly to the impending wage negotiations, shows how every penny of profit "went to provide or support jobs of some kind," and lists the accomplishments of profits for the workman and the country.

For those of us who toil in the steel business there is one infallible harbinger of spring that can never be ignored. And that is the inevitable little May-basket message that is left at our door by the Steelworkers' Union. Neither rain, nor snow, nor sleet can stay its appointed arrival. Come the first of May, each year, it is there in the mail box to remind us that the time is at hand when we must go into spring training and begin our guaranteed annual argument over wages.

Roger M. Blougn

And this year, of course, is no exception. This year, we are approaching the 11th hour in the 11th round of a wage-price spiral that began in the days of World War II, and that now is just as much a part of spring as the robin or the rosebud.

But again, a word of reassurance is in order. I am not going to argue our wage case today—first because we believe that such arguments should properly be reserved for the bargaining table; and second, because I am sure that you have troubles enough of your own without being burdened by mine.

But there is one phenomenon of spring that has always puzzled and disturbed me; and while we're sitting around our metaphorical cracker-barrel here this morning, I'd like to discuss it with you . . . not in the expectation of enlightening you on the subject, for you already understand it thoroughly. Rather, it is my hope that you may be encouraged to use your own broad knowledge of the facts to aid in the enlightenment of others.

Profits and Labor

You see, this is the season of the year when some of those who claim to be the working man's best friend develop a sudden allergy towards profits. They tell the working man that industrial profits are too high; and they seek to convince him that his primary economic mission in life is to cut these profits down to size. They insist that in no other way can he hope to enter the Kingdom of Eternal Prosperity. And what puzzles me, of course, is how anyone who claims to be a friend of the working man can try, year after year, to hoodwink him that way.

I recall that some years ago, one of the song hits on Broadway was a gay and cynical little ditty entitled: "Diamonds Are A Girl's Best Friend." I cannot vouch for the theme of the song, of course, because it occurs to me that even diamonds may leave something to be desired—especially on cold nights. But of one thing, I have no doubt whatever—that in the economic sense, at least, the working man can never hope to find a better friend than a profit in the company for which he works.

In fact, if we will look realistically for a moment at this industrial society of ours, and if we ask ourselves who, among all of our people, is the principal beneficiary of the profits that we earn, we find that the answer, unquestionably, is: The working man.

What have profits done for him?

Functions of Profits

Well, they of course are the one and only source from which he can obtain what he wants and needs most: A job—a productive job — where he can utilize his skills and energies to his fullest advantage; where he can serve his fellow men to his benefit and theirs; and where he can gain a livelihood for himself and his family.

But that is only the beginning; for profits do much more for him than that. They have provided him with a host of mechanical slaves to relieve him of the back-breaking toil which his forefathers knew. They have lessened his hours of work and more than doubled his hours of leisure. They have greatly increased his safety on the job. They have multiplied his purchasing power steadily over the years. They have opened new job opportunities for his children and for their children. And they continue to provide him with the most enduring and reliable guarantee of job security that he will ever find.

Profits, in short, are the wellspring of all capital investment; and capital investment, under our economic system, is the fountainhead of all job opportunities. There are, of course, other economic systems, and I might point out that the workers in Communist Russia for example get a far smaller share of the total production than they get in our free, profit-and-loss economy; but that is hardly necessary.

Fortunately, the Communist siren-song of "ownership in common" is now understood by almost all Americans to mean "ownership by Government" which is merely a modern form of ancient slavery. And great as the dangers of international Communism are, I doubt that internal Communism—apart from its espionage aspects—is any longer as serious a threat to our country as it was.

I also doubt that it is necessary to point out to any thoughtful working man what happens to his job when profits disappear. He understands that when a company is no longer able to earn a profit, it must soon go out of business, leaving its former employees stranded, without a job. To put it in the words of a pioneer leader of American trade unionism, the late Samuel Gompers: "The worst crime against the working people is a company which fails to operate at a profit."

Postwar Inflation

What the working man sometimes does not understand, however, is that—as a result of postwar inflation—it is possible for a company to earn what appears to be a most substantial profit, and still wither away and die because this profit was not large enough to pay for the replacement of plants and facilities as fast as they wear out.

To illustrate this point, let me repeat an example that I cited to our stockholders last week. It concerned an open hearth plant we built 25 years ago, at a cost of about $10 million; but today we find that it would cost us nearly $64 million to replace it.

As a part of the cost of doing business, we have recovered the $10 million we originally spent on this plant; but the remaining $54 million must come out of our profits after taxes. And this constitutes a little more than one-seventh of all of the profit we made last year.

Now what would it mean in terms of jobs if we didn't have enough profit to replace this facility? Well, as nearly as I can figure it, the jobs of 15,000 of our employees depend, indirectly or directly, upon this one open hearth shop. It is an indispensable part of production starting with raw materials and ending with finished steel products. So it will take one-seventh of our total profit just to preserve the jobs that these 15,000 men already hold. That is about $3,500 of profit per man. And whether the man knows it or not, that profit was the best friend he had, last year, economically speaking.

Yet this, of course, is only one facility. We have many other furnaces, mills and machines which must be replaced, each year, if our 274,000 workers are to have a chance to remain secure in their jobs.

So clearly it is not enough that a company should merely make a profit. It must make an adequate profit if the working man's security is to be protected. And that, of course, is what every well-managed company is trying to do these days. But there seems to be a slight difference of opinion when it comes to defining the word "adequate." This disagreement—actually it's mostly a misunderstanding — seems to exist among the American people generally. There's a maximum of heat and a minimum of light on the subject. And possibly I could help reverse that condition by explaining just what is required to create and maintain a single job at U. S. Steel.

Profits — Capital — Jobs

We know, of course, that before anything at all can be produced, someone has to save a part of his income and invest it in plants, equipment, and materials. No one will do this unless he anticipates a profit. It's just this simple: No profits, no savings, no jobs. So we must have enough profit to attract enough capital to provide the job we seek to create. And how much capital is that?

Well, in the case of our newest plant, Fairless Works, it required about $65,000 worth of equipment to provide a job for just one man, at today's level of employment there!

And that accumulation of capital and tools is the reason—the only reason — that the average American has about 10 times as much goods and services at his disposal as does the average person in the less prosperous half of the world.

You know, we Americans don't work any longer or any harder than does the Chinese coolie. In fact, it's really the other way around. Nor is it likely that the native intelligence of Americans is inherently higher than the native intelligence of the people in many of the countries from which our forefathers migrated. Thus it seems to me that the only possible reason for our great productivity is tools. But tools come from savings. And savings are invested only in the hope of profit. Thus it is rigorously correct to say that the high level of living of the American people is based squarely on the availability of adequate profits.

Work Week

In 1850, about 13% of all work in America was done by the muscle power of human beings. More than half was done by horses, mules and oxen. A hundred years later, the amount of human energy supplied to production in America had dropped to a fraction of 1%. Horses, mules, and oxen became a rarity in production because they just couldn't complete with a man behind a machine. Of all the energy used in American production today, about 99% is inanimate. An 1850 worker would require three weeks—at 70 hours per week—to produce as much as the average American worker now produces in a 40-hour week.

Heavy capital investment in productive facilities and lavish use of mechanical power are the causes of our unprecedentedly high — and still rising — level of living. But if this growth is to continue in the face of our rapidly increasing population, we shall need still larger amounts of capital and correspondingly attractive profits.

As the London Economist puts it: "If our children are going to produce twice as much as we do, they are not going to do it by working harder than we do, or by being cleverer than we are, but by having twice as many inanimate slaves to assist them. The way to plenty is to build up the national capital of machines, of buildings to house them in, of power to drive them, and of communications between them."

But just as it takes capital to provide the tools that create a job; so it also takes sales to supply the profits which support that job after it has been created. And last year, at U. S. Steel, it took $15,300 worth of sales to maintain the job of each man and woman on our payroll, exclusive of those engaged in construction.

Most of this $15,300, of course, went to pay for the wages, the materials, and the other costs of producing our finished products. And when all those costs had been met, only 9% remained as profit.

Profits Go?

Now where did that profit go? Well every penny of it went to provide or support jobs of some kind. For when you stop to analyze it, there is no place that a profit can go except into a job. If it is used to replace existing facilities, it maintains jobs that already exist. If it is used for expansion, it provides new jobs. If it is paid out in dividends, it is either spent—thus giving work to the man who produced the product purchased—or it is saved and invested in new tools of production and new jobs.

And so we come back to the major question: What is an adequate profit? How large should a profit be? Well, I feel I should answer that one the way Abe Lincoln replied to the tailor who asked him how long he should make the Great Emancipator's shirttail.

"It should be large enough to

*An address by Mr. Blough before the Spring Meeting of the Investment Bankers Association of America, White Sulphur Springs, West Virginia, May 18, 1956.

cover the subject," Mr. Lincoln said.

And so it is, I think, with a profit. A profit must be large enough, first, to cover the inflated cost of replacing existing facilities and protecting existing jobs, so long as the present unrealistic depreciation provisions remain unchanged in tax law. In addition, it must also be large enough to provide or attract the capital necessary to expand production and create new jobs, new products, and new sales. And finally, it must provide a dividend large enough to pay the shareowners in the business a fair return—or rental, if you will—upon the tools and facilities which they have already supplied to the workers.

"Adequate" Profits?

So I do not think that you can define the words "adequate profit" in mathematical terms of 10, 15 or 20%. The measure of its adequacy is to be found only in its ability to do the job that a profit must do in the particular company or industry in question. And the same standard of measurement, it seems to me, must be used when we speak of a "fair return" for the stockholder.

We know that if we do not pay a "fair wage" to our workers, they will not work for us. And if we do not pay a "fair return" to the stockholder, he will not save and invest and provide the capital that this rapidly-growing nation of ours must have.

So if I may use you distinguished gentlemen as an illustration, let me ask: What is a fair return for the vital service which you perform in our national economic system. You are an all-important link between a profit and a job. And it is fortunate for all of us that you are not a "missing link."

Yet probably few working men appreciate the task you do, or understand how the savings made by a merchant or a farmer in a little town in Iowa find their way into the steel industry, or any other industry, and provide a job for someone.

Mrs. American Citizen knows that, if her husband phones to say he is bringing home some fresh strawberries, she can hurry over to the neighbor next door and borrow the three or four cupfuls of flour necessary to bake a generous-sized shortcake.

If Mr. American Citizen needs five or ten dollars against next pay day, he knows that he can probably find a friend. Or, if he must borrow several hundred dollars to meet a family emergency, he can obtain it at any one of several sources, provided he has a reputation for paying his honest debts.

But do Mr. and Mrs. American Citizen know what happens when an industrial enterprise needs one hundred million dollars or a half-billion dollars to expand production and employment? No next-door neighbor and very few lending institutions have that kind of capital lying around, unless you include Fort Knox—and borrowing from that source is officially discouraged, I understand.

Investment Banking

Without the investment banking community to serve as the means of bringing together these sums of money—sometimes small, sometimes immense—from a thousand different sources—from insurance and investment companies, from philanthropic foundations, and from many an ordinary citizen desiring to invest his small savings in the ownership of industry or in improved public services—our economic system, in its present form, could not function. A private industry, wanting to expand production — and employment along with it — would have to go through the enormously expensive and time-consuming process of making the rounds of every potential source of investment capital, explaining at each and every stop what the money was needed for, and why the lending of it would be a sound proposition.

Obviously, the tempo of industrial growth would swiftly decelerate to a snail's pace, without the investment banker. And the investment banking community, in serving as the mechanism for marketing securities that offer expectation of returning an adequate profit on money lent, performs a vital service to America's course of progress through profit. Our corporation's experience in borrowing $300 million in 1954 by utilizing the services of the investment bankers is a good illustration of what I am speaking about.

Now since your services are truly so vital to our national well-being, just how much profit should you make? The answer is simplicity itself: An adequate profit for you investment bankers is whatever amount that will cause you to continue to offer your services under the prevailing circumstances. If we customers of you investment bankers offer you less, you won't continue to provide us with the services we need. And, of course, no customer is going to offer you more than is necessary.

I suspect that the answer concerning an adequate profit for you investment bankers is also the proper answer to what constitutes an adequate profit for any company. And, finally, I further suspect that as long as the market remains free and competitive, profits will always tend to be about what they should be under the conditions prevailing in any given period. That is, adequate to maintain our traditional growth, to furnish us with an increasing supply of goods and services, and thus to provide us with more and better jobs at higher pay.

So, as I said at the outset of this somewhat simple discourse, I do not know whether the song writer was 100% right when he said that "Diamonds Are a Girl's Best Friend." If any of you are close to the diamond situation, you may be able to judge; for it is a field in which I have no knowledge.

Summary

But the more I see of industrial life and the functioning of the great economy in this country, the more I become convinced that a profit in the company for which he works is one of the finest friends a working man can have. Without profit he not only doesn't have a new or better job—he may lose the one he has. Without profit in his company—and in other companies throughout the land—there will be no newly-created jobs for that working man's sons and daughters who are coming along. Without profit, savings would be less and investors who create jobs would have little or nothing to invest.

So let the girls have their diamonds if you will, but leave our working man with profits in his company. For profits are a working man's best friend!

Form Bruce-Lee Co.

REGO PARK, N. Y.—Bruce-Lee & Company, Inc. has been formed with offices at 93-24 Queens Boulevard, to engage in a securities business.

Homer Fahrner Opens

(Special to THE FINANCIAL CHRONICLE)

CORNING, Calif. — Homer Fahrner is conducting a securities business from offices at 88 Moon Road.

Harry Gilman Opens

Harry L. Gilman is conducting a securities business from offices at 452 East 174th Street, Bronx, New York.

William Glickstein Opens

William Glickstein is engaging in a securities business from offices at 1587 Broadway, New York City.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The annual bowling dinner of the Security Traders Association of New York will be held at the Antlers, 67 Wall Street, Thursday evening, June 7th starting at 5:30 p.m. Prizes will be awarded to all winners. Cost to non-bowling STANY members will be $8.50 including gratuities.

BOSTON SECURITIES TRADERS ASSOCIATION

Thirty-seventh annual summer outing of the Boston Securities Traders Association will be held Thursday, June 7, 1956 at the Oakley Country Club, Watertown, Mass.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League final standing as of May 17, 1956 are as follows:

Team	*Points*
Serlen (Capt.), Gold, Krumholz, Wechsler, Gersten	57½
Bradley (Capt.), C. Murphy, Voccolli, Picon, Hunter	52
Kaiser (Capt.), Kullman, Werkmeister, O'Connor, Strauss	51
Donadio (Capt.), Brown, Rappa, Shaw, Demaye	44
Barker (Capt.), Bernberg, H. Murphy, Whiting, McGovan	43
Krisam (Capt.), Farrel, Clemence, Gronick, Flanagan	43
Leinhardt (Capt.), Bies, Pollock, Kuehner, Fredericks	42½
Meyer (Capt.), Corby, A. Frankle, Swenson, Dawson Smith	40½
Growney (Capt.), Define, Alexander, Montanye, Weseman	37½
Manson (Capt.), Jacobs, Barrett, Siegel, Yunker	35
Topol (Capt.), Eiger, Neiman, Weissman, Forbes	33½
Leone (Capt.), Gavin, Fitzpatrick, Valentine, Greenberg	30½

5 Point Club
Hank Serlen
Charles Kaiser
Bob Topol
Walt Bradley

200 Point Club

Walt Bradley	243
Hank Gersten	201

Walston Co. Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Dexter Fairbank is with Walston & Co., Inc., 621 Southwest Morrison Street.

Roney Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—John E. Veneklasen has joined the staff of Wm. C. Roney & Co., Grand Rapids National Bank Building.

Opens Office

TUCSON, Ariz.—Alice M. Burgess is engaging in a securities business from offices at 5450 East Hawthorne.

Royer Securities Open

PHILADELPHIA, Pa. — Royer Securities Co. has been formed with offices at 1505 Race Street, to conduct a securities business.

Our Managed Inflation Crisis

By PHILIP CORTNEY*
Economist, and President, Coty, Inc.

Prominent monetary authority asserts we are on a tight-rope, simultaneously trying to avoid inflation, deflation, and unemployment. Decries recent wage-price inflation fed by an enormous credit expansion, and maintains the deep roots of the situation lie in politics. Maintains unless we restore faith in value of the dollar, country's savers will demand ever higher rates and ultimately denude the market of loan funds by fleeing to equities.

The "London Times," discussing the most recent British monetary crisis, makes the following statement: "Those whom the Gods wish to destroy they first make mad. Since the end of the war a kind of madness has infected British politics where financial and economic matters have been concerned."

Philip Cortney

I submit that this judgment is applicable to our own country. We are walking right now on a tight-rope, trying to avoid both inflation and deflation. We have been led into a situation where the choice seems to be between the devil of inflation and a "credit crisis" with all its consequences, including substantial unemployment.

A False Dilemma

Some people have gotten the bad habit of creating the false dilemma of either monetary sanity or unemployment. The truth is that we can have reasonably full employment and monetary sanity. What we cannot obtain is to perpetrate monetary and economic mischief and expect that there will be no hangover. Deflation is only a consequence of inflation.

For quite some time already we are witnessing a wage-price inflation fed by an abnormal credit expansion. Who is responsible? The U. S. Steel Corporation in its last annual report puts the blame for this dangerous process on the institution of industry-wide labor unions and on the full-employment policy under which the money-supply must be inflated fast enough to accommodate the inflationary employment cost, transferred to the public in the form of higher prices. Very clearly our monetary policy is one of the culprits, in the opinion of the U. S. Steel Corporation.

On the other hand, an important official of the Federal Reserve System, in a letter to me, is putting the blame on the acquiescence of management in meeting continuous demands for wage-increases which outrun increases in productivity.

So apparently everyone and no one is really responsible for what is going on. I take the liberty to suggest that the deep roots of the present situation are in politics. I am also tempted to incriminate the lack of a thorough diagnosis of the 1929 depression in which the academic economists may have their share of blame. It is my belief that if our country had been provided with an objective, realistic and intelligent analysis of the causes of the 1929 depression and of the 1937-38 recession we may have prevented a repetition of some of the same mistakes we committed after the end of World War I.

If we are unable to analyze a situation like that of 1929 on the basis of all known facts, it is simply a mockery to teach or to profess the belief that we can put our economic destiny in the hands of government interventionists and money-managers.

How Did We Get That Way?

How did we get where we are? Almost continuously since 1940 our nation has been embarked on a great inflationary expansion of its money-credit facilities, made available to government, to corporations and to individuals.

Every large-scale war has been accompanied by a big increase in prices, due mainly to the monetizing of government debt. Due partially to price-controls during the war, and to the new elements of institutionalized inflation in our economic system, the level of our wholesale prices 10 years after the end of the war is 217% of their 1939-40 average, while it was only 165% of the 1914 average 10 years after World War I.

Approximately 12 years after the end of the War of 1812, the Civil War and World War I, the level of wholesale prices dropped to an average not much above that of prewar. Assuming that we do not resume monetization of government debt, are we threatened by a collapse of prices as after World War I?

After the monetary inflation of World War I, Benjamin Strong, the President of the Federal Reserve Bank of New York, together with others, was of the opinion that the economic activities and the price level reached due to inflation during the war could be maintained by credit-expansion. I am afraid we are repeating the same mistakes again on the theory that monetary mischief can be corrected or its after-effects made painless by credit abuses.

If we had learned our 1929 lesson I submit that the Federal Reserve System would have been instructed after the end of the War to carry on a very careful credit policy instead of the one adopted of keeping our interest rates abnormally low by constant injections of money and credit.

As a result of monetary inflation during the war and credit inflation since its end, we have now a dollar whose purchasing power is less than 50% of what it was in 1939. A policy of further deterioration of the purchasing power of the dollar might conceivably and theoretically make possible the maintenance or rather the rise of the present price level during a certain period of time. I am not certain that such a policy is possible at present in our country because of the excessive indebtedness by government, corporations and individuals, and because our gold stocks are mortgaged to foreigners to the extent of $13 billions out of a total of $22 billions.

I submit that our country is economically in a kind of "fundamental disequilibrium." In a healthy and well-balanced economy we have a normal exchange of goods between producers without constant injections of artificial stimulants. Our economy, however, is kept going by all kinds of gimmicks and government interventions. Practically everything is artificially maintained. This is the case particularly for our interest rates, farm prices, the number of houses built, the sales of automobiles and of many durable goods.

The structure of wages is not the result of market forces, but is distorted by agreement between powerful unions and corporations. The result for our economy is unsound and makes necessary a larger expansion of credit, both to corporations and to individuals, than it would otherwise be.

The Newer Lending Institutions

In the last monthly letter published by the First National Bank of Boston there is an interesting chart on "loans by types of lenders." The total borrowing has increased from approximately $53 billions in 1945 to about $195 billions at the end of 1955. The largest increase in loans, that is from $29 billions in 1945 to $114 (nearly 300%) end of 1955 is due not to commercial banks, but to newer institutions with a comparatively short lending experience. On the other hand, disposable personal income advanced by only 68% during these 10 years. The First National Bank makes the pertinent comment that: "This sharp and growing gap between the gain in debt and income is a warning signal that must be heeded or the day of reckoning will surely come."

In the May letter of the First National City Bank there is an important and interesting article on the consequences of our cheap money policy adopted 20 years ago. As we are convincing even the most skeptical and trusting people that we have adopted inflation as a way of life, we are discouraging savings and investments in bonds. People have become conscious that there is a penalty on saving and an advantage in borrowing. Unless we restore faith in the value of the dollar, the savers will request higher and higher rates and they will denude the market of loan funds by fleeing to equities.

Yet most people apparently still believe that our "cheap money" and "managed inflation" policies can continue without the situation becoming each day more and more dangerous. Everybody nowadays pins all his hopes for avoiding the consequences of our misguided economic and monetary policies on the idea that the government is omnipotent and that its financial resources are unlimited. It is being said that the government cannot and will not tolerate the slightest recession and will provide insurance for everything and security for everybody, and it is assumed, of course, that the government has the necessary knowhow. Assuming that it has the knowledge of how to keep our economy booming, how can our government do the things the people expect them to do if they refuse to buy government bonds, because the interest rates are too low and because of the inflationary trends inherent in our present monetary, credit and wage policies? I keep asking this question but nobody is answering.

Keynes, who is responsible for the cheap money gospel and was an advocate of government interventionism, had this to say in an article published in the "Economic Journal" shortly after his death: "The classical teaching of economics embodies some permanent truths of great significance which can be disregarded only at the risk of drifting from expedient to expedient and never really get fit again."

This is an excellent *caveat* to the contemporary economists.

Point of No Return?

Where are we going? Have we already reached a point of no return? I wish I knew. I have reached the belief that, for good or bad, or rather for bad, the myth of full employment is here to stay and that therefore the power of the labor unions can only increase. On the other hand I do not believe that our people will tolerate a constant and further substantial deterioration of the dollar.

If my premises are correct, the logic of the situation therefore seems to indicate that we shall seek refuge in a kind of state-socialism with control of prices, wages, and profits. This is not very cheerful prospective to contemplate and I hope that events will prove me wrong.

*An address by Mr. Cortney before a dinner meeting of the Alumni Association of the Graduate Schools of Columbia University, New York City, May 15, 1956.

W. C. Graham Joins Broderick & Coleman

Broderick & Coleman, public relations, 52 Broadway, New York, have announced that William C. Graham, formerly of the J. Walter Thompson Co. has become associated with the firm as an assistant account executive, supplementing Broderick & Coleman's account group comprised of John V. Wightman, also formerly of the J. Walter Thompson Co. and Frank L. Scheffey, previously associated with Bache & Co. Mrs. Marie J. Moore has been named operations manager of the firm which recently marked its third anniversary.

General Inv. Corp. Now A. S. E. Member

General Investing Corp., 80 Wall Street, New York City, has become a member firm of the American Stock Exchange with the election of John R. O'Neil to membership in the Exchange, it was announced. Mr. O'Neil also has been elected a Vice-President of the firm.

George Seifried to Be McLaughlin Partner

George Seifried on May 31 will become a partner in McLaughlin, Cryan & Co., 1 Wall Street, New York City, members of the New York Stock Exchange. Mr. Seifried is manager and cashier for the firm.

Form 120 Broadway Assoc.

Lawrence A. Wien, Henry W. Klein, Alvin S. Lane, Alvin Silverman and Fred Linden have formed 120 Broadway Associates with offices at 60 East 42nd Street, New York City, to conduct a securities business.

J. A. Lewis Opens

DECATUR, Ill. — James A. Lewis is conducting an investment business from offices at 260 North Water Street.

With Ralph Sommers

(Special to THE FINANCIAL CHRONICLE)

LA GRANGE, Ill.—Norman B. Dunteman has been added to the staff of Ralph Sommers, 132 South Park Road.

With F. J. Winckler

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Lawrence G. Matesa is now with F. J. Winckler Co., Penobscot Building, members of the Midwest and Detroit Stock Exchanges.

The Steel Situation

By CHARLES M. WHITE*
President, Republic Steel Corporation
Trustee, National Industrial Conference Board

Republic Steel head calls for a review of steel industry's pricing policy in depicting the tight squeeze now being experienced. Relates underpriced steel during the depression, war and end of the war, and present tax laws, to current expansion costs estimated at $85 a ton, projected expansion at $200 a ton, and building of a new steel plant at $325 a ton. Praises the scientific and engineering achievements of the past five decades and the faith steel possessed, despite the TNEC accusations of overexpansion and the 1946 prediction of a post-war depression. Mr. White states continued expansions depend upon "more money to work with."

There have been great surges of human advancement in the past, but we Americans who have lived through the past five decades have been especially privileged. We have seen what men can do when they are free to worship, free to think, free to govern themselves democratically, free to work together competitively under a system of private enterprise. These freedoms have enabled our scientists and engineers to open up a succession of new opportunities for business and industry. Under the protection of these freedoms our production machine has made the laboratory curiosity of yesterday the standard article of trade today. Housing, communications, food processing, travel, medicine — virtually everything that contributes to our standard of living is either new, or has been improved in some basic way in these 50 years.

Charles M. White

Steel's Role in Progress

As a steelman, I am proud of the part the steel industry has played in this progress. Considering the problems that had to be overcome, I feel—and I think you will agree with me—that it has been a great human, as well as technological, achievement.

You remember the terrible days of the '30's. Those were the leaf-raking days when the planners were preaching the doctrine of the "mature economy." Our zenith as an industrial nation had passed, they told us. We had reached a peak and the only way we could go was down.

It took faith to buck that philosophy, but, along with many of the companies you represent, the steel industry bucked it. Between 1929 and 1939 steel capacity increased over 12 million tons.

When the experts of the Temporary National Economics Committee and other critics put the industry under the microscope in 1939 and diagnosed an acute case of overexpansion, we bucked it again. Just to show you how far off base some of the critics were, union officials were in favor of actually scrapping our modern strip mills! The argument was that it would provide work for more men.

Needless to say, those strip mills and about 14 million tons of new capacity built during the next six years did much to help win the war.

After the war ended the same thing happened again. In one concerted voice the Fair Deal planners told us that the nation was on the verge of another depression. Eight million men would be out of work, they said, and it was time for wise men to hedge against a dark and dismal future.

*An address by Mr. White before the 41st Annual Convention of the National Association of Purchasing Agents, Cleveland, May 22, 1956.

But again steel and many other industries had faith in America, and courage to back that faith with action. Steel companies scrapped several million tons of obsolete capacity and started building to serve a nation with a future bright beyond any of our prewar dreams.

All of you know in general terms what has happened in the steel industry since 1946, but let's examine the record closely. I think it will throw some light on our present situation, and on the problems that confront the steel industry.

Hard Hit Problems

Two factors stand out: one has been the unexpected, unprecedented expansion of steelmaking capacity needed to meet demand; the other has been the equally unprecedented rise in costs. Other industries have faced the same two problems in varying degrees, but steel has been especially hard hit.

Both capital and operating costs in the industry have risen drastically. Construction costs are nearly twice what they were in 1946. A 50-horsepower mill type electric motor is up from $1,300 to $3,577 — nearly three times as much. The cost of iron ore has more than doubled. The price of steel scrap today is 2⅔ times as high as it was in 1946. Employment costs per hour have gone up 108%, from $1.46 to $3.03.

In an effort to offset these rises the steel companies have made price adjustments, though we have held them down as much as we could. The wholesale price index of the Bureau of Labor Statistics shows that the composite price of finished steel products has risen about 105% in the period from 1946 through April, 1956. Let me give you a startling price comparison. Way back in 1928 the base price of cold rolled sheets was $80.67 a ton. In May of this year the corresponding price is 106.50. For a 32% price increase you are getting a quality increase of — well let's say — 500%.

But the two things that have taken all of us by surprise have been the size and the overall cost of expansion. At the beginning of 1946 steel capacity stood at 92 million tons, and the industry's property investment at $5.7 billion. Since then we have added 36 million tons of capacity in order to meet your needs, at a cost that has raised our property investment to an estimated $12 billion. **To increase capacity 40%, we have had to raise our capital investment a whopping 110%!**

How have we made out? Remarkably well—up to now. Republic Steel, for example, showed a net income of $86 million in 1955 and our long-term debt has been substantially reduced.

Operating Rate

How have we done it? Well, the operating rate has helped. To take Republic as an example again, during six of the past 10 years we have operated at over 90% of capacity. Marketing has been the smallest of our problems.

Second, we have been able to hold expansion costs to a minimum by taking full advantage of our ability to round out existing facilities.

For example, in our most recent expansion program which will add 1,776,000 tons of new capacity, our total cost will be $152,000,000 —or $85 per ton. If we had been forced to build from scratch, the cost would have been nearer $325 per ton, and we would have been in a pickle.

Just as a matter of interest to you, these newest facilities added to the acquisitions and improvements of prior years bring our total appropriations and expenditures for capital items to $661,600,000 since the end of World War II.

But here's what is worrying us and the rest of the industry now, and I want to get these points across because I think they are the crux of the matter.

Tax Laws

First, rapid amortization, is no longer available. Under the present provisions of the tax law accumulated depreciation allowances are insufficient to cover the wearing out of present machines and furnaces. Their replacement cost has risen so much we must find huge sums of new money merely to keep even. We are running like hell to stay in the same place.

Second—and this is the stinger—the industry is nearing the end of this rounding out process for gaining new tonnage at a cheap figure. Speaking for Republic again, the next substantial increases in capacity beyond our present program will have to be built at a higher cost—not the $85 per ton we've been able to get away with up till now but a figure somewhere in the vicinity of $200 per ton. And the other steel companies are in about the same fix. And when we are through with that kind of expansion, the next step will be an entirely new plant at $325 per ton which will include not only the cost of plants and auxiliary facilities but of essential raw material reserves as well.

Review Pricing Problem

That can only mean one thing, as far as I can see: a thorough review of our entire pricing policy.

The way this country is growing we're going to have to keep building. Steel companies have already scheduled 15 million tons of new capacity for the next three years, and if I had to guess I'd say that the rate will probably be around 3.5 million tons per year until 1965.

Since a substantial part of this future construction will have to be from the ground up, the cost is going to be stiffer than anything we have ever faced.

I'll get to the third point in a minute, but first let me say this. Steel companies have a selfish interest in holding prices down as much as they can. Steel is a highly competitive business, and no company can afford to raise prices above the industry level. If it should, it would lose customers and lose them fast. In addition, steel prices have to compete with those of other materials that are making a bid for steel's traditional markets.

Tight Squeeze

But—and this is that third important point that is worrying us —the steel industry is in a tight squeeze: on one side your steel requirements are pushing us steadily toward this high-cost expansion, and on the other we are up against an inadequate pricing policy that goes way back before the war. Steel was badly underpriced during the depression years; it was underpriced during the war and at the end of the war it was grossly underpriced in relation to the prices of other basic commodities. It is still underpriced today. So the industry entered the post-war era of rising costs with selling prices well below the general price levels. Something's got to give.

Let me repeat these points again, for they are the key to the situation we are facing during this coming decade. One, our depreciation and amortization allowances are unrealistic. Two, we are nearing the end of the rounding out process for gaining new capacity, and are facing a staggering rise in capital costs. Three, steel has been underpriced for years, and is underpriced today.

If we are to continue to expand —and expand we must—we must have more money to work with. I think you will agree with me that this makes sense. An adequate level of earnings works for a company in two ways: it provides money for reinvestment, and it makes the company's stock attractive to investors, both of which are imperative where large sums are needed for expansion. In other words, if we make an adequate profit we'll be able to build fast enough to keep up with you.

We like to see our suppliers make money, too. We feel that in dealing with a company that is losing money, or on the borderline of losing money, we can expect short cuts in material, standards, and service, and the possibility of a busted company as a source of supply just when we need it most—not to mention men out of work and a hole in the economy. By following the business philosophy of live and let live, everybody grows together.

Dollar Value

As good business men, of course, you'll want to take a good, long look at what you're getting in return for a rise in steel prices. I can speak only for Republic, but I assure you that we will see to it that you get the greatest possible value for your dollar. For example:

One of the most important things you want from us is fairness in the distribution of our products. You want to feel that we will play no favorites in filling orders.

I don't think I have to comment on this point to those of you who have been our customers in the past, but to those of you who have

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THE MARKET... AND YOU

By WALLACE STREETE

Persistent, but light-volume, selling carried the stock market to new reaction lows this week, with the industrial average back down to February levels. It cancelled out virtually all of the gains made by industrials after the President announced he would run for reelection, and left the average about midway between its high and low points for the year.

* * *

In the process one rather vague support level proved inadequate, that of the 490 area which was breached by some half a dozen points. For those who had been a bit more general and had predicted support in the 480-490 area, the market was still in a testing stage.

The Return of the Chartists

For the chartists it was a return to importance after they had been ignored for a rather long pull. There are various technical devices available to this clan, but the chief one since 1929 had been the various resistance and support areas that had stalled market moves previously. These went out the window for the industrial average in 1953 when the average broke through to uncharted levels never before seen in history. There are still other devices available, but they were paid scant heed until very recently, among them the moving averages which lately have indicated 480 as the crucial level.

* * *

Market declines, obviously, aren't among the happier events in the Street. But, while there was no great glee around, nevertheless the natural caution was easily tempered by few signs of excesses that would call for drastic action. The majority opinion had pretty well given up any immediate attempts of the average to reach the 550 level—the all-time peak set in April was 521—but few could see anything worse than a possible retreat to 450 at the extreme which would still leave the market in more of a consolidation phase than any slumping bear pattern in the old tradition.

Selectivity Expected

As more and more of the market students, including the technical workers, put it, in essence: "Actions of individual issues have been up to here and will continue to be far more important than the gyrations of the averages."

* * *

And even where there were some close ties, the market put on a good show of individualism. Atlantic Coast Line, for instance, which has a large bundle of Louisville & Nashville stock, some 35% in fact, was able to stand its ground on occasions when L. & N. was going in for some multi-point declines. There were few fears, apparently, that Coast Line's large dividend income from this holding was in any jeopardy. And, as the Coast Line proponents could point out with justice, Atlantic Coast has done well in attracting new industries along its lines with all the boost that it means to freight traffic in the future. Earnings fully reflect it, showing a healthy increase last year over the previous one and continuing into this year when it earned its dividend three times over in the first quarter.

* * *

Rails generally with their conservative dividend payouts had plenty of supporters although the average, swayed by some wide moves in a few of the higher priced components, retreated about a dozen points from its April peak.

Oils Favored

Oils were also favored generally in the discussions and seemingly by the investment companies that were partial to them earlier this year. Barber Oil, which is embarking on a large, new exploration project in Louisiana and Texas, and Shamrock Oil, which is planning a similar search in Kansas, had their followers who expect profits from them despite the action of the market. Barber's contract, incidentally, is with Kirby Lumber Co. which is almost three-fourths owned by Santa Fe Rail. But, where Santa Fe followed the general market with some pronounced losses, Barber was able more times than not to stand its ground well and even cling to the plus side during one period of market weakness a couple of days ago.

* * *

There was also some culling among the quality issues that have been largely ignored by the bull market up to here, such as Standard Brands which has annual price swings reaching as much as 10 points only three times in the last decade. So far this year it has yet to carve out a five-point swing. The company recently acquired Clinton Foods assets which, according to some estimates, could add 75 cents a share to this year's earnings. In addition, its own earnings are on an uptrend, making it one of the better-grade issues selling at less than 10-times anticipated 1956 earnings which is an above-average level for a quality stock.

* * *

American Seating, a giant in supplying all types of public resting pieces, including school equipment, has been lolling around for the most despite all the predictions of the vast expansion needed in schools, for one. The stock has only traveled over an arc of half a dozen points so far this year and over one only slightly larger for all of last year.

* * *

The meat packing industry which last had a somewhat abbreviated market popularity only for the brief span after price controls ended, later to sink into the morass of rapidly rising costs, had their adherents but without stirring things up marketwise. Product prices have been declining and efficiency increasing to where some estimates of Wilson's profit this year range as high as $4 a share against less than half that figure in 1955.

* * *

Soft drink issues, which stand to benefit shortly from the hot weather and more generally from the over-all increase in the population and particularly from the soaring wartime birth rate which is starting to expand the potential customers now, have had a quiet market life. Pepsi-Cola, which sold above 40 in the 1946 bull swing, has only succeeded recently in crossing the 25 line. Coca-Cola, despite its high price tag, has held in a 10-point range so far this year. The stock reached 200 in 1946 was only able to post a peak of 145 last year and lately has been available at a discount of a score of points under last year's best.

Nickel Favored

International Nickel, rather harassed by the market easiness lately, is still highly regarded since its principal product is in short supply throughout the world, presaging a price increase sooner or later with the help that that will provide for the profit account. Last year the company was able to post a profit up 41% on increased sales of 18% and continue into the first quarter this year with the highest earnings ever reported for any similar period on record.

[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.]

French & Crawford Add

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Virginia B. Maddox has been added to the staff of French & Crawford, Inc., 68 Spring Street, Northwest. Miss Maddox was previously with Courts & Co.

Adams Express Stock Offer Underwritten

The Adams Express Co. is offering holders of its common stock rights to subscribe for 528,792 additional common shares at $23.25 per share on the basis of one additional share for each five shares held of record May 23, 1956. The subscription offer will expire at 3:30 p.m. (EDT) on June 6, 1956. The offering is underwritten by an investment banking group jointly managed by Hallgarten & Co. and R. W. Pressprich & Co.

American International Corp., which is 69.36% owned by Adams Express Co., is offering holders of its common stock rights to subscribe for 375,100 additional common shares at $13.50 per share on the basis of one additional share for each five shares held of record May 23, 1956 with the right to over-subscribe. The American International offer will expire at 3:30 p.m. (EDT) on June 8, 1956. This offering is not being underwritten but Adams Express has agreed to exercise the rights it will receive and to over-subscribe to the fullest extent possible.

Net proceeds from the sale of the additional Adams Express common shares will be added to the company's general funds. Some of the proceeds will be used to subscribe for American International Corp. shares and some is expected to be used to subscribe for shares of Petroleum Corporation of America, of whose stock Adams Express owns 16.52%, on a contemplated rights offering by that corporation. The balance of the proceeds of the Adams Express offering and all of the net proceeds of the American International offering will be used in accordance with the respective companies' investment policies.

The Adams Express Co. and American International Corp. are registered under the Investment Company Act of 1940 as diversified, closed-end, management investment companies. At March 31, 1956 funds of the companies were largely invested in common stocks.

Bankers Offer Griggs Equipment, Inc. Stock

A group of investment bankers, headed by Southwestern Securities Co., of Dallas, Tex., on May 22 publicly offered at $5.75 per share an issue of 400,000 shares of common stock (par 50 cents) of Griggs Equipment, Inc.

The net proceeds are to be used by Griggs to purchase all of the presently outstanding capital stock of Griggs Equipment Co., incorporated in Texas on Jan. 31, 1953, at an aggregate price of $1,924,565, and the remainder will be used for additional working capital. It is contemplated that the Griggs Equipment Co. will be dissolved and liquidated immediately after such acquisition.

Griggs Equipment Co. is engaged in the manufacture of public seating equipment. Approximately 80% of the gross sales volume of that corporation is accounted for by various items of schoolroom and auditorium seating. Approximately 12% of the gross sales volume is accounted for by church seating, and the remaining 8% by theatre seating. The company manufactures seating equipment in a number of different designs of both wood and metal construction.

Giving effect to the new financing, there will be outstanding 459,770 shares of common stock of Griggs Equipment, Inc., out of an authorized issue of 2,000,000 shares.

Continued from page 2

The Security I Like Best

sion of existing plant facilities, increased distribution of products not now sold nationally, and possibly acquisition of other companies, whose products will complement those now manufactured or jobbed. The company's shareholders have much to look forward to, for not only does their company's business appear to have a great deal of stability, but a virtually unlimited area of growth lies ahead. Working capital requirements must remain large and, thus, dividends may remain conservative.

At the company's annual stockholders' meeting in March of this year, stockholders approved an increase in authorized capital stock in the company from 600,000 shares to 1,000,000 shares. However, no immediate plans have been made for this increased capitalization. The stock is traded in the Over-the-Counter Market and is currently available at a price of about 16½.

Business Man's Bookshelf

Air Transport Facts and Figures 17th Edition — With quarterly review of airline traffic and financial data—Air transport Association of America, 1107 16th Street, Northwest, Washington, D. C.

History and Method of Economics — Selected essays — Frank H. Knight—University of Chicago Press, 5770 Ellis Avenue, Chicago 37, Ill (cloth) $6.

Lowenstein Story — Illustrated brochure — M. Lowenstein & Sons, Inc., 1430 Broadway, New York, N. Y. (cloth).

Making Money With Mutual Funds —Hugh Johnson — Analysis of Mutual Funds and open-end trusts and the degree of investment success each has attained with a "scoring screen" revealing individual characteristics of 61 mutual funds — Henry Stewart, Inc., 210 Ellicott Street, Buffalo 3, N. Y.—$3.75 per copy.

Mining News from Canada — Weekly publication "The Quebec Miner" containing information on all of Canada's mining activities covering copper, uranium, base metals, oil and gold —26 issues $5; 52 issues $8 (subscription entitles subscriber to complete analysis on any two Canadian stocks)—The Quebec Miner, 455 Craig Street, West, Suite 104, Montreal, Que., Canada.

Observations on the Planned Provision of Nitrogen Fertilizer for the World—J. Tinbergen, L. H. Klaassen, and E. H. Mulder—Netherlands Economic Institute, Rotterdam, Holland (cloth).

Present Day Banking 1956—American Bankers Association, 12 East 36th Street, New York 16, N. Y. (cloth).

Record of Stockholders' Reaction to Cumulative Voting—Charles Harwood, Jr., 271 North Avenue, New Rochelle, N. Y. (paper) $3.

World of Tomorrow—What Will It Be Like? — Economic Research Department, Chamber of Commerce of the United States, Washington 6, D. C. (paper), 50c (quantity prices on request).

Need to Protect Investors

By JAMES C. SARGENT*

New York Regional Administrator,
Securities and Exchange Commission

Cautioning against certain abuses being indulged in by some, similar to the 1920's, Chief Federal Securities officer in New York area, without expressing an opinion, refers to the recent recommendation by the New York Attorney General that SEC be granted authority to pass upon the merits of securities. Describes the increased volume of corporate securities registrations, Regulation A's offerings, and number of untrained persons attracted into broker-dealer ranks.

Of course, you all know that as the head of the New York Regional Office of the Securities and Exchange Commission, I cannot speak for the Commission. You must also realize that as the Chief Federal Securities officer in the New York and New Jersey area, I am concerned with carrying out the high purposes expressed by Congress in the securities laws.

James C. Sargent

The tremendous current economic acitivities in the securities business have increased the task of the Commission in carrying out the Congressional mandate to protect the interests of public investors. For instance, the amount of corporate securities registered with the Commission for sale to the public during 1955, consisted of 938 registration statements, totalling nearly $12 billion, and under Regulation A's $300,000 exemption 1,628 offerings for a total of $294 million. Comparing these to the securities registered in the year 1935 of $2.8 billion, or to 1942 when $800 million of securities were registered, or with respect to Regulation A's to the year 1946 when there were 1,348 offerings for an aggregate offering price of $182 million, you can get an idea of the tremendous financial activity of recent date and the relatively large increase in the volume of work which must be done by this Commission. There has also been a concomitant increase in the trading in corporate securities where market value of all shares traded on the national securities exchanges amounted to $15.3 billion in 1935, and to almost $40 billion in 1955. This rather startling growth has inevitably increased the natural attractiveness of the securities business as a vocation.

Increased Volume of Work

You also know that under the Securities Exchange Act of 1934 the Commission has the responsibility for regulating the practices of the stock exchanges, of the over-the-counter markets and of brokers and dealers. This Act prohibits any broker or dealer from using the mails or other means or instrumentality of interstate commerce to effect any transaction in or induce the purchase or sale of any security otherwise than on a national securities exchange, unless such broker or dealer is registered with the Commission. The high volume of corporate financing and the large increase in securities trading has attracted into the broker-dealer ranks many persons who are untrained in financial affairs, and who have had limited, if any, experience in handling the securities or funds of other persons. Many of these new registrants have limited capital, and are not imbued with the sense of professional calling, integrity, honesty and fair dealing within the securities business. The number of broker-dealers registered with the Commission during the past fiscal year has risen from 4,111 as of Dec. 31, 1953, to 4,206 as of Dec. 31, 1954, to 4,446 as of Dec. 31, 1955, and to 4,521 as of March 31, 1956, or a numerical 411 increase in registration, which is exactly 10% on the nose. In the Denver-Colorado region, there were 148 registered broker-dealers as of Dec. 31, 1953, whereas as of Dec. 31, 1955, there were 265, or an increase of almost 75%.

Cautionary Words

While I have no particular desire at this time to criticize any particular persons or activities, nevertheless, as the Chief Federal Securities officer in this New York area, I feel it is incumbent upon me on this occasion to indulge in a few cautionary words or admonitions. I am deeply concerned that many of the American people are becoming increasingly dissatisfied with certain aspects of the securities business and the capital markets in this country, by reason of certain abuses by a few brokers and dealers in securities transactions, which abuses are similar to those indulged in way back in the 20's.

More specifically, I fear there are attempts being made by certain persons to get maximum public distribution of new securities without benefit of registration and without full and fair disclosure to the investing public of the economic facts and circumstances of particular companies. Such brokers or dealers who are indulging in these practices will unquestionably cause great damage to the capital markets, to the extent that such practices have as their ultimate effect financial injury to public investors. I hope that every member of this organization is greatly alarmed whenever he learns that securities have been sold in utter disregard of the Federal securities laws.

Thus, where speculative securities are sold through high pressure sales campaigns to individuals who cannot shoulder such speculative risks, and who have no knowledge of the speculative nature of the stocks purchased, the ultimate effect of such sales is to cause a withdrawing of the confidence and the faith of the little and the big investor from the capital market place. This fact causes me great concern, as I am sure it does to all of you.

I might also point out that the Attorney General of the State of New York has recently recommended to the Congress that authority be given to the SEC to pass upon the merits of securities. Such a recommendation constitutes a rather drastic change from the Federal philosophy as expressed in the securities laws, which is to require the Commission vigorously to insist upon the principles of full and fair disclosure of the economic facts behind any particular corporation whose securities are for the first time being sold. In making reference to the recommendation of the New York State Attorney General I am not expressing an opinion as to whether I am in favor of such a drastic change, but I mention it only to emphasize the great concern of the New York State Attorney General for the protection of public investors.

Organizational Set-Up

And now I would like to state, in the New York Regional Office there are six sections. In addition to the Enforcement Section, we have a Regulation A Section, a Complaint and Inquiry Section, where informational requests from the public generally are answered, an Office of Investigation, a Market Surveillance Section, and a Reorganization Section. I want you to know that the office is open from 9 to 5:30 five days a week, and I assure you that we who occupy that office will always be ready, willing and very happy to see any of you to discuss any of your problems and to attempt to answer to the best of our ability any questions which you may want to pose.

*From an address by Mr. Sargent before the New York Security Dealers Association, May 3, 1956.

Jules Huber Joins Special Markets, Inc.

Philip M. Jenkins, President and founder of Special Markets, Inc., 92 Liberty Street, New York City, has announced the appointment of Jules R. Huber as Executive Vice-President. This company was formed in July, 1955, and is the first stock brokerage firm in the Wall Street area to be headed by a Negro.

Mr. Huber was employed for 11 years by a stock brokerage firm which is a member of the American Stock Exchange and was also brokerage manager for Huber Associates in New York, one of the largest estate planning organizations in the nation. He majored in economics at New York University and included banking, finance and marketing in his studies.

Mr. Jenkins stated that Mr. Huber's association with Special Markets, Inc. makes possible the development of the balance of the company's full program—the addition of a securities trading department under Mr Huber. It also is in keeping with the company's policy on racial integration.

Special Markets, Inc. are specialists in mutual funds. The company is now prepared to give its clients service in all conservative phases of the securities business.

Stillman, Maynard Co. To Admit Four Partners

Stillman, Maynard & Co., 61 Broadway, New York City, members of the New York Stock Exchange, on June 1 will admit Harold C. Strohm, Thomas K. Ware, James A. Myers and Philip J. Dwight to partnership.

Rate and Cost Determination For Independent Gas Producers

By JEROME K. KUYKENDALL*
Chairman, Federal Power Commission

Federal Power Chairman claims rates for natural gas producers cannot be determined by the same traditional methods used in regulating interstate pipeline companies or other public utilities, and that the 1954 Supreme Court decision created "unprecedented legal and economic problems." Advises firms to overcome their reluctance and make public the pertinent records to support the contention against the original cost rate base approach. Finds probative value in "arm's length bargaining" price approach, and disapproves "escalation" and "favored nation" clauses in producers' contracts.

It is with full knowledge that what I say here today will be disputed by some, and considered vague and uninformative by others, that I embark on this discussion. The solutions of the unprecedented legal and economic problems created by the Supreme Court's decision in the Phillips Petroleum Company case are to be found only after experience, experimentation, and study, and exchange of knowledge and ideas derived therefrom. Thus, it is my hope that the ideas I express, coupled with the results of your own experience, experimentation and study, may prove of some value.

J. K. Kuykendall

The views I am about to express are purely my own and are not necessarily the official views of the Commission or other members thereof. I have tried to avoid pre-judging, or any appearance of pre-judging actual cases, and believe the substances of what I am about to say has already been said by me before various Congressional Committees, and by the Commission (or a majority of it) in the Panhandle Eastern Pipe Line Case, G-1116, et al, and in our recent decisions in Davidor & Davidor, G-8550, and Wunderlich Development Company, G-3940. Perhaps a brief recapitulation will serve a useful purpose.

*An address by Mr. Kuykendall before the Independent Petroleum Association of America, Los Angeles, Calif., May 1, 1956.

Cannot Use Same Standards

The problem of what standards to use in determining just and reasonable rates for independent producers, is, to put it mildly, a difficult one. Some members of both Houses of Congress and a few other persons still contend that the Federal Power Commission should fix producers' rates by the method the Commission uses in fixing the rates of an interstate pipeline company; namely, the allowance of a reasonable rate of return on the net investment in the facilities which are used and useful in rendering the service.

The Federal Power Commission realizes, and has stated, that the fact that, in a given case, the net investment of a producer, multiplied by some percentage figure, happens to produce a price for natural gas which appears to be reasonable, may be proof of nothing more than a coincidence. It is my own belief that many of the persons, who have argued that independent producers could be fairly and simply regulated by the traditional methods used in regulating public utilities, are now beginning to recede from that position.

Panhandle Case

Nevertheless, the Circuit Court of Appeals for the District of Columbia issued an opinion on Dec. 15, of last year, which, to say the least, has not simplified the situation. This opinion was rendered on an appeal from the Commission's decision pertaining to the Panhandle Eastern Pipe Line Company, which I have mentioned. Panhandle is an interstate transmission company which also produces some of the gas it transports and sells. The Court held that FPC could fix the price of Panhandle's own produced gas by some method other than the cost rate base method, but that, in so doing, the Commission must first ascertain the rate base, and other costs, and use that information as the point of departure. There is disagreement among lawyers as to the applicability of this decision to independent producers. If it does apply to people like you, it means that the Commission must make an original cost study of each producer's investment and operations before it could make a determination of just and reasonable rates for him. It is my personal hope that the Supreme Court will see fit to review this decision.

Reluctance to Publicize the Facts

May I suggest that the best way to demonstrate that the original cost rate base approach is not sound, fair, or useable as a sole standard, is to introduce the pertinent facts in the record in rate hearings before FPC. If this were done, the examiner, the commission and the courts could directly pass on the merits of the question, and an important regulatory question would thus ultimately be properly clarified. Your reluctance to make public this information because it might be helpful to your competitors, or for any other reason, should not, I believe, cause you to lose sight of the legal problems confronting you, as well as the Federal Power Commission.

I am not here deciding whether such evidence must be in the record to enable the Commission to decide a producer's rate case. That question will, no doubt, be before the Commission in the near future and will then be decided on the record, and according to the law as we understand it. It does not appear to me that any producer may have much to gain by fortifying his record in a rate case with all evidence which may be required by law.

Arm's Length Bargaining

It has been contended that the Commission should accept the prices in contracts made by arm's length bargaining as the just and reasonable rates which the law requires. This procedure may be sensible from your viewpoint, and would certainly be expeditious. In fact, it would, for all practical purposes, restore you to the position you were in prior to the Phillips decision. You would be rid of Federal rate regulation, except for those few cases where the Commission might find an absence of arm's length bargaining. It seems clear that such a mode of regulation, or lack of regulation, would not be compliance with the Natural Gas Act.

Nevertheless, proof of arm's length bargaining, including evidence of the circumstances surrounding the transaction would seem to me to have probative value. By the phrase "circumstances surrounding the transaction" I include information as to the urgency of the buyer's need for the gas, what other sources of supply, if any, were available, and what other offers of sale, if any, he had, together with corresponding information about the seller, so that the Commission could determine whether or not there existed a willing buyer who didn't have to buy, and a willing seller who didn't have to sell.

Another contention which many producers have made is that the Commission should simply approve a price which represents the going field price in the area. The Commission has stated that evidence of field prices is admissible and helpful, but that such prices do not, of themselves, form a complete criterion for fixing producers' rates. This conclusion is, I am sure, a correct one. Suppose that the Commission fixed all producers' prices in a certain field or area at the weighted average price. If that same standard were adhered to in the future, the price, once fixed for all, could never be changed. (I assume, of course, that all sales in the area are subject to FPC regulation.)

Favored Nations Clause

The favored nations clauses in producers' contracts had, prior to the Phillips decision, caused the Federal Power Commission to be almost overwhelmed with pipeline rate cases, and had likewise been a cause of increased consumers' rates in almost all communities served by natural gas. The need and desire of producers for fair prices during the life of long term contracts is, I believe, recognized by the transmission and distribution segments of the natural gas industry. I know the FPC understands your problem in this regard.

However, I wonder if the producers, and particularly the smaller ones, appreciate the chaotic conditions which these clauses have created. The opponents of the Harris-Fulbright bill, almost to a man, denounced these clauses, and will, I am sure, continue to do so. We of the FPC have criticized them also. I personally have done so, and do not recede from anything I have said on that subject.

On April 6, 1956, FPC issued notice of a proposed rule, which, if later adopted, would prohibit any new contracts containing such clauses from being filed with the Commission on or after July 1 of this year. All interested parties may submit comments prior to June 1. May I respectfully suggest that, before this association and members thereof voice total opposition to this proposition, all of you explore the possibility of other means of insuring fair prices for your product.

Stable Rates Are Needed

Regulated industries, or public utilities, require, for successful operation, stability in their expenses and their rates. This does not mean that they should be exempt from proper increases in costs, but it is highly desirable and almost imperative that they do not perpetually sustain violent and unforeseeable increases in costs of operations. Likewise, millions of consumers, whose incomes are closely budgeted, naturally resent and oppose large, sudden, and what seems to them unwarranted increases in their gas bill.

The Harris-Fulbright bill in effect banned this type of escalation in existing contracts and authorized the Commission to fix the reasonable market price in lieu of automatic recognition of the escalation. This measure also authorized the Commission to approve the prices in new contracts. It is difficult to see how the Commission could have approved new contracts with favored nations clauses in them, as all the prices, during the entire term of the contract, would not be ascertainable.

In my opinion, it is not probable that Congress will, in the future, enact any measure which is any more tolerant of favored nations clauses than was the Harris-Fulbright bill. Therefore, I recommend to you that you try to work out other contract price arrangements which will recognize not only your problem, but the problem of the pipeline and distributing companies as well.

A number of representatives of distributing companies have, since the veto of the Harris-Fulbright bill, expressed a sincere desire to arrive at a workable solution of the producers' problems. The distributing companies are concerned about your welfare because they require assurance of long-term supplies, and they make no secret of that fact. I am sure the time is ripe for fair minded people in the three segments of the natural gas industry to confer with each other, and endeavor to reach agreement on solutions of the perplexing regulatory problems now confronting the producers. I am also confident that agreements so arrived at, in consideration of the public interest as well as enlightened self interest, will be acceptable to and approved by the Congress and the President.

Certificates of Public Convenience

The Commission is thoroughly aware of the trouble and losses some of you have incurred in obtaining certificates of public convenience and necessity so that you could perform contracts you had made to sell natural gas in interstate commerce. There is no point in discussing, at this time, the wisdom, or rather the lack of wisdom, in a law which requires a producer of natural gas to obtain such a certificate, as though he were in fact a public utility. However, some advice concerning how to proceed when you need a certificate in a hurry may be helpful to you.

Written application for the certificate must be made, and a hearing must be held thereon. This is required by law. Fortunately, the law provides for issuance ". . . of a temporary certificate in cases of emergency, to assure maintenance of adequate service or to serve particular customers, without notice or hearing, pending the determination of an application for a certificate . . . ." We have been liberal in issuing temporary certificates, but cannot issue them unless the application for the permanent certificate is on file and a request and justification for the temporary certificate is made.

A mere request for a temporary certificate is not sufficient. We must be apprised of the facts which constitute the emergency.

When a proper showing of an emergency has been made, the Commission's staff and the Commission itself will do its best to provide you with temporary authority as quickly as possible.

The Commission has devised a procedure whereby the Applicant for a permanent certificate need not appear at the hearing on his application unless someone has intervened to oppose the issuance of it. In that event, you will be informed of the intervention and notified of the hearing date.

The legal requirements for obtaining certificates are burdensome, time-consuming, and in large measure, unnecessary for adequate regulation of independent producers. Nevertheless, there are no insuperable obstacles to obtaining them if the granting of them is warranted. All of us on the Federal Power Commission regret the delays, expense, and worry which some of you have suffered while obtaining certificates. Our backlog of these cases is now greatly reduced, so if you make application in the proper manner, we believe we can process it promptly.

In substantiating suspended rates and in obtaining certificates of public convenience and necessity, the burden is on the person seeking the same. The Commission's role is considerably different and broader than that of the courts which settle some of your disputes from time to time, but nevertheless the Commission cannot do your work for you, or resolve all your problems and legal questions in advance of your hearing. The burden is, and necessarily will remain on you. The Commission will do, I am sure, what it properly can, within its power and capacities to eliminate unnecessary work and clarify and answer questions in a proper way and at a proper time, after due process has been accorded all parties, but it cannot give you advance rulings on all the questions which may arise.

$55,000,000 Banks for Cooperatives 3¾% Debentures Offered

The 13 Banks for Cooperatives yesterday (May 23) offered publicly $55,000,000 of 9-month consolidated collateral trust debentures through John T. Knox, their fiscal agent, with the assistance of a nationwide group of security dealers.

The debentures are being offered at par and bear interest at 3¾% per annum. The interest is payable with the principal at maturity. They are dated June 1, 1956, and will mature March 1, 1957.

Proceeds from the sale of these consolidated debentures will be used to redeem the $30,000,000 of 2.35% debentures due June 1, 1956; to repay commercial bank borrowings, and for lending operations.

These consolidated, secured debentures are the joint and several obligations of the 13 banks for cooperatives. The banks are chartered under the provisions of the Farm Credit Act of 1933. They operate under the supervision of the Farm Credit Administration. The banks make and service loans to farmers' marketing, purchasing, and business service cooperatives on terms particularly suited to their needs.

Fahnestock to Admit

Lars S. Potter, Jr., will acquire a membership in the New York Stock Exchange, and on June 1 will become a partner in Fahnestock & Co., 65 Broadway, New York City, members of the Exchange. On the same date Sherburn M. Becker III will become a limited partner.

Course on Economics Of Capital Formation

The University of Vermont will present the sixth annual session of a course entitled "Economics of Capital Formation," on the nature and operation of securities markets, to be held in New York City, June 18 to July 27, 1956. Registrations, which are limited, should be filed with the Director of the Summer Session, 147 Waterman Building, University of Vermont, Burlington, Vt. Tuition for residents of Vermont, $60; for nonresidents $105. Registration fee for all students not previously enrolled at the University of Vermont, $10. The course will give graduate or undergraduate credit of six semester hours. Rooms are available at the Hotel Latham during the course at a cost of $84 plus city tax for half a double room; single rooms are available at a higher rate. Tuition and room fee must be paid to the University by June 15. Texts and other material will be available and distributed Monday morning June 18 in the Board Room in the Bank of Manhattan Building, 40 Wall Street, New York City.

Subjects included in the course will be:

Role of the Financial Industry in the Process of Capital Formation, Philipp H. Lohman, Chairman of the Department of Commerce and Economics, University of Vermont.

Economic outlook, Harold X. Schreder, Distributors Group, Inc.

Role of Investment Banker; Originating and Underwriting and Syndication and Distribution, Edward Glassmeyer, Blyth & Co., Incorporated.

Economic and Social Functions of the New York Stock Exchange — Edward C. Gray, Executive Vice-President of the Exchange.

New York Stock Exchange, Organization and Member Firms —John H. Schwieger, New York Stock Exchange.

Floor Procedure and Round-Lot Trading on the New York Stock Exchange — Phillip B. Leavitt,

Specialist on the New York Stock Exchange—Ira Haupt, Ira Haupt & Co.

Margin Buying and Short Selling—Technique, Significance, and Regulation—William D. Fleming, Walston & Co., Inc.

Put and Call Options—Herbert Filer, Filer, Schmidt & Co.

Odd-Lot Trading on the New York Stock Exchange — Stuart Scott, Jr., Carlisle & Jacquelin.

Problem of Basis and Inventory — Sander Landfield, Carlisle & Jacquelin.

Stock Market Outlook—Gerald M. Loeb, E. F. Hutton & Co.

Analysis of Technical Action of the Stock Market — Edmund W. Tabell, Walston & Co., Inc.

Listing of Securities on the New York Stock Exchange—Phillip L. West, Vice-President of the Exchange.

Financing Philosophy and Stockholder Relations of a Listed Company—John J. Scanlon, American Telephone & Telegraph Company.

Stock Ticker and Quotations—Philipp H. Lohman.

Odd-Lot Broker-Dealer.

Economic and Social Functions of the American Stock Exchange —John J. Sheehan.

Listing of Securities on the American Stock Exchange—Martion J. Keena.

Floor Procedures — Arthur A. Bellone.

Outside Supervision—H. Vernon Lee, Jr.

Over-the-Counter Securities Markets—Oliver J. Troster, Troster, Singer & Co.

Quoted Markets in the Over-the-Counter Markets — L. E. Walker, National Quotation Bureau.

Trading of Securities in the Over-the-Counter Markets—Allan D. Gulliver, Merrill Lynch, Pierce, Fenner & Beane.

Venture Capital Investment — T. F. Walkowicz.

Role of Securities and Exchange Commission—Irwin R. Frumberg.

The Money Market—Philipp H. Lohman.

Investing for Life Insurance Companies — William R. Cowie, Equitable Life Assurance Society of the United States.

Direct Placements with Life Insurance Companies — William R. Cowie.

Treasury Securities Market — Leroy M. Piser, Aubrey G. Lanston & Co., Inc.

Commercial Banks and the Money Market—H. C. Brewer, Jr., First National City Bank of New York.

Municipal Securities—Harold C. Taylor, Chase Manhattan Bank.

Revenue Bonds—Albert F. Milloy, First Boston Corporation.

History and Future Plans of the Port of New York Authority — Eugene A. Mintkeski, Treasurer of the Port of New York Authority.

Growth and Importance of Retirement Funds — Charles E. Haines, Merrill Lynch, Pierce, Fenner & Beane.

Corporation Bond Market — Jonas H. Ottens, Salomon Bros. & Hutzler.

Function of the Arbitrageur—Leo G. Shaw, Salomon Bros. & Hutzler.

Growth and Importance of Investment Companies — Harold S. Oberg, National Association of Investment Companies.

Estate Planning and Its Tax Aspects in Relation to Investment —William W. Vicinus, Wall Street Management Corporation.

Functions of the Corporate Trustee — J. Bryson Aird, Chase Manhattan Bank.

Collection and Dissemination of Financial News—William F. Kerby, Dow Jones & Company, Inc.

Role of the Analyst in the Securities Industry—Oscar M. Miller, DeVegh & Company.

Tools and Procedure of the Securities Analyst—Robert W. Englander, Jr., Walston & Co. Inc.

Kaiser Steel Corporation — Atwood Austin, Vice-President and Treasurer of Kaiser Steel Corp.

Evaluation of the Steel Industry — Philip E. Albrecht, Merrill Lynch, Pierce, Fenner & Beane.

W. R. Grace & Co.'s Investment Policy in Latin America—Philip Walsh.

Trends in the Electronics Industry—Frank W. Mansfield, Sylvania Electric Products, Inc.

Outlook for the Rails—Pierre R. Bretey, Hayden, Stone & Co.

Outlook for Aviation—Edward V. Rickenbacker, Eastern Air Lines, Inc.

Factors Affecting the Earnings Growth of Electric Utilities — Theron W. Locke, Goodbody & Co.

Aluminum Industry Securities —Victor S. Berni, Lionel D. Edie & Co.

Economic Growth in Canada Since 1939 — James R. Clarke, Dominion Securities Corporation.

Participation in Canada's Growth Through Investment in Canadian Securities — James R. Clarke.

Demand for and Supply of Petroleum Products.

Outlook for Atomic Energy — Paul F. Genachte, Chase Manhattan Bank.

H. T. Birr, Jr. Pres. Of First California

H. T. Birr, Jr.

SAN FRANCISCO, Calif.—First California Company, 300 Montgomery Street, has announced that H. T. Birr, Jr., has been elected chairman of the board and president and A. M. Bleiler senior vice-president and director.

R. W. Satterlee Joins Luce, Thompson Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Richard W. Satterlee has become associated with Luce, Thompson & Company, Columbia Bank Building. Mr. Satterlee was formerly with George K. Baum & Co., Inc., and prior thereto was an officer of Lucas, Farrell & Satterlee.

Sade, Kristellar Partners

WASHINGTON, D. C.—On May 31, Sade, Kristeller & Co., Investmen Building, members of the New York Stock Exchange, will admit Frances Mahon to general partnership and Melvin Gelman and Meyer L. Sody to limited partnership.

Public Utility Securities

By OWEN ELY

Central Illinois Public Service Company

Central Illinois Public Service serves some 20,000 square miles in central and southern Illinois, about 91% of revenues being electric and 9% natural gas. The area is rich in natural resources, with the annual value of farm and mineral products approaching a billion dollars. Manufacturing industries are well diversified, their products being mostly consumers goods, so that the area is not as subject to cyclical fluctuations as some sections. Forty-three percent of revenues are residential and rural, while large power customers contribute only 29% of revenues excluding temporary sales of power.

The company has been regarded in the past, perhaps, as a "coal utility." Around 1925 this was true, since sales of electricity to coal mines then contributed nearly one-quarter of revenues. Now, however, the ratio has dropped to less than 8%. The company no longer has to maintain any substantial investment in generating and transmission facilities merely to serve coal-mining customers. Moreover, the coal business is enjoying something of a renaissance. Old Ben Corporation, for example, has decided to develop a large acreage of virgin coal land estimated to contain about 100 million tons. Favorable factors for the coal industry are continued improvement in mining machinery and methods, gains in the export market and in steel production, the constant increase in the needs of the electric utility industry, and higher costs for locating new reserves of natural gas.

Industrial development in the company's area is now progressing at a faster pace than formerly anticipated. The company's area contains the population center of the United States, and there is a potential consumers' market of about 60 million people living within 500 miles. Some of the better known names of companies which are active in the area include Allen Industries, American Brass, Blaw-Knox, Motorola, Borg Warner, Texas Company, Gardner-Denver, National Petro-Chemicals, Olin-Mathieson, International Minerals & Chemicals, etc.

A large petro-chemical plant is being erected at Tuscola. Activities in the petroleum, chemical and allied fields have increased. New oil fields are being brought into production, and production at old fields is being increased by repressuring. In 1955 for the first time the company's revenue from sales of electricity to the petroleum and allied industries exceeded that from sales to coal mines, and this is expected to continue.

A favorable but temporary factor was the sale of power to the Atomic Energy Commission. Revenues from this source reached a high of $4.3 million in the 12 months ended May 31, 1955. But with completion of the huge power plants built by groups of utility companies to service the AEC, the utilities themselves have not had to supply so much power. CIPS' revenues from this source declined to less than $2.6 million for the calendar year 1955, and for 1956 are estimated at only about $1 million.

President Luthringer estimates that the AEC contribution approximated 20 cents a share in 1955 and will drop to about 10 cents in 1956. Nevertheless, the company's earnings in the first quarter of this year were 70 cents compared with 67 cents a year ago. Mr. Luthringer stated: "It is our belief that the vulnerable temporary earnings are being replaced rapidly by solid earnings, and that there is no longer justification for concern as to the importance of these temporary earnings to net income."

The company has made good progress in reducing its cost of electricity, last year the average production cost being only 3.15 mills per kwh. The company can now obtain some cheap interruptible power from the Joppa Station of Electric Energy, Inc. when such power is not needed for the AEC.

The company has about 500,000 kw total capability and by the end of this year, even including firm purchased power contracts, the margin over peak demand will be down to about 3%. However, the company feels that there is ample protection to customers through interconnections with Illinois Power and Union Electric Company whose electric systems are operated in parallel with the company's. A 100,000 kw unit is scheduled for completion in the fall of 1957 and a still larger unit will probably be brought into service in 1960. Construction expenditures are expected to average about $21 million a year in 1956-7.

The gas business has grown more rapidly than the electric, revenues in 1955 being 2.3 times as large as in 1947. It is estimated that by the end of 1955, after connecting about 700 additional residential house-heating customers during the remainder of this year, saturation in the area will still be only 55%. Hence the company would benefit by additional gas supplies or adequate storage facilities. Panhandle Eastern Pipeline, its supplier, is studying the possibility of developing storage facilities in the Howell and Waverly Fields in Illinois.

Regarding the regulatory picture, Illinois is a fair value state. CIPS is currently earning around 6% on a fair value basis.

Capitalization ratios are as follows:

	Percentage
Mortgage Debt	46
Unsecured Debt	3
Preferred Stock	16
Common Stock Equity	35
	100

The company has had no bank loans for several years. It expects to sell about $5 million of securities later this year, possibly a little common stock — about 1-for-20 — if conditions are favorable, but this could be deferred for some time if necessary without great damage to the equity ratio.

Share earnings in 1956 are estimated at about the same as in 1955, when $2.41 was reported compared with $1.93 in 1954 and $1.44 in 1953. Some of this gain resulted from a $3,634,000 rate increase granted in May, 1954. Dividend payout has averaged about 63% during 1948-55, but eliminating temporary sales of power to the AEC would have averaged at least 70%, which is considered a reasonable payout.

The stock has been selling recently around 31¼ and pays $1.60 to yield 5.1%. Based on the earnings of about $2.40, the price-earnings ratio is about 13 which is below average.

Chesapeake Bay Ferry District Bonds Marketed

$20 million revenue issue offered by Allen & Co.-Willis, Kenny & Ayres syndicate.

Allen & Company, New York, and Willis, Kenny & Ayres, Inc., Richmond, Va., are joint managers of an investment banking syndicate making a public offering of $20,000,000 Chesapeake Bay Ferry District 4¼% Revenue bonds, due April 1, 1986, at 100% and accrued interest.

Net proceeds from the sale of the bonds are to be applied by the Chesapeake Bay Ferry Commission, the governing body of the Chesapeake Bay Ferry District, to the payment of the cost of acquiring the existing ferry service between Kiptopeke Beach and Little Creek, Virginia; to establish a ferry service between Old Point Comfort and the Eastern Virginia Shore; for working capital and for a reserve for interest on the bonds.

The bonds are to be payable solely from tolls and other revenues of the existing ferry service and the new ferry service. Bond interest is exempt from present Federal income taxes; bonds and revenue therefore exempt from all taxation within the State of Virginia. The bonds are authorized investment for trust funds in Virginia.

A newly created public agency of the State of Virginia, the Chesapeake Bay Ferry Commission recently acquired from the Virginia Ferry Corporation the ferry system linking Kiptopeke Beach with the Norfolk area, which has been in operation for over 20 years. More popularly known as the Norfolk-Cape Charles Ferry, the properties were purchased by the Commission for $13,000,000.

The Commission plans to add to its service by establishing a ferry service between Old Point Comfort and the Eastern Shore of Virginia. Such service probably will not be started until a new ship is built, most likely late next year or early 1958. Also in the plans of the Commission is a study to decide the feasibility of replacing ferry service with a structure combining a causeway with a bridge or tunnel, or both. The financing of a fixed crossing must provide for the retirement of these bonds.

The industrial expansion in the area and its natural wealth, the ideal position of the existing ferry service as a traffic artery between the North and the South, and the fascinating tourist attractions in the area indicate a heavy amount of waterborne traffic to utilize the ferry services. Estimates of traffic and revenues by Wilbur Smith and Associates, Traffic Engineers, indicate revenues sufficient for debt service coverage of interest, principal, and premium, of a minimum of 1.40 times in 1960 to a maximum of 1.61 times in 1977.

Continued from page 15

The Steel Situation

not done business with us I will say this. We don't believe it is good business to favor one customer over another. Regardless of the size of your order, it will be filled when its turn comes. And regardless of the size of your company, you will receive your fair share of our production, no matter how tight the situation is.

Another thing you want from us is dependability. You want to feel that when you need steel you can get it.

That means capacity, first of all, and were building it, and we'll keep on building it as needed. But capacity without raw materials is meaningless, so Republic is now completing a long-range program involving hundreds of millions that will provide all the iron ore, coal and limestone we will need for a half century at least.

Another thing you want from us is quality. In the steel business, quality depends on many factors —men, machines, good steelmaking practice to name a few. Republic stands high on all these points, and we're proud of it. But quality in our rapidly changing technology depends more and more on research, and here Republic is forging ahead as rapidly as money and ingenuity can take us.

Plans for a central research laboratory have been drawn and an option taken on a site near Cleveland. Construction of the laboratory will bring together several groups engaged in both basic research and process and product development.

Basic Research

I hope you will note that emphasis on basic research. We are not limiting our scientists and technicians to product development. Research is pushing ahead into ever-expanding frontiers of knowledge, and we are determined to be in the forefront of that drive. We are deep in research in connection with atomic energy. We want to know how the steel industry can utilize atomic power and nuclear by-products. We want to broaden the use of steel in the atomic industry itself. This is one of many avenues we are exploring.

But research is more than delving into the physical sciences. We are as much interested in the rise and fall of the birth rate as we are in atomic energy; as much concerned with the nation's transportation habits as with new types of rolling mills. Our goal is not to build capacity blindly, but to have available the types of steel you need, in the quantity you need, and when you need it.

Another thing you want from us is service. I believe I am not boasting when I say that our service is as good as our steel— and that's mighty good, and getting better all the time.

Dependability, quality and service—these are the things you will get from us.

Now—there are some practical ways in which you can help us to serve you better.

Bunch Orders

On big thing you can do is to bunch your orders for steel having the same specifications. I know this is a tough one, often impossible. But in addition to helping us get orders out on time, big orders help us to hold down costs, and in the long run—I don't need to tell you—this is to your advantage as well as ours.

Did you ever dig into the cost of changing over a mill from one size to another? Take a 12 inch bar mill. A complete mill change costs us $988. Even a change from 1½ inch rounds to 1¾ inch rounds costs us $155. And since it costs as much to change over for 10 tons as it does for 100 tons, you can see where bunched orders save money.

For small orders, the warehouse is often your best bet.

Then there is this problem of feast or famine. When there is a drop in demand for a particular type of steel you use, it would help us a lot if your company would build up a little fat in its inventory on this particular item. We wouldn't sell any more steel that way, but when demand rises suddenly it would keep your production going while we get rolling again.

I know that inventory control has to be tight. But it can be too tight. Sometimes it can force you to pay for premium instead of steel. Back in 1954, for instance, a fabricator decided they were too heavy on inventory and sold several thousand tons of sheet steel. Four months later they had to turn around and buy that same steel back again at more than a $60 premium over their selling price. It would have cost them a thundering lot less to hold that steel in inventory.

We practice what we preach, too. To serve you better, we maintain an inventory of around a million tons of steel. If you count everything—from ore and steel to nuts and bolts—we had over $161 million tied up in inventory as of December 31, 1955. That's a lot of money, but we think it's good business.

You can also help us by using standard steels whenever possible. Standard steels, made by standard practice, have helped us to keep prices down and quality up. It's a tough problem when your engineers demand specialty steels; but remember what a godsend those standard steels were during the war. With a little ingenuity they can be a godsend in peacetime, too. The only difference is that now you'll be saving dollars and delivery time, instead of lives.

Well, that's my speech, and I do appreciate this opportunity to talk with you. We've all got problems and they may get tougher before they get better. But there's one thing I'm sure of. If we think big and work like the devil, we can all be proud of ourselves at quitting time.

First National Group Offers $10 Million Minnesota Bonds

The First National City Bank of New York and associates were the winners on May 22 of an issue of $10,000,000 State of Minnesota, Trunk Highway bonds, due June 1, 1959 to 1971, inclusive. The group bid 100.0328 for 3½s and 2.20s, representing a net interest cost of 2.2326%.

The bonds are being reoffered at prices scaled to yield from 1.95% to 2.25%, according to maturity.

Associated in the offering are: The Northern Trust Company; Continental Illinois National Bank and Trust Company of Chicago; Kuhn, Loeb & Co.; Northwestern National Bank of Minneapolis; Glore, Forgan & Co.; The Marine Trust Company of Western New York; the First National Bank of Portland, Oregon; Brown Brothers Harriman & Co.; Robert W. Baird & Co., Incorporated; National Bank of Commerce of Seattle; Harold E. Wood & Company.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Robert H. Pennock, Jr. is now with Goodbody & Co., National City East Sixth Building.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The New York agency of the **Swiss Bank Corporation of Basle, Switzerland,** has received cable advices that directors of the Corporation have called an extraordinary general meeting of shareholders at Basle on June 1, to increase the share capital from 160 to 180 million Swiss francs. The increase will be accomplished through the issuance of 40,000 new bearer shares of FCS 500 par value which will be offered to present shareholders at FCS 600 per share on the basis of one new share for each eight now held. The new shares it is announced will entitle holders to one-half the dividend for the year 1956 and will have the same rights afterwards as the old shares. Subscription to the new issue will be open from June 2 to 15, and payment for the new shares will have to be effected by June 30. A further proposal also will be submitted to the general meeting which would authorize the directors to increase the share capital at a later date from 180 to 200 million francs either in one or several successive issues when the Board deems it advisable.

* * *

The First National City Bank of New York opened its 74th domestic branch office on May 21, thus becoming the first commercial tenant of the new Socony Mobil Building at Lexington Avenue and 42nd Street. The new office provides for the domestic and foreign banking needs of business and industry and furnishes personal banking services as well. An underground concourse provides access from Grand Central Station and subway lines. Featured on the main banking floor at street level is a 68-foot mural, "Portrait of America," which depicts a cross section of American industry. Headquarters for consumer services will be located on the subway-level concourse floor, connected with the main banking floor by an escalator.

Robert S. Emison, Vice-President who is in charge of the new office, has been an officer of First National City for 22 years. Other members of the official staff are John C. Bertels, Vice-President; William W. Lowe and Sheldon McK. Monroe, Assistant Vice-Presidents and Herbert S. Thompson and William C. Vogel, Assistant Cashiers. The Socony Mobil Building it is announced is the largest office building erected in New York in the past 25 years and has been referred to as the "tower of industry." Previous references to the building have been made in these columns.

* * *

Action toward increasing the capital of the **Royal State Bank of New York,** at 245 Fifth Avenue, was taken early this year, at the annual meeting Jan. 18, the plans calling for the enlargement of the capital to $1,500,000 from $1,201,500, with the number of shares being increased from 240,000 to 300,000. The purpose of the increase was to permit: The sale of 35,670 shares of additional capital stock (par $5) at $16.50 per share; and the declaration and payment of a 10% stock dividend amounting to 24,030 shares of capital stock. In accordance with this action each stockholder of record Jan. 25, was entitled to receive, as a stock dividend, one new share for each ten shares held. The stock subscribed and paid for was issued as of March 1.

* * *

Announcement of plans for two new banking annexes on the mezzanine level of the 14th Street IRT and BMT subway stations in New York was made simultaneously on May 21 by James T. Lee, President of **Central Savings Bank** and R. H. Brownell, President of **Union Square Savings Bank.** It is expected that construction on both annexes will be started in June. In making known their plans the Presidents made a joint statement saying in part, "thousands of our present depositors as well as prospective savers will benefit by the great convenience of these subway offices. People from all over the city will be able to 'go to the bank' on their way to and from work without delay and without spending time or extra carfare." The Central Savings Annex will be located at the mezzanine level of the IRT Lexington Avenue Subway at 14th Street and 4th Avenue while the site of the new Union Square annex will be on the mezzanine level of the BMT 14th Street Station. Both annexes plan to open simultaneously and each will offer the public the same banking hours; Mondays through Fridays from 8 a.m. to 6:30 p.m. The new offices are expected to be completed before the end of 1956. Union Square Savings Bank has two locations in addition to the BMT subway annex. The main office is located at 20 Union Square and a branch office at 245 First Avenue. Central Savings Bank also has two offices in addition to the new subway annex — uptown at 73rd Street and Broadway and downtown at 14th Street and 4th Avenue.

* * *

The capital of the **Long Island National Bank of Hicksville, Long Island, N. Y.,** which on April 2 was increased from $750,000 to $765,000, has been further enlarged, as of May 9, to $815,000 by the sale of $50,000 of new stock. Reference to the previous increase was made in these columns April 12, page 1824.

* * *

William J. During, Vice-President and Director of Harsco Corporation, has been elected a director of the **Marine Midland Trust Company of Central New York, at Syracuse, N. Y.,** according to an announcement issued on May 18 by Harry W. Davies, Chairman of the bank's Board of Directors. Mr. During is also President and Director of Precision Castings Co., Division of Harsco Corporation, Executive Vice-President of C. C. Bradley Company and Executive Vice-President of Edlund Machinery Corporation, etc.

* * *

The State of New York National Bank of Kingston, N. Y., reported on May 15 a capital of $450,000, increased from $150,000. The enlarged capital was brought about by a stock dividend of $300,000.

Kingsbury S. Nickerson, President of **The First National Bank of Jersey City, N. J.,** announced on May 17 the appointment of Thomas J. Stanton, Jr., as an Assistant Cashier of the bank. Mr. Stanton joined First National after his graduation from Georgetown University in 1954. After a training period in various departments of the bank he was assigned to the **West New York Office** where he continues.

* * *

As of May 4 the merger of the **Irvington Trust Co. of Irvington, N. J.,** with common stock of $300,000, into the **National State Bank of Newark, N. J.,** with common stock of $4,500,000, was approved and made effective by the Office of the Comptroller of the Currency at Washington. The merger, details of which were noted in our April 5 issue, page 1690 and May 10, page 2256, was effected under the charter and title of the **National State Bank of Newark,** which on the date of the merger had a capital stock of $4,900,000, in 392,000 shares of common stock, par $12.50 each; surplus of $12,-900,000, and undivided profits, including, it is stated, capital reserves of not less than $2,595,871. The Irvington Trust Co. quarters will be known as the West Irvington Office of the National State Bank of Newark.

* * *

The stockholders of the **Palisades Trust Co. of Englewood, N. J.** have approved a five-for-one split of stock under which each old share of $100 par value stock is to be exchanged for five $20 par value each. This is learned from the Newark "Evening News" of May 18, which stated that according to Douglas W. Morgan, President, the board of directors contemplates paying dividends part in cash and part in stock. The July 1 dividend is expected to be paid in cash, he said. Mr. Morgan added: "By paying dividends in stock instead of in cash, thereby retaining a portion of our earnings, the bank will be able to add to its capital funds."

* * *

The Farmers & Mechanics National Bank of Woodbury, N. J. has increased its capital from $100,000 to $200,000 as of May 10, the addition having resulted from a stock dividend of $100,000.

* * *

On April 30 the **Fidelity Trust Company of Pittsburgh, Pa.,** a State member of the Federal Reserve System, absorbed the **First National Bank of Castle Shannon, Pa.** A branch was established in the former location of the absorbed bank. The Castle Shannon Bank had a capital of $50,000.

* * *

The National Deposit Bank of Brownsville, Pa., with common capital stock of $50,000, was absorbed effective April 28 by the **Gallatin National Bank of Uniontown, Pa.** An announcement to the effect that majority control of the last named bank has been purchased by a group of Fayette County, Pa., residents appeared in our May 17 issue, page 2366.

* * *

The election of Robert Roberts, President of the Roberts-Toledo Rubber Co., to the board of directors of **The Ohio Citizens Trust Company of Toledo, Ohio,** was announced on May 16 by Willard I. Webb, Jr., President. Mr. Roberts has been associated with the rubber industry for the past 20 years. He was Vice-President of the Bowling Green Rubber Co. until 1946 when he established the Roberts-Toledo firm to specialize in precision-molded industrial rubber products for the automotive, appliance and aviation industries. Mr. Roberts is a member of the Ohio Manufacturers Association, Rubber Manufacturers Association, etc.

* * *

The sale of $100,000 of new stock by the **First James River National Bank of Jamestown, N. D.,** raised the capital to $200,-000 from $100,000, effective May 8.

Sidney L. Schwartz 50 Yrs. With Sutro

SAN FRANCISCO, Cal.—Fifty years ago, May 15, Sidney L. Schwartz, senior partner of Sutro & Co., the West Coast's oldest brokerage and investment banking house, joined the firm as a runner for Charles Sutro.


Sidney L. Schwartz

Sidney Schwartz, dean of San Francisco's financial district, is a national authority on stock exchange procedure having served the San Francisco Stock Exchange as President for nine years.

He was first elected to this high office in 1923 and for each successive year through 1930. In 1942 he was returned to the Presidency and served the Exchange for the following three years. In 1944 he was elected to the Board of Governors of the New York Stock Exchange and served on that board for six years.

Mr. Schwartz is a member of the Investment Bankers Association, Vice-President of River Farms Company and is a Past President of the Lowell Alumni Association.

He is a native Californian, born in San Francisco.

Presently he is on a six month vacation trip in Europe. He will return to his desk in the firm's handsome new quarters, 460 Montgomery Street on July 15, 50 years and two months from the day he entered the business.

With Minneapolis Assoc.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Robert M. Johnson is now connected with Minneapolis Associates, Inc., Rand Tower.

With Gerard Jobin

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Leonard H. Schulz is with Gerard R. Jobin Investments, Ltd., 242 Beach Drive, North.

Curtis Merkel Adds

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Norbert R. Gagnon is now with Curtis Merkel Company, Inc., 601 First Avenue North.

Joins Thomson McKinnon

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Raymond P. Check is now affiliated with Thomson & McKinnon, 340 Central Avenue.

J. R. Timmins Admits

J. R. Timmins & Co., 61 Broadway, New York City, members of the New York Stock Exchange, on June 1 will admit Bernard T. McCormack and Gabriel M. Sauriol to partnership. Mr. Sauriol will make his headquarters in the firm's Montreal office, in the Royal Bank Building.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

J. P. Morgan & Co., Incorporated, New York

This company was organized in March, 1940, under the laws of New York as a trust company, and it acquired the banking business previously conducted by J. P. Morgan & Co., the private banking concern that had so long been one of the leaders in finance in this country. The company owns a one-third interest in the ordinary shares of Morgan, Grenfell & Co., Limited, of London, and the entire stock of Morgan & Cie, Inc., a New York corporation doing business in Paris. These two connections are important in the conduct of foreign business. The bank carries on a general banking and trust business and is a member of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the New York Clearing House Association.

At the time of incorporation the bank had 77 shareholders. This list had grown to approximately 1850 by the end of 1955. The partners of the old firm became officers of the corporation. The transition from the activities of the former widely-known private banking business was made with an eye to maintaining and developing further the banking services in which the organization had been trained. As a consequence, the high calibre of the business has been continued, and the bank's growth in accounts has been a steady one since incorporation.

STATEMENT OF CONDITION—MARCH 31, 1956

—ASSETS—

Cash and Due from Banks	$214,634,000
United States Government Securities	174,244,000
State and Municipal securities	56,018,000
Other Bonds and Securities	14,489,000
Loans and Bills Purchased	376,877,000
Accrued Interest, Receivables, etc.	3,664,000
Stock of Federal Reserve Bank	1,800,000
Investments in Affiliates	1,560,000
Banking House	3,000,000
Liability of Customers on Acceptances	16,905,000
	$863,191,000

—LIABILITIES—

Deposits:	
U. S. Government	$61,862,000
All Other	672,157,000
Official Checks Outstanding	5,812,000
	$739,831,000
Bills Payable	25,000,000
Accounts Payable, Tax Reserve, etc.	6,180,000
Acceptances Outstanding	16,983,000
Capital—300,000 Shares	30,000,000
Surplus	30,000,000
Undivided Profits	15,197,000
	$863,191,000

A break-down of the above assets into principal categories follows:

Cash	24.9%
United States Government Obligations	20.2
Other Securities	8.5
Loans and Discounts	43.7
Real Estate	0.3
Miscellaneous Assets	2.4

As of the year-end date for the past seven years, the United States Government bond portfolio was distributed in the following maturity categories, using call dates:

	Maturities		
	Up to 5 Years	5 to 10 Years	Over 10 Years
1949	98%	2%	--
1950	95	5	--
1951	78	22	--
1952	67	33	--
1953	93	5	2%
1954	93	6	1
1955	93	7	--

The following schedules give, first, a break-down of the bank's sources of gross income for the past seven calendar years; secondly, for the past six years the average rate of return derived from loans and discounts, and from United States Government obligations:

	Income from Low Interest	Interest & Divs. from Securities	Fees, Commissions and Miscellaneous
1949	36%	42%	22%
1950	39	32	29
1951	53	23	24
1952	53	25	22
1953	56	22	22
1954	49	23	28
1955	54	20	26

AVERAGE RATE OF RETURN

	On Loans	On Government Bonds
1950	1.98%	---
1951	2.50	1.78%
1952	2.81	1.89
1953	2.96	2.10
1954	2.57	1.77
1955	2.96	1.97

All general market securities, including United States Government obligations, are carried on the books of the company at cost, or, when purchased at a premium, at amortized cost.

10-YEAR STATISTICAL RECORD—PER SHARE*

	Book Value	Operating Earnings	Invested Assets	Dividend	Price Range High	Price Range Low
1946	$192.48	$11.00	$1,700	$5.33	217	173
1947	196.27	9.92	1,597	5.33	178	143
1948	198.04	11.08	1,432	5.33	160	131
1949	203.00	10.60	1,667	6.67	165	133
1950	207.65	11.13	1,706	6.67	183	157
1951	214.14	13.77	1,827	7.08	207	147
1952	220.73	17.27	1,939	8.33	244	200
1953	228.78	17.15	1,984	8.33	253	210
1954	237.90	16.01	2,155	10.00	260	207
1955	247.23	21.67	2,280	10.00	320	256

*Adjusted for 25% stock dividend in 1951 last quarter; and for 20% stock dividend in 1954 last quarter.

In the decade there was a 54% increase in book value, and if we add this dollar increase of $83.30 to the dividends disbursed in the period, the gain to the stockholder is $156.37, or at the annual rate of $15.64. This particular decade started close to the end of the war when there had been a heavy accumulation of government bonds taken by the banks as part of the effort to finance the war, this sharply increasing the banks' invested assets. After the termination of hostilities there was an abrupt reversal of this, the government canceling out a substantial portion of its war-generated indebtedness. Thus it is that the 1955 year-end invested assets figure is not much greater than that for the 1945 year-end date.

Dividend payments were initiated in 1941, and in early 1949 the directors placed the stock on a $10.00 annual basis. In the 12 months ended March 31, 1956, this payment was only 45% of operating earnings. In that 12 months earnings on book value were 8.9%; and at the March 31 date the stock was selling at 14.9 times operating earnings, compared with a ratio of 22.0% a year earlier. At the present price of about 338, the yield is 2.96%.

Kidder, Peabody Group Offers Fruehauf Stock

An underwriting group headed by Kidder, Peabody & Co. yesterday (May 23) offered for public sale 228,028 shares of Fruehauf Trailer Co. common stock (par $1) priced at $32.875 per share. The shares, which are being marketed for the account of certain selling stockholders, represent 50% of the Fruehauf shares received by members of the Strick family in connection with Fruehauf's purchase of Strick Company and Strick Plastic Corp. in January of this year.

Fruehauf, whose business dates back to 1897, is the leading producer of truck trailers, truck bodies and accessories. The company makes about 50 different types of trailers having varying load capacities.

In 1955 Fruehauf's net sales amounted to $223,475,855, highest in the company's history, compared with $146,329,606 in 1954. Net earnings were $8,658,045, equal to $2.09 per share on the common stock, compared with $4,510,238 or $1.34 per share in 1954. Fruehauf's net sales for the three months ended March 31, 1956 were $71,793,245, an increase of 57% over the $45,686,328 for the first quarter of 1955, and net income was $2,623,352 or 54% over the $1,701,780 reported in the same period for 1955. After adjusting for the 100% stock distribution paid in January 1956, quarterly earnings were 49 cents per share compared with 44 cents per share in 1955.

Included in the 1956 figures are the sales of the Hobbs Trailers Division acquired in November 1955, the Strick Trailers Division acquired in January 1956, and the Fruehauf Trailer Co. of Canada which is now consolidated in the statements of the parent company.

In addition to the regular cash dividend, raised earlier this year from 25 cents to 35 cents per quarter, a 2% stock dividend has been declared for each of the three remaining 1956 quarters and the first quarter of 1957.

Members of the underwriting group include: Eastman, Dillon & Co.; Goldman, Sachs & Co.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; White, Weld & Co.; A. G. Becker & Co., Inc.; Drexel & Co.; Hemphill, Noyes & Co.; Hornblower & Weeks; W. E. Hutton & Co.; Paine, Webber, Jackson & Curtis; Estabrook & Co.; Hallgarten & Co.; and Reynolds & Co. Inc.

New Appointments by McLeod, Young, Weir

TORONTO, Ont., Canada—J. H. Ratcliffe, President of McLeod, Young, Weir & Company Limited, 50 King Street, West, has announced the election to the board of directors of George C. MacDonald, Robert W. Wadds and J. Ross Hilborn. Mr. MacDonald is located in New York, and Mr. Wadds and Mr. Hilborn are identified with the company's head office in Toronto.

At the same time Mr. Ratcliffe announced with regret the retirement from the Board of W. J. Lyons. Mr. Lyons, who is well-known in financial circles, has been associated with the company for many years.

Now With Bache Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Robert S. Lowell is now with Bache & Co., 135 South La Salle Street.

Capital Secs. Adds

(Special to The Financial Chronicle)

CHICAGO, Ill. — Rosetta C. Goldberg has been added to the staff of Capital Securities Company, 209 South La Salle Street.

With Freehling, Meyerhoff

(Special to The Financial Chronicle)

CHICAGO, Ill. — Bernard M. Alter is now with Freehling, Meyerhoff & Co., 120 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Joins Leason Staff

(Special to The Financial Chronicle)

CHICAGO, Ill. — Donald T. Risk has joined the staff of Leason & Co., Inc., 39 South La Salle Street.

Long & Meaney Admit

On June 1 Gershon J. Feigon will become a partner in Long & Meaney, 15 Broad Street, New York City, members of the New York Stock Exchange.

Rudd & Co. Admit

WASHINGTON, D. C.—Rudd & Co., 734 Fifteenth Street, N. W., members of the New York Stock Exchange, on June 1 will admit H. Max Ammerman and Irving S. Lichtman to limited partnership.

Jean J. Walker

Jean J. Walker, partner in Conroy & Co., New York City, members of the American Stock Exchange, passed away on May 11.

Economic Aspects of Disarmament

By PAUL EINZIG

To cope with maintaining a defense safety-level and, at the same time, permit defense expenditure reduction to help combat inflation and a possible Communist bloc trade offensive, should the Soviets disarm on a large scale, Dr. Einzig recommends a more equal free world distribution of armament burden. Claims London Stock Exchange setback following Soviet arms reduction news was due to psychological influence of Wall Street and not due to anticipation of business recession, and that disarmament reduction would be economically helpful to Britain.

LONDON, Eng.—The announcement of the decision of the Soviet Government to reduce considerably the armed strength of the Soviet Union was followed by an appreciable setback on the London Stock Exchange. This was almost entirely due to the physiological influence of the setback in Wall Street. For, even on the assumption that the Russian move would be followed by a reduction of armament in Britain, there would be no cause for anticipating a business recession in Britain. Admittedly it would mean the cancellation of orders, which might affect unfavorably certain industries. The fact is, however, that most of those industries are heavily overloaded with orders, so that even substantial cancellations would leave them enough work to keep them fully occupied.

Dr. Paul Einzig

If orders for war planes are cancelled, for instance, the aircraft industry could concentrate on the production of airliners and transport planes, for which the delivery dates are rather long. There may be, of course, temporary unemployment in some factories pending the readjustment of production to changed requirements. The chances are, however, that the economy as a whole will remain fully occupied.

Economic Advantage to England

In Britain it is no longer possible to argue against disarmament on economic grounds. Before the war any large-scale reduction of armaments would inevitably have aggravated the prevailing mass unemployment. In the meantime the situation has undergone a fundamental change. The problem is not how to keep up consumption in order to avoid deflation, but how to keep down consumption in order to avoid inflation. The economic argument is now definitely in favor of disarmament instead of being against it.

One of the main reasons why the government intends to cut down defense expenditure is that it is necessary to relieve pressure on manpower and materials. The extent to which consumer demand has responded to the disinflationary measures adopted in recent months has been so far negligible. Any reductions brought about by curtailments of credit facilities and restrictions on instalment credit operations have been more than offset by the use of the additional purchasing power created by wages increases.

Nor has capital investment responded to the disinflationary pressure. The output of machine tools continues to increase, and the government expects that during 1956 the amount of industrial capital investment projects initiated will exceed the corresponding figure for 1955. Evidently a much more severe degree of credit squeeze would be needed to reverse this trend or even to halt it.

Communist Exports

An alternative to an increase credit squeeze would be a substantial reduction in defense expenditure. This would release manpower and industrial capacity for civilian requirements. It is indeed very tempting for the government to go very far in that direction. The fashionable argument is that "the cold war no longer assumes the form of military threat but a contest in the economic sphere." Beyond doubt, if the Communist block increases its production as a result of large-scale disarmament it would be able to produce large exportable surpluses with which to flood the markets of the free world. If the Democratic countries continue to spend on arms at the present rate, the resulting domestic inflation would necessarily reduce exportable surpluses and keep up prices. It would provide the Communist countries with an opportunity to capture many markets.

The hitch in the argument is that there is no means of knowing to what extent the Soviet Union genuinely intends to disarm. In the absence of international control it is impossible to ascertain whether there is going to be a really substantial reduction of the Red Army's strength. Moreover, even if the announced reductions were to be carried out to the letter, the armed strength of the Communist bloc would remain superior to that of the Democratic countries. In the circumstances the extent to which the latter could afford to disarm without running grave risks must necessarily be limited. After all, freedom from fear is even more important than freedom from want.

Choice of Risks

Moreover, as a result of automation it is now possible to re-arm in a much shorter time than before. Provided that the industrial capacity is there, it is possible to produce large quantities of the latest weapons in a very short time. This is an advantage to both sides, but it is much more advantageous to the Soviet bloc because they are in a much better position to rearm in secret. The choice lies between two different kinds of risk. If the Soviet bloc should disarm on a large scale while the free countries refrain from doing so, we may have to face a trade offensive of considerable importance. The success of such an offensive is liable to initiate an economic crisis in democratic countries. Should it result in large-scale unemployment, it would greatly facilitate subversive activities by Communists. Even in the absence of armed invasion it might lead to the establishment of Communist or near-Communist regimes in some democratic countries.

If, on the other hand, the democratic countries should embark on large-scale disarmament, they would be exposed to a series of minor military encroachments by the Communist forces in various parts of the free world. The nuclear weapons would provide an adequate deterrent to major aggression, but there would be ample scope for the Soviet forces in Asia and elsewhere to achieve penetrations of an extent that would not justify retaliation with the aid of nuclear weapons. It is to prevent such action that the military strength of the Western Powers should not be reduced below the safety level. And it is very difficult to know where that safety level lies.

What matters is a more equal distribution of the economic burden of the defense of the free world. At present that burden rests on too few shoulders. Germany, Italy and Japan could and should bear a larger proportion of it. Nor is it fair that "neutralist" countries should rely for their freedom almost entirely on the economic sacrifices made by other nations. Should the Western Powers yield to the temptation to reduce greatly their armed strength for economic considerations, it is the neutralists who would be the most likely victims of a revival of aggressive policy by the Communist bloc.

Wayne Jewell Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — John H. Davies is now affiliated with Wayne Jewell Company, 818 Seventeenth Street.

With Securities, Inc.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Homer G. Sandercock has joined the staff of Securities, Inc. He was formerly with Hamilton Management Corporation.

Join Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Chester C. Bloniarz and Gilbert G. Tibbals have joined the staff of Coburn & Middlebrook, Incorporated, 100 Trumbull Street.

Schirmer, Atherton Adds

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Milton M. Seligson is now with Schirmer, Atherton & Co., 49 Pearl Street.

Chicago Bond Club To Hold Field Day

CHICAGO, Ill.—The Bond Club of Chicago announces that it will hold its 43rd annual field day on Friday June 8 at the Knollwood Club, Lake Forest, Illinois. Scheduled for the day are baseball, golf, a special offering, and other events with trophies for all athletic event winners.

Members of the general committee are F. G. Schoettler, Wayne Hummer & Co., chairman; Richard L. Kennedy, Jr., Harris, Upham & Co.; Chris J. Newpart, Merrill Lynch, Pierce, Fenner & Beane; and George R. Torrey, vice-chairmen.

Arrangements: John F. Detmer, Hemphill, Noyes & Co., chairman; Gordon Bent, Bacon, Whipple & Co.; John J. Lynch; Gordon L. Teach, A. C. Allyn & Co.

Golf: Carl H. Ollman, Dean Witter & Co., chairman; Raymond V. Condon, B. J. Van Ingen & Co., Inc.; John F. Kehoe, Stern Brothers & Co.; Lawrence M. Rieckhoff, Northern Trust Company.

Baseball: Edward W. Liphardt, chairman; J. Robert Doyle, Doyle, O'Connor & Co.; William O. Feeley, Dean Witter & Co.

Trophies: William F. Hilton, chairman; Robert L. Meyers, Stone & Webster Securities Corporation; Blair A. Phillips, Jr., Baxter, Williams & Co.; Eugene C. Travis, Harriman Ripley & Co., Inc.

Entertainment: Robert M. Clark, Blunt Ellis & Simmons, chairman; Milton S. Emrich, Julien Collins & Company; Donald C. McCotter, Lee Higginson Corporation; Richard D. Vermillion, Smith, Barney & Co.

Investments: John J. Markham, Hornblower & Weeks, Chairman; Alan H. Bede, Julien H. Collins & Company; Robert A. Riley, Stern Brothers & Co.

Dividends: Robert B. Krell, Bacon, Whipple & Co., Chairman; John D. McHugh, James J. McNulty & Co.; Harvey H. Orndorff, McCormick & Co.

Dinner: Robert I. Kelley, Harriman Ripley & Co., Chairman; William G. Budinger, Dean Witter & Co.; Sampson Rogers, Jr., McMaster Hutchinson & Co.

Buckner & Co. to Be Formed in New York

On June 1, Buckner & Co., members of the New York Stock Exchange, will be formed with offices at 122 East 42nd Street. Partners will be Walker G. Buckner, who will acquire a membership in the Exchange, and George W. Knight, general partner; Helen W. Buckner, limited partner. Mr. Buckner is a partner in Reynolds & Co.

Two With Putnam Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Richard T. Gibbons and Charles O. Lawes are now with Putnam & Co., 6 Central Row, members of the New York Stock Exchange.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — Rocco Nuzzo and John Zuella are now affiliated with Coburn & Middlebrook, Incorporated, 109 Church Street.

Two With Fahnestock

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Vincent P. DePillo and John D. Gold are now with Fahnestock & Co., 177 Church Street.

Geo. C. Lane Adds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Ezra H. Borson has been added to the staff of George C. Lane & Co., Inc., 70 College Street.

Joins Chas. Scranton

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — Robert E. Alling has become affiliated with Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange.

Effect of Stock Investment Upon Supply of Mortgage Money

By JAMES C. DOLLEY*
Vice-President for Fiscal Affairs
The University of Texas, Austin

In exploring whether stock market diverts holdings from the mortgage market, Texas University Vice-President concludes that as yet it does not seriously compete with mortgages for available investor funds. Conceives long-range possibility of slowing down and withdrawal of savings from mortgage-investing banks and insurance companies into equities. Recognizes increasing stock popularity and reactions of institutions who normally invest in mortgages. Mr. Dolley cites study depicting individuals hold 73% of stocks and of the $66.5 billions in institutional holdings, bank administered personal trusts, which reflect past individual savings, hold $37 billion.

The topic assigned has proven to be exceedingly difficult to develop. So far as I know, and I have made diligent inquiry, no previous study of this relationship has been attempted, and accordingly, there are no benchmarks from which to start. In the absence of factual data, which would require an extensive survey of the saving and investment habits of individuals, it has been necessary to rely very largely on logic and theory. I hope that the results will justify the effort made.

James C. Dolley

Fundamentally, my topic is a small segment of the broad problem of matching the supply of investment funds against the demand for investment funds, both sides of the equation being expressed in huge aggregates. The supply side is determined by innumerable factors which affect the current volume of individual business and institutional saving and the willingness of these savers to invest their money in one type of security or another. Among these factors, not the least important, is central bank policy which, of necessity, must be at times expansive, and at other times restrictive, as was the case in the Spring of 1953 and the Fall of 1955. This subject, of course, is of major importance, and it has already been discussed.

The demand side of the equation is no less complicated. The would-be users of investment funds include a host of government agencies and corporations, as well as the housing construction industry. Again, the factors stimulating the demand for capital funds are varied. In the case of private enterprise, it is basically the profit motive, that is, the expectation that capital funds can be used advantageously profitwise; in the case of government borrowing, the motive ranges from sheer necessity to simple political expediency.

Demand and Supply of Investment Funds

If it were possible for any given year to estimate accurately the investment funds which would be made available and the effective demand for these funds, it would also be possible to forecast with some degree of accuracy the general level of interest rates and, perhaps, even yields on equity securities. Despite the fact that any such estimates today must necessarily be based on nebulous statistics and, even more nebulous "guess-timates" of economic developments, certain hardy souls do, nevertheless, publish estimates of the demand for and the supply of investment funds for the coming year. One such estimate made by a distinguished investment banking house[1] under date of Jan. 23 for the year 1956 is summarized in Table I.

To the extent that the above estimates are correct and that presently unforeseen factors do not enter into the picture, the implication is that the demand for capital funds will exceed the supply during 1956 and that the money market will continue relatively tight, with no significant easing of present interest rate levels.

My immediate problem is concerned neither with the broad factors affecting the money supply nor with the general level of business and political activity which largely determines the demand for capital funds. Instead, my concern is with the competition between the mortgage market and the stock market for the investment funds which are available. Specifically, has the stock market diverted funds from the mortgage market, and if so, to what extent? It is an interesting question, but one very difficult to answer. It is also a somewhat academic question, because even if the competition can be measured definitely, the next question would be, "What can you do about it?" After all, our economy is still sufficiently free from government control to permit investors freedom of choice, as between stocks, bonds, and mortgage loans.

Investment Groups

The obvious starting point is to identify the significant groups of investors which normally invest in stocks and those which normally invest in mortgage paper. Then, it should be possible to estimate the impact which the increased popularity of stocks might have on the investment policies of each of these groups. This might be termed the direct effect of the growing popularity of common stocks. An ancillary problem, but probably a more important question is this. "How does the increased popularity of stocks affect the volume of savings flowing into financial institutions which normally invest heavily in mortgage paper?"

You are quite familiar with the classification of the larger investors in mortgage paper. As of Dec. 31, 1954 (the latest date for which comparable figures were available) the total holdings of mortgage paper on non-farm homes was reported as follows:*

Total Volume	$75,595
Savings & Loan Assns.	24,993
Life Insurance Companies	15,440
Commercial Banks	13,250
Mutual Savings Banks	8,750
Individuals and others	13,162

Savings and loan associations derive their new loan funds, aside from temporary financing by the Home Loan Banks, from savings deposited with them via share purchase. These savings come largely from individuals, and it is quite possible that increased stock popularity could divert some of these funds to stock investment. It is interesting to note that for 1954 gross savings receipts of the associations were reported at $11.074 billion, withdrawals at $6.657 billion, leaving net savings

Continued on page 40

*An address by Mr. Dolley delivered before the Mortgage Bankers Group, Dallas, Texas.

1 Girard L. Spencer, Partner, Solomon Bros. & Hutzler.—Editor.

*Savings and Loan Fact Book, 1955 p. 23 (in millions of dollars).

TABLE I

Estimates of the accumulation of long-term investment funds and the demand for such funds by private borrowers, states, municipalities and public revenue authorities for 1956.

SUPPLY

Long-Term Investment Funds:	Billion
Life Insurance Companies	$5.9
Assets of life insurance companies are estimated to increase $6.4 billion. However, $0.5 billion is expected to be invested in real estate and to provide policy loans.	
Mutual Savings Banks	1.9
Savings and Loan Associations	5.6
Private Pension Plans	2.1
Not funded with insurance companies.	
State and Local Pension Plans	1.4
Assets of these funds are expected to increase $1.7 billion. However, it is anticipated that $0.3 billion will be placed in long-term U. S. Treasury issues.	
Fire and Casualty Insurance Companies	1.2
Other Long-Term Funds	5.6
Long-term funds accumulated by individuals, personal trust funds, and charitable and educational endowments. It is estimated that $1.9 billion will be put into savings deposits in commercial banks, $1.3 billion into tax-exempt issues, $1.6 billion into corporate bonds, stocks, and foreign securities, and $0.8 billion into real estate mortgages. U. S. Treasury issues purchased by this group are not included.	
Supply of Long-Term Funds	$23.7

USES

Mortgages	$14.9
Gross mortgage requirements for 1-4 family and multi-family residences and farm and commercial properties are estimated at $22.8 billion, from which an anticipated $7.5 billion of amortizations and repayments and $0.4 billion of purchases by F.N.M.A. have been deducted.	
State, Municipal, and Public Revenue Financing	3.9
Gross increase estimated at $6.5 billion, from which an estimated $2.6 billion of retirements, maturities and direct sinking fund purchases have been deducted.	
Corporate Financing	6.0
Gross increase estimated at $8.4 billion, from which an estimated $2.4 billion of maturities and sinking fund and other repayments have been deducted. The net increase is expected to be made up of $4.4 billion in bonds and $1.6 billion in preferred and common stocks.	
Foreign Loans	0.6
Includes International Bank, Canadian issues, and other foreign government and private securities. Gross increase is estimated at $0.8 billion. Maturities and sinking funds repayments are expected to total $0.2 billion.	
Demand for Long-Term Funds	$25.4
Indicated Deficiency in 1956	**$1.7**

LETTER TO THE EDITOR:

Babson Disputed On Debt, And Political Dollar

Richard Spitz analyzes Mr. Babson's comments on the national debt, inflation and political dollar. Examines the "axiom that two negatives make a positive."

Editor, Commercial and Financial Chronicle:

In the current issue of the "Commercial & Financial Chronicle," Mr. Babson sounds off that he is against cutting down the national debt; that the United States has enough physical assets (not received from this generation of citizens certainly!) that could be liquidated to pay off the national debt, and everyone should be against inflation.

The fiscal amortization of the national debt would not be inflationary and having to "spin off" the assets of this nation to pay off the national debt that this generation has incurred (with no intention of repayment) with governmental assets accumulated over the years, is strictly a capital levy, and inflationary.

Mr. Babson has declared himself as favoring a "political dollar" (whatever that is, but it certainly is not one based upon gold convertibility) and his "Looking 50 Years Ahead" indicates not a progression of the capitalistic or free enterprise system, but more emasculation of it.

Yet, Mr. Babson has a considerable forum to tell the readers they should fight inflation! With all the other economists saying there "ain't nothing wrong" with broad forum and readership coverage, perhaps they, too, may disprove the axiom that two negatives make a positive with their illogical and statistical approaches with which anyone may prove anything with a first assumption of basic fact.

This current inflation is not being fought, when it is accepted, Mr. Babson.

RICHARD SPITZ, ESQ.

Fortune's Rocks,
Biddeford, Me.
May 18, 1956.

Let's Do Something About Them!

"Nonservice-connected pension programs for veterans have existed for nearly 140 years. While not related to needs arising out of military service, they have been justified on the basis of war service. Fostered by organized pressures on behalf of veterans, they have pioneered in the field of social welfare and have kept 'old soldiers' and their families from destitution. They represent perhaps the earliest effort by the Government to provide honorable protection against the loss of family income due to age, disability or death.

"Important changes in our society have recently come about which fundamentally affect the justification for veterans' pensions. A practically universal Social Security system protects veterans and nonveterans alike against the ordinary risks of life. Consequently, the veterans' pension program needs reorientation in its scope and direction." — The President's Commission on Veterans' Pensions.

They have not only existed for 140 years: They have been a national scandal for nearly a century and a half. They should be abolished, and quite regardless of social security or any other New Deal scheme.

Lockheed Aircraft Corp. Debentures Offered

A group of underwriters headed jointly by Blyth & Co., Inc. and Hornblower & Weeks offered publicly yesterday (May 23) an issue of $30,000,000 Lockheed Aircraft Corp. 4½% debentures due May 1, 1976 priced at 100%.

Proceeds will be added to the working capital of the company where they will be available for capital expenditures. Over the next two years the company expects to construct and equip new laboratories and a manufacturing plant for the missile systems division and engineering centers and flight and structural test facilities for the California and Georgia divisions.

These assets will be used for advanced engineering research and testing facilities for supersonic aircraft, missile systems and nuclear aircraft in which Lockheed has government contracts of a highly classified nature. The facilities will also be used in connection with advanced military and commercial aircraft for which the company holds production contracts.

The debentures are redeemable at regular redemption prices ranging from 106% and scaling downward to par in 1974. A sinking fund will operate to retire at par 6¼% of the maximum principal amount of debentures outstanding at any time until Oct. 31, 1961 in each of the years 1961 through 1975.

Lockheed, one of the principal aircraft manufacturers in the United States, designs, manufactures and sells aircraft and spare parts. In 1955, major categories of business of the company and its subsidiaries were: sales of aircraft and parts to the U. S. Government—65%; sales of aircraft and parts to commercial customers—18%; modification and overhaul of aircraft, government and commercial—10%; revenue from research and development programs for the U. S. Government—5%; and miscellaneous—2%.

In the last five years, sales have increased from $237,230,000 to $673,588,000 and earnings have increased from $5,793,000 in 1951 to $17,332,000 last year. For the first quarter of 1956 the company reported earnings of $4,413,000 on sales of $187,657,000 compared with earnings of $4,596,000 on sales of $190,453,000 for the quarter ended March 31, 1955.

Henry Oetjen Pres. Of Norfolk Southern

Henry Oetjen

At a meeting of the board of directors held May 3, Henry Oetjen, heretofore Vice-President — Public Relations, was elected Chairman of the Board and President, with headquarters in the Terminal Station Building, Norfolk, Va. Mr. Oetjen is a partner in McGinnis & Company.

G. S. Osler Again Heads Toronto Exch.

TORONTO, Ont. Canada—Members of the Toronto Stock Exchange at the annual meeting held May 17, returned to office by acclamation, G. S. Osler of the firm of Osler & Hammond as Chairman of the Board of Governors.

Also re-elected by acclamation were the other officers of the Board: J. G. K. Strathy, O. B. E., E. D. of Dominion Securities Company as Vice-Chairman with C. P. Lailey, O. B. E. of Charles Burgess & Company as Secretary, and S. K. Bongard of Bongard & Company, Treasurer.

Re-elected to the Board of Governors were: D'Arcy M. Doherty, O. B. E. of Doherty Roadhouse & Company; G. R. Gardiner of Gardiner, Watson Limited; G. L. Jennison of Wills, Bickle & Company; Eric D. Scott of J. H. Crang & Company and Marshal Stearns of T. A. Richardson & Company.

A new member elected to the Board was D. S. Beatty, replacing J. C. L. Allen who retired after many years of valuable service on the Board. Mr. Beatty is President of Burns Bros. & Co. Ltd. and a director of Milton Brick Co. Ltd., Rio Palmer Oils Ltd. and Pronto Uranium Mines Ltd., amongst others.

The Chairman, G. S. Osler, represents the third generation of the Osler family to be a member of the Exchange, his grandfather, Sir Edmund B. Osler, being one of the original petitioners in the year 1878 to incorporate the then existing Exchange by Act of Parliament.

Shearson, Hammill & Co. Open New Uptown Office

Shearson, Hammill & Co., members of the New York Stock Exchange and other leading securities and commodity exchanges, have announced the opening of a new office in the Empire State Building. This is Shearson, Hammill's fourth New York City office and it is equipped to handle all types of brokerage transactions. The new office will be managed by Charles K. Perlin, who until recently was President of Herald Associates, Inc., textile factoring firm.

Other New York offices are located at 14 Wall Street (main office), 115 Broadway and 522 Fifth Avenue.

Bell & Beckwith Add

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio — Edward P. Wolfram, Jr. has been added to the staff of Bell & Beckwith, 234 Erie Street, members of the New York Stock Exchange.

R. E. Roberts Opens

BELLINGHAM, Wash. — Richard E. Roberts is conducting an investment business from offices in the Bellingham National Bank Building. He was formerly with Walston & Co.

With Livingston, Williams

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—James H. Hercik is with Livingston, Williams & Co., Inc., Hanna Building.

Joins Gallagher Roach

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Edward T. Johnson is now with Gallagher-Roach and Company, Lincoln-LeVeque Tower. He was previously with Greene & Ladd.

Sutro Bros. & Co. 60th Anniversary

May 20th marked the 60th anniversary of the New York Stock Exchange firm of Sutro Bros & Co., which was originally founded by Richard Sutro on May 20th, 1896 under the name of Sutro, Scholle & Co. The firm originally was an affiliate of H. F. Bachman & Co. of Philadelphia, and three years later, in 1899, separated from H. F. Bachman & Co. and was renamed Sutro Bros. & Co. Walter D. Floersheimer, who is the firm's Senior Partner, is also Chairman of Monon (Chicago, Indianapolis and Louisville Railway Company) and President of the Ulen Management Co.

As an anniversary gesture, Sutro Bros. & Co. are making a special contribution to their Employee Pension Fund. In a booklet commemorative of this anniversary, the firm reveals that on the day it opened for business only 60 issues were traded on the New York Stock Exchange, and volume amounted to a mere 116,586 shares.

Richard Sutro was an intimate friend of Presidents William Howard Taft and Theodore Roosevelt. He was a director of many important companies, including the Connecticut Light and Power Company, Denver and Rio Grande Western Railroad Company, United Gas Improvement Company and others.

Announcement is also made that the company's branch office system, now including Albany, New York, Key West, Florida, Montevideo, Uruguay and Buenos Aires, Argentina, will be augmented by the opening of a new branch in Palm Beach, Florida, on June 1, and another in the Standard Brands Building at 625 Madison Avenue on July 1.

In addition to Mr. Floersheimer, partners of the firm are Richard Sutro Rothschild, Harold Friedman, Henry Rumpf, Stephen H. Floersheimer and Morton Grayson. Limited partners are May Sutro Rothschild, Mary B. Mayer and Jacques Kermisch.

Opens Inv. Office

Barbara Hornstein is engaging in a securities business from offices at 42 West 39th Street, New York City, under the firm name of Barbara Hornstein Co.

Population and Labor Supply Projections for Next Decade

By EWAN CLAGUE*
Commissioner of Labor Statistics
U. S. Department of Labor

Federal Labor Statistics Commissioner's 1956 projections reveal 25 million population rise in next years to 190 million; labor force increase of 9 million totaling 77 million: 25-44 age group to show almost no change—one-half million, under 25, a 40% rise—5 million, and over 45, a 15% increase—3½ million. Describes population and labor force composition and trends, calls attention to 45% increase of female labor force since 1940, and expects a relatively larger gain in next 10 years. Mr. Clague reports increased life and work life expectancy has prompted employment of older persons' studies with the hope of breaking down age restrictions in hiring middle-aged, older workers.

I
Population

The size and characteristics of the labor force are determined in a large degree by the size and characteristics of the population. An awareness of population trends is necessary for any appraisal of future developments in the labor force.

Ewan Clague

The dramatic continuation of large-scale growth of the population is of great significance in the current and recent history of the United States. Twenty million people were added to our population between 1940 and 1950; another 14 million have been added in the 5-year period since our last full census. A total population of 190 million by 1965 is not at all unlikely, an increase of 25 million in 10 years.

	Population (in millions)
1940 Census	131.8
1950 Census	151.1
1955 July	165.2
1960 (projected)	177.8
1965 (projected)	190.3

Characteristics of the Population

(1) **The High Birthrate and the Increase in the Number of Children:** Underlying the growth of population is the rise in birthrates and the increase in the number of children. When these children reach their teens the labor force in the early 60's will grow more rapidly.

	No. of births (in millions)	Birthrate (per 1,000)
1940	2.6	19.4
1947	3.8	26.6
1950	3.6	24.1
1951	3.8	24.9
1952	3.9	25.1
1953	4.0	25.0
1954	4.1	25.3
1955	4.1	24.9

The proportion of children to our total population has been steadily increasing. Children under 10 years of age numbered 35½ million in mid-1955—a gain of over 14 million since 1940. In 1940, children under 10 constituted 16% of our population; in 1955, they constituted 21½%. Their number is expected to increase to about 37½ million by 1965 if the birthrate experience of recent years is sustained.

	No. of Children Under 10 (in millions)	% of Total Population
1940 Census	21.2	16.1
1950 Census	29.4	19.4
1955 July	35.5	21.5
1960 (projected)	37.1	20.9
1965 (projected)	37.6	19.8

(2) **Youth:** In contrast to the sharp increase in the number of children, youths in the age group 10 to 19 years declined by 2 million between 1940 and 1950, reflecting the low birthrate of the thirties. The entry of wartime babies into the age group is currently reversing this downtrend. By 1965 the population in this age is expected to total 36½ million, an increase of 12 million in 10 years and the greatest relative increase of all the age groups.

	Number of Youths 10-19 years of age (in millions)	% of Total Population
1940 Census	24.1	18.3
1950 Census	21.8	14.4
1955 July	24.5	14.8
1960 (projected)	30.6	17.2
1965 (projected)	36.4	19.1

(3) **The 20-44 Age Group:** The age group 20-44 will show only a small increase in number by 1965—about 2 million—as the smaller number of children born during the 1930's move into these ages. They will comprise a declining proportion of the total population, dropping from 35% in 1955 to 31½% in 1965.

	Population 20-44 years of age (in millions)	% of Total Population
1940 Census	51.4	39.0
1950 Census	57.0	37.7
1955 July	57.7	34.9
1960 (projected)	57.9	32.6
1965 (projected)	59.8	31.4

(4) **The 45-64 Age Group:** This age group will increase by almost 6 million during the next decade and will continue to comprise one-fifth of the total population.

	Population 45-64 years of age (in millions)	% of Total Population
1940 Census	26.1	19.8
1950 Census	30.7	20.3
1955 July	33.4	20.2
1960 (projected)	36.5	20.5
1965 (projected)	39.1	20.6

(5) **Older People, 65 and Over:** The number of people 65 years of age and older increased sharply from 9 million in 1940 to 14 million in mid-1955. By 1965, persons over 65 may be expected to total above 17 million and to comprise over 9% of the total population. Next to the 10-19 age group, the 65 and over group will have the highest rate of growth over the decade.

	Popul'n 65 Years Old and Over (in millions)	% of Total Population
1940 Census	9.0	6.8
1950 Census	12.2	8.1
1955 July	14.1	8.5
1960 (projected)	15.8	8.9
1965 (projected)	17.4	9.1

II
The Labor Force

(A) **Overall Size:** The growth in population since 1940 has been closely paralleled by the growth in the labor force—between 1940 and 1955 both the population and the labor force increased about 25%.

In 1940, 54¾ million people were in the labor force; in 1955, the labor force numbered 67¾ million people. Projections of the labor force, assuming continued high levels of economic activity, anticipate an increase in the labor force of about 9 million in the next decade—to 77 million by 1965.[1]

LABOR FORCE (in millions)	Both sexes	Male	Female
1940 April	54.7	40.9	13.8
1950 April	63.5	45.4	18.1
1955 April	67.8	47.6	20.2
1960 Apr. (projtd)	71.8	49.9	21.9
1965 Apr. (projtd)	77.0	53.0	24.0

(B) **Composition of the Labor Force:** In addition to the overall growth, important changes in composition have taken place and will continue to occur. While the total labor force increased about 25% between 1940 and 1955, the number of working women actually increased about 45% during this period. This was largely due to the sharp increase in the proportion of married women who work. The tendency in this direction was greatly accelerated in this period by the labor shortages that developed during World War II. The continued high demand for workers in the postwar period has provided opportunities for increased employment of women. It is expected that the female labor force will show a somewhat greater relative gain in the next ten years than will the male labor force. Most of the increase in the number of women workers has occurred in ages over 35 when many women no longer have responsibility for care of very young children.

The age structure of the labor force changed between 1940 and 1955 in large part as a result of changes in the age composition of the population. While the total labor force increased 25%, the number of workers under 25 declined, workers over 45 increased by 45% and the central age group 25-44 increased almost 25%.

Between 1955 and 1965 the total labor force is expected to increase about 15%; the group 25-44 will show almost no change; those under 25 will rise 40% and the group over 45 will increase about 15%.

Age Groups

(A) **Age Group 14-24:** The number of young people entering the labor market has been relatively small in recent years, in large part because of the low birthrates of the thirties. The number of young workers aged 14-24, is expected to increase by almost 5 million between 1955 and 1965, because the large number of youngsters born since the beginning of World War II will be entering the labor force ages.

	Labor Force 14-24 years of age (in millions)
1940 April	12.2
1950 April	12.5
1955 April	11.8
1960 April (projected)	13.4
1965 April (projected)	16.6

(B) **Age Group 25-44:** In line with the relatively small increase in population in ages 25-44 in the next ten years, only a small increase in the number of workers—½ million—is expected by 1965.

	Labor Force 25-44 years of age (in millions)
1940 April	25.5
1950 April	29.0
1955 April	31.2
1960 April (projected)	31.6
1965 April (projected)	31.7

(C) **Age Group 45-64:** By contrast, the number of workers in this age group is expected to increase by 3½ million during the next decade. This increase means that about 25 million workers or almost one-third of the total labor force in 1965 will be 45-64 years of age. The large rise in their numbers underscores the necessity for promoting employment opportunities for mature workers.

	Labor Force 45-64 years of age (in millions)
1940 April	14.8
1950 April	19.0
1955 April	21.4
1960 April (projected)	23.4
1965 April (projected)	25.1

(D) **Workers 65 Years and Over:** Only a small proportion of women over 65 are in the lebor force—about 10%. Because of increase in population over 65, the number of men workers in this age group has increased, despite the long-run trend for a smaller proportion to be in the labor force. In the next ten years an increase of about 400,000 workers is expected on the basis of past trends.

	Labor Force 65 and over (in millions)
1940 April	2.2
1950 April	3.0
1955 April	3.3
1960 April (projected)	3.4
1965 April (projected)	3.7

III
Life Expectancy and Work Life Expectancy

In the last 55 years, the number of persons over 65 years of age has increased from about 3 million to 14 million. A large part of this increase has been due to the fact that people are living longer. Average life expectancy for men has increased from 48 years in 1900 to 65 years in 1950. This increase in life expectancy combined with changes in the pattern of working life have resulted in a lengthening of working life for a 20 year old man from 32 to 42 years since 1900. These estimates are from our "Tables of Working Life" which are derived from an application of the techniques used in construction of the conventional life table to the measurement of the length of working life.

The tables also point up the dramatic increase in the number of years spent in retirement which has occurred since 1900. Under 1900 mortality and work patterns a 20 year old man could expect:

to live	42 years
to work	39 years
leaving	3 years in retirement

By 1950 a 20 year old man could expect:

to live	49 years
to work	43 years
leaving	6 years in retirement

If past trends continue to 2000, a 20 year old man will expect:

to live	54 years
to work	45 years
leaving	9 years in retirement

The doubling between 1900 and 1950 of the number of years that a man could expect to spend in retirement has resulted from an increase in life expectancy of 7 years for a 20 year old man accompanied by an increase of only 4 years in work life expectancy. In other words, the increase in working life has not kept pace with the increase in total life expectancy.

The shorter period of retirement in 1900 resulted from two factors:

(1) Only a small proportion of the population survived to the age which is now considered conventional for retirement.

(2) A large proportion of the men were farmers who tend to keep on working as long as they are able. In 1950, more workers survived to older ages, and farmers made up a much smaller proportion of male workers. Moreover, there now are age restrictions in hiring practices; compulsory retirement ages in private pension plans and widespread availability of social security for older persons.

Life expectancy has actually increased so much since 1900 that men today spend more time in education, more years at work, and still have more years for retirement than they did in 1900.

IV
The Department of Labor's Older Worker Program

I have spoken to you about a number of the facts concerning our older workers. Much more information about the working characteristics and conditions of older persons is needed.

Under the leadership of Secretary Mitchell, the Department of Labor has developed a program designed to break down age restrictions in hiring and to help middle-aged and older workers to make fuller use of their skills, knowledges, and abilities. Briefly stated, here are the studies that are now under way:

(1) **Pilot Studies of Productivity and Performance,** including comparative productivity, absenteeism rates, accident rates, and turnover rates are now being made by the Bureau of Labor Statistics.

(2) **A Study of Collective Bargaining Agreements for Older Workers Provisions** has already been initiated on all agreements registered with the Bureau of Labor Statistics covering 1,000 or more workers. One in five of the provisions thus far reviewed has been found to contain specific statements affecting the hiring or retention of older workers. A system has been developed for classifying these provisions affecting older workers under four broad headings, including hiring, retention, discharge, and provisions concerning medical examinations.

(3) **A Study of the Impact of Private Pension Costs on Hiring Policies** is now underway.

(4) **A Study of Employment Patterns, Policies and Practices** is underway in seven major metropolitan areas. The study design provides for intensive analysis of employment by age, sex, occupation, and industry, and for comprehensive review of employer policies and practices affecting the hiring, retention, and utilization of older workers.

(5) **An Intensive Analysis of the Characteristics and Work Potentials of the Older Unemployed** is being conducted as an integral part of Project IV, as outlined above. Briefly, this study calls for a sampling of claimants, non-claimants and of those who have exhausted their unemployment insurance benefits, in which comprehensive worker characteristics information will be gathered and analyzed. It also calls for a comprehensive employment and unemployment history extending back 15 years to be gathered on a minimum of 600 older workers in each area, for a comparison of the work history and characteristics of the older unemployed with a group of currently employed older workers in the same age, occupational, and industrial groupings.

(6) **Demonstrations on Methods, Time, and Cost in Counseling and Placement of Older Workers** are being conducted in the seven major metropolitan areas mentioned above. These will involve in comprehensive effort to find suitable jobs for hard-to-place older applicants for work, using the total resources of the employment service and of the community, and appraising the costs as well as the effectiveness of these services in finding suitable employment for older people. In addition, the New York State Employment Service and the Missouri State Employment Service are carrying on similar projects, in cooperation with community groups, which are designed to explore the extent to which active cooperation from community organizations interested in the employment problems of older people can improve the possibilities for job development and placement.

(7) **Demonstrations on Recruitment and Training of Older Men and Women for Shortage Fields** are being carried on by the Women's Bureau and the Bureau of Employment Security. Such programs have already been tried for such occupations as teachers, stenographers and typists. In addition, the Women's Bureau is planning to conduct several job skill forums during the year to try out methods designed to create community interest and awareness concerning the employment problems of mature women and to

*A talk by Mr. Clague before the American Personnel and Guidance Association Convention, Washington, D. C.

1 Unpublished BLS projections.

provide direct assistance, through one or two day meetings, to mature women who wish to find jobs or who need assisting in marketing home products and services.

American Shopping Centers Stk. Offered

Carl M. Loeb, Rhoades & Co. on May 22 headed an investment banking syndicate offering in units 330,000 shares of class A common stock and 165,000 shares of class B common stock of American Shopping Centers, Inc. Consisting of one share of class A common stock and one-half share of class B common stock, each unit was priced at $10.05.

Net proceeds from the financing initially will be used to pay obligations of the predecessor companies of American Shopping Centers, and the balance will be added to the general funds of the company to be used for various corporate purposes.

American Shopping Centers, Inc., with headquarters in Minneapolis, Minn., is engaged in the business of acquiring shopping center sites and developing, constructing, owning and operating shopping centers. The company presently owns ten operating centers and two additional centers under construction one of which will be in operation within the immediate future. In addition, it owns or holds, under land contract, option or other contractual right, sites for nine shopping centers, on four of which substantial preconstruction development has been done. The remaining five are in advanced planning stages. Centers in operation are located in Minneapolis and St. Paul, Minn.; Madison, Sheboygan and Janesville, Wis.; and Fort Wayne, Ind. Centers now under construction are in Rockford, Ill.; Hialeah, Fla.; as is an addition to the Sheboygan, Wis., project. Centers planned and under development are in Decatur, Ill.; Tampa, Fla.; Billings, Mont. and Fort Wayne, Ind., and centers planned are in Green Bay, and Fond du Lac, Wis.; Grand Rapids, Mich.; Lima, O., and South Bend. Ind.

Schwabacher & Co. Opens San Jose Branch

SAN JOSE, Calif.—The investment security firm of Schwabacher & Co., members, New York and San Francisco Stock Exchanges, opens its newest, and ninth office, in San Jose. The firm has taken temporary quarters in suite 808-809-810 of the Bank of America Building, at First and Santa Clara, until its permanent offices are established.

The San Jose office will be managed by registered representative Jay Gibson who started with the firm's San Francisco office, and then moved to its Fresno branch, from where he is being transferred to his new post. Assisting him will be William H. Pabst, Jr., registered representative, a long-time resident of San Jose who has been in the securities business there since 1950.

Schwabacher's San Jose facilities will include the Dow Jones News Service, Trans Lux, and its wide network of research sources. Other Schwabacher offices are located in San Francisco, New York, Fresno, Sacramento, Oakland, Santa Barbara, Monterey and Santa Rosa.

With Mid-Continent Secs.

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Charles L. Luecke has become connected with Mid-Continent Securities Corporation, 3520 Hampton Avenue.

Halsey, Stuart Group Sells Utility Bonds

Halsey, Stuart & Co. Inc. on May 18 headed a group of underwriters offering $15,000,000 of Northern Illinois Gas Co. first mortgage bonds, 3¾% series due April 1, 1981, at 100.81% and accrued interest. The group was awarded the bonds on its bid of 100.1199%.

Proceeds from the sale of the bonds will be applied by the company toward the cost of additions to its properties.

The bonds will be redeemable at the option of the company at prices ranging from 104.31% to 100% and for sinking fund purposes they may be retired, beginning in 1958, at prices ranging from 100.75% to 100%, plus accrued interest in each case.

Northern Illinois Gas Co. acquired in 1954 all of the gas utility properties of Commonwealth Edison Co. It is engaged principally in supplying gas in 250 communities and adjacent areas located in Cook County outside of the city of Chicago and in 19 other counties in Northern Illinois, the territory approximately 10,000 square miles in area and having an estimated population of 1,850,000.

Among those associated with Halsey, Stuart & Co. Inc. in the underwriting are: Mullaney, Wells & Co.; Stifel, Nicolaus & Co. Inc.; Thomas & Co.; City Securities Corp.; McMaster Hutchinson & Co.; F. S. Yantis & Co. Inc.; Allison-Williams Co.; First of Iowa Corp.; First Securities Co. of Chicago; Arthur L. Wright & Co., Inc.; Burns, Corbett & Pickard, Inc.; Norris & Hirschberg, Inc.; and Patterson, Copeland & Kendall, Inc.

R. E. Watson Joins Kenower, MacArthur Co.

(Special to The Financial Chronicle)

GRAND RAPIDS, Mich.—Raymond E. Watson has become associated with Kenower, MacArthur & Co., Michigan Trust Building. Mr. Watson was formerly Tallahassee, Fla. manager of A. M. Kidder & Co. Prior thereto he was with The Keystone Company of Boston and was an officer of Carlberg & Cook of Palm Beach.

Name Burnside

Col. Mortimer B. Burnside, President of Mortimer B. Burnside & Co., Inc., New York investment banking firm, has been elected Vice-President and director of Theodore Bell & Co., Ltd., Lucerne, and Metobau, Ltd., Zurich, both Switzerland.

These companies are among the leading European designers and constructors of industrial and public utility engineering works, and complete plant equipment.

Col. Burnside is Chairman of the Board of Chemical Ventures Syndicate, Ltd., and a director of United States Air Conditioning Corporation.

Relationship of Home Financing To Economic Stabilization Aims

By R. J. SAULNIER*
Member of the Council of Economic Advisers

Economic Council Adviser finds new construction is still very high by all historical standards, and that it is prudent during a period of good times to avoid the excesses of overly-liberal credit extension. Raises the question how to make mortgage credit cost obtained under Federal insurance or guarantee more efficiently and equitably responsive to changing capital market conditions. To avoid inflationary financing, avers Federal housing and financing policies must be coordinated with over-all economic policy, and, in spite of capital-market-irritations, this credit policy provides compensation in the form of confidence in the future.

The entire year 1955 and these early months of 1956 have been crowded with events of intense interest to everyone who follows developments in our home building and home financing industries. I can assure you that those of us who observe these events as government officials have been no less interested in them than you whose important business it is to finance homes for Americans. We have a number of reasons for following housing and related developments as closely as we do. For one thing, we follow them because of the importance of a high level of home building to the improvement of America's level of living. We follow them also because of the significant impact of the construction industry and the extension of mortgage credit on the growth and stability of our economy. But the Federal government has another and very important reason for the close watch that it keeps over the home building and home financing sectors of our economy. Few other spheres of production and finance are so directly and so extensively affected by the policies of government. The multi-billion dollar programs under which the Federal government insures or guarantees home mortgages, and its other programs of even more direct financial aid, exert an often decisive influence on private policies in the home building and home financing industries. It is incumbent on the Federal government, therefore, to administer its programs so as to contribute to a sound home building and home financing industry and to promote stable economic growth. To this end we try to keep ourselves well informed on developments in housing markets and on those aspects of capital markets that bear most directly on the cost and availability of mortgage credit. In my remarks I should like to state briefly some of my impressions of these developments, as I have observed them over the last two or three years.

R. J. Saulnier

New Construction Physical Volume

The financial aspects of housing markets have been so remarkable in the last year, or year and a half, that they have tended to monopolize public and even expert attention, at the expense of non-financial matters. I shall have some things to say later on credit developments, but let me first suggest that we can properly evaluate what has been happening in housing markets only when we have a correct understanding of trends in the physical volume of new construction. The record in this respect is a quite remarkable one. The amount expended on new construction, when adjusted to take account of changes in construction costs, is our best over-all measure of building activity. These expenditures reached an all-time high in 1955. Their level has been receding somewhat since late 1955, principally as a result of declines in new residential construction, but it is still very high by all historical standards. Equally as significant as the level of building activity is the unusually rapid rate at which it has increased in recent years. Cost-adjusted expenditures for new construction rose by $1.3 billion in 1953, by $2.0 in 1954, and by nearly $3 billion in 1955. To put the matter differently, in 1955 the physical volume of construction expanded by nearly 10% on top of what was already an unprecedented level. Our economy as a whole, on the other hand, expanded by only slightly over 6%.

Building starts are another measure of the high level of construction activity. They bring out very vividly what is perhaps its most important feature, namely, that it has been sustained over a long period of time. Last year was the seventh consecutive year in which housing starts have been in excess of one million.

Results of Construction Pace

This record of sustained, high-level construction activity is a good one. First, it is a good record because through it we have greatly reduced the acute shortage of housing facilities which was a matter of such grave national concern during World War II and the immediate postwar years. Second, it is a good record because in recent years, contrary to some of our earlier experiences, private construction activity has been on the whole a stabilizing rather than a destabilizing factor in our economy. As you know very well, construction trends have not always been in a direction conducive to national prosperity. In 1949, a year of economic contraction, new private construction expenditures fell along with expenditures for the economy as a whole. Indeed, in that year the decline in private new construction accounted for about one-half of the total contraction of the economy. In 1954, on the other hand, construction was a significantly expanding industry while the economy was undergoing a mild contraction in response to a reduction in military expenditures and a decline in inventories.

Federal Policy Guides

The contribution that this high and sustained level of building has made to the improvement of our housing facilities and to the general prosperity of our country is very great. Yet we must recognize that a high rate of building activity requires close attention, lest excesses develop that may threaten its continuance. First, a high and long-sustained level of additions to our stock of housing raises questions as to the capacity of the market to continue to absorb output in this volume. Surpluses can develop in specific local areas, and in specific types and price classes of structures. It is one of the great assets of our enterprise system that it is constantly alert to these shifting market conditions, and capable of making corrective adjustments. But government, in view of its direct impact on housing markets, has an equally heavy responsibility to pursue corrective policies. In the spring of 1955 surpluses appeared in scattered localities and these facts were taken into account by FHA and VA in underwriting, or committing to underwrite, new construction. There was nothing novel in this method of seeking to correct local and specific imbalances in the supply of housing. It is the established policy of FHA and VA to seek to correct local market conditions, where corrective action is needed, by this method. In 1955 an effort was made to achieve maximum coordination of policy at the local level as between the loan insurance and loan guarantee programs.

Second, a high volume of residential building, combined with record demands for other kinds of construction, can exert such great pressure on materials and labor resources that shortages develop and costs and prices rise. This was the case during much of 1955 and has continued to date, although some of the materials shortages have been alleviated. While all of us wish to see our economy operating at a high level, the danger of inflationary price rises is always present under such conditions and calls for constant vigilance by government.

Third, important questions relating to credit and financing are raised by a high and long-sustained level of building activity. Some of these questions have to do with the terms on which mortgage loans are written. Others have to do with the volume of credit extended. They represent, so to speak, the qualitative and quantitative aspects of the mortgage credit situation. While we may distinguish the one aspect from the other, they are closely related and must be regarded jointly rather than separately. Let me turn first to the changes that have occurred in mortgage credit terms.

Changes in Mortgage Credit Terms

The essential facts can be stated very briefly. Home mortgages insured by FHA in 1955 involved somewhat more liberal terms, on the average, than those insured in 1954 or in 1953, both as regards ratios of loan to value and as regards maturities. This was due in some part to those provisions of the Housing Act of 1954 which permitted higher loan-to-value ratios and longer maturities on loans secured by existing structures. But the principal factor was general money market conditions, which began to ease in mid-1953 and which continued this course through much of 1954. This interpretation is suggested by the fact that some liberalization of credit terms occurred in 1955 on types of FHA insured loans not much if at all affected by the Housing Act of 1954. It is confirmed by the experience with home mortgage loans guaranteed by the Veterans Administration. Between January, 1954 and mid-1955 the percentage of G. I. home loans with maturities of from 26 to 30 years increased from 11 to 45 and the percentage involving no down payment increased from 13 to more than 40. Since there was no change during this period in the laws or regulations affecting the maximum permissible maturities or minimum permissible down payments on G. I. home loans, one can only conclude that these very remarkable changes in mortgage credit terms were primarily a response to changed capital market conditions, and the government policies reflected therein, rather than a result of federal housing policies as such.

Credit Policy

But theories as to what brought about these changes in mortgage credit terms are less important than a correct appraisal of their economic significance. Let me make a few observations, first, on the question of credit quality. We are far from adequately informed on the economic significance of a relaxation of credit terms of the type that occurred in 1954-55. We do know, however, that in the past there has been a tendency for credit standards to be relaxed during periods of prosperity. We also know that especially liberal loans made in periods in which there has been an overemphasis on speculation have subsequently been the most prolific source of foreclosure and loss. I shan't take the time to review the evidence on this point, but it is impressive, both in scope and consistency. The obvious lesson which it teaches is that it is prudent during a period of good times to avoid the excesses of overly liberal credit extension. Federal policies in 1955, as I will review them in a moment, were designed to this end.

Quantitative Credit Changes

The quantitative aspects of recent mortgage credit developments also deserve some comment. To see these in proper economic perspective it must be borne in mind, first, that the demand for funds to finance home construction and purchase is essentially a demand for savings. Second, that the mortgage market is only one among several major claimants for a share of our supply of savings. And third, that this total supply of savings, at least over short periods of time, is limited and only moderately responsive to changes in interest rates. An outstanding feature of 1955 was that virtually every claimant on savings was increasing its demands. The Federal Government was the one major exception. The amount of its debt held by the public actually decreased slightly in 1955 as compared with 1954. But consumers increased their non-mortgage debt by $6.1 billion, whereas they had increased it by only about $500 million in 1954. Business concerns — corporate and non-corporate — added $20.8 billion to their non-mortgage debt, which contrasts with an increase of only $1.7 billion in 1954. Public offerings of new common and preferred stock was $2.8 billion in 1955, as compared with $2.0 billion in 1954. Securities offered by state and local governments were about a billion dollars less than in 1954, but they were still high enough to raise the outstanding state and local debt by $5 billion over the year. In brief, there was strong competition for savings and the $16.3 billion increase in non-farm mortgage debt, which exceeded the 1954 increase by nearly $4.3 billion, combined with these other demands to place a heavy burden on capital markets.

One result of this sharp increase in the demand for capital and credit was that many billions of dollars of financing was supplied through the commercial banking system. During 1955 the banking system increased its loans by $11.3 billion but its total assets increased by only $4.4 billion by virtue of the fact that it sold nearly $7 billion of its investment holdings to other investors. This is a rather round-about way of obtaining a larger share of savings, but it worked reasonably well in 1955. Indeed, the fact that it could be done on this scale demonstrates a remarkable degree of flexibility in our financial institutions. Fortunately for our high employment economy, this close match between the demand for savings and the available supply was achieved without serious inflationary results. Against this background, let me sketch very briefly the Federal policies that were pursued.

Federal Policies Pursued

A number of steps were taken which directly affected the terms and conditions of home mortgage contracts. First, in late April, 1955, regulations were issued requiring that legal, recording and related expenses be paid in cash and not included in the mortgage amount. The so-called no-no downpayment loan, against which this regulation was directed, was a highly localized and infrequent type of contract. Its elimination imposed some restraint on the use of credit but it was intended as a lasting reform, not merely as a temporary credit-tightening measure.

Second, in July maximum maturities on FHA-insured and VA-guaranteed mortgages were reduced from 30 to 25 years, a minimum 2% downpayment was required on loans guaranteed by VA, and the minimum downpayment on FHA loans was raised from 5 to 7%. These steps conformed with a general policy of credit restraint. They were designed to help keep the demand for capital and credit within limits that could be satisfied without recourse to inflationary finance. Also, steps were taken by the Federal Home Loan Bank System to moderate the use of its lending facilities by member associations.

Third, simultaneously with these measures the Federal Reserve authorities were pursuing a policy of general credit restraint. Through open-market policy, and by successive increases in the rediscount rate, the Reserve System held reserves to a volume which kept the expansion of bank credit within moderate limits. In the face of increasing demands for capital and credit, interest rates and investment yields moved to higher levels. Caution was recommended in the use of commercial bank credit to hold mortgages prior to their absorption by permanent, long-term investors.

Federal Reserve Policies

Federal Reserve policy had a very decided effect on the cost and availability of funds for mortgage investment. Where interest rates were free to move, as on conventional loans, they tended to rise. Discounts on FHA and VA loans tended to increase, as the competition for savings intensified. These discounts reflect the impact of increased demands for savings on a mortgage contract carrying a fixed rate of interest. They are not, however, something peculiar to the market for FHA and VA loans. Deviations above or below par are the characteristic means by which flexibility of yield is achieved on public and private securities having a fixed rate of interest. In the field of mortgage credit, however, this method of conforming the yield to market conditions has some awkward effects. An important question is how to make the cost of mortgage credit obtained under Federal insurance or guarantee more efficiently and more equitably responsive to changing conditions in the capital markets.

These measures of credit restraint, and particularly the over-all restraints arising out of Federal Reserve policy, soon made themselves felt in mortgage markets. The expansion in mortgage credit slowed down. The trend toward more liberal mortgage credit terms was halted. And the use of bank credit and borrow-

*An address by Mr. Saulnier before the Eastern Mortgage Conference of the Mortgage Bankers Association, New York City, May 1, 1956.

ings from the Federal Home Loan Banks for the holding of mortgages prior to their absorption in the portfolios of long-term investors tapered off. In view of these adjustments, it was possible to relax somewhat the specific restraints on home mortgage credit. The 30-year maximum term on FHA and VA loans was restored in January. The regulations on borrowing by members from the Federal Home Loan Banks were relaxed. Also, the Federal National Mortgage Association proved a useful instrument in relieving specific situations of stress in the home mortgage market.

Stated very broadly, this is the 1955 story. That the heavy demand for savings persists in 1956 can be seen in the present level and trend of interest rates, and in the quite spectacular industrial demand for bank credit. While residential construction is using somewhat less of the economy's resources, the expansion of our industrial plants is using more, and production as a whole continues at a high level.

The object of Federal policy is to maintain this high level of production and employment, and to encourage further growth at sustainable rates. Furthermore, the object is to accomplish this without recourse to inflationary finance. In seeking to sustain prosperity without inflation, the Federal Government's policies in the fields of housing and home finance must continue to be coordinated with its over-all economic policy. By following sound financial policies, government can contribute significantly to economic growth, but it must never be forgotten that in the end our economic progress depends primarily on how business and financial concerns such as those you represent manage their own affairs.

Let me conclude by remarking that numerous as are the irritations of a capital market not quite capable of meeting everyone's demands in the amount and at the cost that everyone desires, it has its compensations. It reflects a strong demand for capital, which shows confidence in the future. What happier and more promising frame of mind can you imagine?

With Reynolds & Co.

PHILADELPHIA, Pa. — Reynolds & Co., members of the New York Stock and other principal exchanges, announce that Thomas B. Lewars, Jr., is now associated with their Philadelphia office, 1526 Chestnut Street.

George D. Learned With Dempsey-Tegeler Co.

(Special to The Financial Chronicle)

DENVER, Colo. — George D. Learned has become associated with Dempsey-Tegeler & Co., Midland Savings Bank Building. Mr. Learned was previously comptroller for Bosworth, Sullivan & Co.

Two With FIF

(Special to The Financial Chronicle)

DENVER, Colo.—Agnes H. Roning and Earl E. Sanders have joined the staff of FIF Management Corp., 950 Broadway.

With Calvin Cevaal

(Special to The Financial Chronicle)

LAKE WORTH, Fla. — Thelma A. Smock has joined the staff of Calvin D. Cevaal, 810 Lucerne Avenue. Mrs. Smock was formerly with Francis I. du Pont & Co.

Atwill Adds to Staff

(Special to The Financial Chronicle)

MIAMI BEACH, Fla. — Joseph C. Douglas is now with Atwill and Co., Inc., 605 Lincoln Road.

Railroad Securities

Great Northern

One of the major mysteries of the rail market of the past year or so has been the laggard action of Great Northern stock. This has long been widely recognized as having strong fundamental investment characteristics. Nevertheless, after a prolonged advance for the rest of the rail list the shares are selling only 8.5 times last year's earnings and to afford a yield of 5.6% on the basis of the present $2.50 dividend. Moreover, on the basis of present prospects and the general business background, it seems safe to forecast that earnings this year will be at least moderately higher than the $5.27 reported in 1955 and if so there is a widespread feeling that dividends will be liberalized some time later in 1956.

In part the recent disappointing action of the stock may be attributable to the year-to-year decline in earnings reported for the first quarter of this year. People seem to have lost sight of the normally highly seasonal nature of Great Northern's earnings reflecting the usually severe winter weather conditions and the nature of its traffic. Formerly, it had been generally expected that the road would report a deficit for the opening quarter. Last year, however, there was an unusually mild winter and a quite high off season movement of grain. This year the snow storms were unusually severe and the added expenses incident thereto resulted in a drop of close to 50% in net income for the three months. Even at that the company reported net income of more than $2 million for this seasonally dull period.

Moreover, what concern may have been caused by the earnings dip for the three months should be dispelled by the excellent report for April. Net income for that month amounted to $2,100,364 compared with only $314,961 realized in April 1955. The gain virtually wiped out the cumulative decline registered in the first three months and share earnings for the four months came to $0.69, off only two cents from those reported for the period through April 1955. By the end of the fifth month earnings will probably have pulled ahead of a year earlier and new record earnings of $6, or perhaps more, appear as a reasonable expectation for the full year.

Fundamentally, there are two particularly bright facets to the Great Northern picture. One is the growth characteristics of large segments of the service area. With the construction of a wide network of hydro-electric projects in the western area served, substantial industrial expansion has taken place. Aluminum production in particular has become of great importance to the company. Additional dams, which will supply additional electric power, are in the construction or planning stage so that the growth trend should continue uninterrupted. As a corollary to the dam construction projects, vast acreages of irrigated farm land are opening up and these in turn have resulted in the establishment of food processing plants. Once barren land is now producing important new traffic. Here again further growth is looked for. As nebulous, but potentially important, plus factors for the future the company's territory contains the largest known lignite deposits in the country and it has recently been announced that the company is joining with other interests in a research project to develop an economic means of producing iron ore concentrates from the virtually unlimited non-magnetic taconite deposits in its territory.

The second favorable aspect is the high degree of operating efficiency that has characterized the company's operations over a long period of years. Consistently, the road's transportation ratio has run appreciable below that of the industry as a whole and just as consistently its pre-tax profit margin has been wider. Further progress along these lines is looked for in the current year. A new fully mechanized hump retarder yard is being constructed at Minot, N. D. This should be in operation some time this summer and as the first such general purpose hump yard on the system should bring in substantial economies. Also, the electrified operations of the Cascade Division are being abandoned and dismantled and diesel power substituted. Proceeds from the salvage should be substantial and use of the same power units over the entire route (diesels are now used both east and west of the electrified lines) should result in considerable improvement in service and savings in operating costs. Finally, some important line changes in the mountain territories are contemplated with a view toward reducing both curvature and grades.

New York Bond Club Announces "Annual Offering"

The Bond Club Stock Exchange, which opens for trading once a year at the club's annual Field Day, has announced its 1956 offering of 2,500 shares of capital stock in a prospectus being distributed to members.

Trading in the shares will take place in the Stock Exchange tent on the grounds of the Sleepy Hollow Country Club from 11 a.m. to 6 p.m. on June 8.

Orland K. Zeugner, Stone & Webster Securities Corp., Chairman of the Bond Club Stock Exchange Committee, has notified members that subscriptions up to two shares will be allotted in full and that larger subscriptions will be subject to partial allotment. Subscription books on the offering open May 17, and close at 4 p.m., May 31.

With Adams, Sloan

(Special to The Financial Chronicle)

SARASOTA, Fla. — Lillian A. Moore is now with Adams, Sloan & Co., Inc., 1286 Palm Avenue.

Reynolds Adds to Staff

(Special to The Financial Chronicle)

CHICAGO, Ill. — Maurice P. Angland has been added to the staff of Reynolds & Co., 39 South La Salle Street. He was formerly with H. Hentz & Co.

With Thomson McKinnon

(Special to The Financial Chronicle)

CHICAGO, Ill. — Emmett V. Collister is now connected with Thomson & McKinnon, 231 South La Salle Street.

Joins Burton Vincent

(Special to The Financial Chronicle)

CHICAGO, Ill. — Henry F. Busch, Jr. is now associated with Burton J. Vincent & Co., 105 South La Salle Street. He was previously with Wayne Hummer & Co.

June Graduates and the Educational System

By ROGER W. BABSON

In suggesting criteria for selecting June graduates for employment, Mr. Babson decries the practice of hiring those with high grades and the present educational system of marking and promoting.

The practice now followed by the Personnel Departments of large corporations to secure the best graduates from high schools and colleges is absolutely wrong. They interview those graduates whose marks place them among the highest 10% or 20% of their class. This custom may disrupt the entire class and spoil some of the graduates. When a graduate, or any one else, gets the idea he is "indispensable," it is a dangerous situation.

Roger W. Babson

The marks which one receives in high school or college are largely due to memory. These marks are no index of industry, loyalty, or even common sense. Educators preparing examinations try to devise questions which determine "judgment," but the students learn the questions and answers in advance. This even results in judgment tests being determined largely by memory. Memory is very important; but it does not take the place of judgment, loyalty, integrity, or the fundamentals which make and break corporations.

$64,000 Questions

Educators are greatly disturbed over the fabulous question tests which the radio and television chains are operating. To have a horse jockey become the leader for data on art; or to have a cobbler secure such a reputation for his knowledge of opera; or to hear of others of these "miracles," is very disturbing.

Yet, they get far better results from these jockeys and cobblers than from many professors or experts on the subject. I forecast that these results will completely revolutionize educational methods, standards, and tests. Either the nation is missing the intellectual capacity of thousands of unknown and humble people, or else the professors and experts are standing on very thin ice.

What About the Quiz Kids?

Educational leaders are giving the "Quiz Kids" much thought and worry. The 10-year-old boy who answered questions on the stock market naturally interested me greatly, since I have given my entire life to stock market problems. The answers given by this kid could not be matched by any member of the New York Stock Exchange. But how much will it amount to? My organization will spend considerable time and money watching this 10-year-old boy.

All I can say now is that I once employed the man who had been the youngest to graduate from Harvard College, up to that time. He could perform wonderful feats in mathematics. I felt he would be a great aid for Babson's Reports. We, however, could not keep him at work on the things for which he was best fitted. He had a hobby for collecting street car transfers. I have in my library a book which he wrote on the subject. Finally, he refused to do anything but run a lawn mower. Yet he received very high marks in college.

Newsboys Are Worthy of Attention

If I were an employment manager, I would make a study of newsboys. A successful newsboy must have a fair memory. He must have courage, initiative, honesty and industry. I have a friend, Harry B. Taplin of Wellesley, Mass., who is making a study of newsboys. Certain qualities must be possessed by all boys (and girls) who deliver newspapers to homes. I especially, however, have in mind those boys who hold the busy locations on downtown street corners of our big cities. I have never made a study of these boys, but my hunch is that they often become very successful in business, if given an opportunity.

It is useless to discuss the great problem of education in a column such as this. I, however, wish to leave with readers two thoughts: (1) That there is something fundamentally wrong with our present educational system of marking and promoting. These radio and television exhibits should make many college professors and trustees shame-faced. (2) If you have a boy or girl of good character and habits who graduates in the lowest 20% of his or her class, don't be discouraged. The chances of such graduates may be just as good as if graduating at the head of their high school or college classes.

With Bache in Boston

(Special to The Financial Chronicle)

BOSTON, Mass. — Richard H. Fitton has become associated with Bache & Co., 21 Congress Street. He was formerly with Palmer, Pollacchi & Co.

With Investors Planning

(Special to The Financial Chronicle)

BOSTON, Mass.—Ferdinand J. Gallant is now with Investors Planning Corporation of New England, Inc., 68 Devonshire St.

Now With Mass. Life Fund

(Special to The Financial Chronicle)

BOSTON, Mass. — Charles V. Briggs, Jr. is now with Massachusetts Life Fund, 50 State St. Mr. Briggs was formerly with Stone & Webster Securities Corp.

Palmer, Pollacchi Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Joseph J. Bertolino has been added to the staff of Palmer, Pollacchi & Co., 84 State Street. He was previously with Waddell & Reed, Inc.

Reed & Sloan Co. Opens Two New Branch Offices

DALLAS, Texas—Reed & Sloan Company has opened a branch office in San Antonio in the New Moore Building under the management of Jack Singleton, and in the Great Plains Life Insurance Building, Lubbock, under the direction of Loyd Jenkins.

Fred Stinson Opens

WASHINGTON, D. C. — Fred Stinson is engaging in a securities business from offices at 5206 31st Avenue, Southeast.

With Mutual Fund Assoc.

(Special to The Financial Chronicle)

SACRAMENTO, Cal.—Paul A. Bender is now with Mutual Fund Associates, Incorporated, 2101 L Street.

Too Much Emphasis On Low Cost Homes?

By WALTER H. DREIER*
President, United States Savings and Loan League

Warning that the housing industry may be building too many minimum, low cost homes on small-sized lots in neighborhoods lacking community facilities, and skeptical of their marketability 10 or 15 years from now, Savings and Loan head calls for re-examination of home building programs with the objective of boosting quality and not quantity. Disagreeing with those believing industry should continue to concentrate on low priced homes, Mr. Dreier dismisses fears of not a large enough market for larger and better homes by pointing out postwar housing shortage no longer exists, and that tomorrow's buyers consist of families who have already paid off their mortgages or have sizable equities in their homes. Appeals for new ideas, improvements, all-out merchandising to make new homes irresistible.

We are meeting in a year of historical significance to the savings and loan business. We are, as you know, celebrating the 125th Anniversary of the founding of the first building association in the United States, the forerunner of the modern savings and loan associations that we operate today. Urged on by the ever increasing needs of a growing country, the savings and loan business with leadership furnished by dedicated men, has grown during the past 125 years, to a present size of almost $40 billion, and has become a most important segment of the financial structure of our country. Dedicated to the sole objectives of thrift and home ownership, we have forged ahead to a position of leadership in the mortgage lending field. We can be proud of the part we have played in making our country a nation of home owners. We have come a long way from the first $350 loan made to Comly Rich in Frankfort, Pennsylvania. Our mortgage portfolios have grown almost five-fold in the past ten years—from $7 billion in 1946 to approximately $32.5 billion at the present time. You managers, the directors of your institutions, and your staffs have played important roles as the scenes of this drama have unfolded.

Walter H. Dreier

I want to talk to you about housing, specifically about new housing construction, about what has taken place in the market for new homes, and how we might, as lenders, be better equipped to deal with this subject and others affiliated with it, such as land planning, housing design and construction standards.

First of all, it should be realized by all of us that the subject of new construction has, since the close of World War II, become a topic of the utmost importance and concern to the savings and loan business. Prior to the war, a large majority of our institutions restricted themselves to lending on existing properties. Faced with the tremendous influx of savings money during the war period and the opportunities presented by the postwar building boom, many have entered the construction loan field.

Bank Growth of Mortgage Departments

It is hardly an understatement that this development has ushered in, if not a revolution, then certainly impressive reforms and changes in our lending practices and techniques.

*An address by Mr. Dreier delivered to the Southeastern Group Conferences of the United States Savings and Loan League, Boca Raton, Fla.

To see what I mean, one only need look at his mortgage department today in comparison to that 15 years ago. Today many of us have distinct construction loan departments, many have special departments for the handling of project loans. Many have—others should have—specialists in studying plans and specifications, construction inspectors and people familiar with appraising raw land, and appraising houses on the drawing board versus driving up to an existing house and making a routine type appraisal.

We have home planning libraries, people on our staffs who can give technical advice not only to individuals who would like to build a home, but also to builders.

Above all, we have, or possibly I should say, we **should** have, people on our staffs who are familiar with the latest in home construction methods and with the rapid changes in the preferences and desires of people relative to house styles, the equipment in the house, housing sites and neighborhoods.

This whole group of construction experts and construction loan specialists has been added to the staffs of savings and loan associations in generally the last 10 years.

The change in our lending practice is also seen in the methods and practices of our appraisals. In most cases the system of director appraisals or appraisals by a loan committee made up of members of the board of directors have been discarded in favor of the full-time professional staff appraisers, or the use of professional independent appraisers. Rules of thumb in appraising and guess estimates of value have given way to more careful and accurate appraisals based on facts rather than "hunch."

Rising Obsolescence Rate

Changes are taking place in the American housing picture that are both rapid and sweeping. Traditional styles of houses have been fading more swiftly than many of us have anticipated five or 10 years ago. Obsolescence is running more rapidly than at any time in our history. Some of us certainly know of communities (which I trust none of us have financed) where houses are being built that are obsolete as soon as they are finished.

Our mortgage lending, and particularly our appraisal job, today is complicated by the rapid changes taking place in the character of our city, the rise of our suburbs, the mobility of our population, and the advances of American technology in the field of housing.

Interwoven in this whole problem of evaluating the future security of property is the status of the housing markets. Let's talk about these markets.

The biggest news in housing in 1956, as it has been for the last year or two, is that the acute postwar housing shortage is over. Some lenders and builders have failed to appreciate this fact. For example, we have recently witnessed the experience of a complete turnabout in the market for new homes in one of the metropolitan areas of our great Southwest, where practically overnight, to the surprise of many builders and lenders, the market became a real buyer's market. The builders who had not improved their land planning and the up-grading of the construction and design, were left "holding the bag."

In this market, building and selling homes was so easy that many amateurs, such as firemen on their days off, entered the construction field. Builders and lenders did not seem to mind during this period of easy sales that their FHA and VA offices were some of the most reactionary in the country as far as accepting new ideas of design and new materials in construction. We can all learn a lesson from this—it could happen in your community!

I think it is fairly obvious to all of us that home buyers in almost every city have today a wide choice of houses. The keynote of the real estate market currently appears to be **competition.** The housing market is taking on the characteristics more and more of the automobile market. The ability of the producer—whether it be of automobiles or houses—to make a profit depends today upon his ability to produce a product which is of an acceptable style and in the case of houses a product which is well located in terms of all of the factors that make one location better than another.

If I am right about this, then I think it has some clear implications with respect to our mortgage lending operation purely from the selfish standpoint of adequate security behind our loans. I further think that this competitive market will last for quite a number of years—at least until the next big bulge in the number of families in the home-buying age in the mid-1960s.

Raise Financing Standards

From the standpoint of the security behind our loans, that means we must be very careful to finance houses that will compete in this very competitive real estate market. It means that we must avoid financing houses that are not well located, not in good neighborhoods, without adequate sewage, water and other public utilities, and avoid houses that are not acceptable in terms of buyers' preferences as to floor plan style and equipment. If we were in the business of financing automobile manufacture, we would prefer to make loans to those manufacturers who produce the automobiles that have the style and equipment and the performance most desired by the automobile-buying public. I would think the same preferences should guide us in selecting the builders of homes that we finance.

As lenders I think we have some responsibilities in this connection beyond that concerning the mere soundness of our own loan portfolio. I think as the predominant group of home financing institutions in this country we have a responsibility to make certain—so far as we are able—that the homes that we finance today and the communities and neighborhoods that we are helping to create are not becoming immediately obsolete or do not become the slums of five, ten years and fifteen years from now.

If truly the postwar housing shortage is over, as I believe it is, then I think as lending institutions, we ought to lend our influence in making certain that the whole home building industry plans and acts as if it were over.

This requires, in my judgment, a complete re-examination of the thinking within and without the housing industry with respect to our home building programs. Most certainly, the building programs that were developed to meet housing shortages are not necessarily the ones needed today.

A decade ago, as everyone well remembers, the housing shortage was desperate. Quite properly, therefore, the attentions and efforts of the housing industry were directed to the turning out of as many dwelling units as could be built. But the time of that acute need has passed. Frankly, I believe that the time has come when we must focus ever-increasing attention on greater quality, and diminish our concern with quantity.

I say this in the full realization that my views are not shared by some responsible persons in the home building industry and some in government circles. Some people believe that the housing industry should still concentrate its efforts on building more so-called minimum or low-priced houses with regard only for **quantity** of production and with little regard to the quality and style of the house, and with little attention paid to neighborhood or subdivision standards.

Improve Standards

I do not disagree with those who believe that the home building industry should drive rapidly ahead in research and study to develop procedures that will basically reduce the cost of producing American housing. I think the savings and loan business, as well as the home building industry and government departments, should continue to seek every means of producing a better home for less money, of correcting building codes that add to the cost of producing a house without increasing its quality, of eliminating inefficiencies in the production process. I do not think, however, that we should sacrifice quality of construction and neighborhood standards merely for a tremendous quantity of low priced homes. I do not think that we should fall into the error of thinking that the only way to provide owner-occupied homes for our lower income families is to build millions of new low-priced minimum homes on small sized lots and in neighborhoods without adequate community facilities.

Before World War II, it was common practice for young families to purchase existing houses as their "first homes" and then move into larger and newer quarters as their economic circumstances improved.

Since the war, however, most new or young families have bought new houses as their "first homes" and this has accounted for the fanatical emphasis on the need for "low-priced" new housing.

The undesirable aspects of continuing this process are obvious. First, it completely bypasses the use of the tremendous inventory of existing homes that were built before and since the war. Second, it tends to retard, rather than advance, the overall standards of American housing.

Tomorrow's Market

It is true, of course, that many home builders fear that not a large enough market exists for larger and higher quality homes. However, there is evidence to indicate that much of this fear is groundless.

Basically, I believe that if we are to improve the quality of more and more housing production, builders, realtors and lenders must realize that increasing portion of tomorrow's buyers of new houses will come from families who have already paid off their mortgages, or built up substantial equities in their present homes.

This is the great market which needs to be tapped in 1956 and in the years immediately ahead.

I do not believe that the emphasis that has been placed on low-priced housing is in the long-term best interests of better housing for the American people. I am afraid that many of the low-priced houses being built today in sections on the outskirts of our city will be our problem houses 10 years from now just as houses in the older sections of our city today are problem houses.

I am afraid that in the search for a low sale price for new housing we have permitted the building of houses in subdivisions without adequate sewage facilities, with an inadequate water supply, and in subdivisions laid out only with an eye toward economy, low sales price for the houses, or maximum profit for the builder. I refer, of course, to the subdivisions with the old rectangular grid pattern and houses designs and variation that shows little imagination or eye toward the appearance of the entire community.

Henry "J" Not for Today

Again, comparing housing with the automobile market, I think today too many of our houses are like the automobile that Kaiser Motors produced for a while. You remember it — the Henry J? Where is the Henry J today? In the junk heap!

As a lender, I am skeptical of the marketability 10 or 15 years from now of some of these low cost houses that we are building today. I am afraid we might be building too many Henry J's.

The responsibility of savings associations is to make sure that the savings entrusted to our care are safe. For this reason we are concerned, or should be concerned, with the marketability or salability of the new houses we finance 10, 15 and 20 years from now.

As good citizens and the group of people with the greatest stake in the stability and soundness of our residential real estate, we must be certain that we are not creating a new set of slums or real estate problems.

You might recall that at our Miami Beach Convention last fall, Perry Prentice, the thoughtful editor of *House and Home Magazine*, threw out this challenge. He asked this question—"When the average family can afford to pay $20,000 for its home (as he and most economists think they can 15 and 20 years from now) what are we going to do with all the cheap little houses we have been building since the war? What are we going to do with the 30,000,000 semi-obsolete houses that are left over from before 1930—not to mention the 6,000,000 homes where people are forced to live today that are no longer fit for human habitation?" Perry Prentice said that he doubted if there are 10,000,000 homes good enough, out of the 50,000,000 houses being lived in today, that anyone will want to live in by 1980 unless they are completely done over and modernized from top to bottom. He asked why we keep on building and financing a million more houses each year of a kind that most families will be wanting to move out of long before the mortgage is paid off.

I do not mean to imply that the solution of this problem is a simple one, nor that the solution is only the financing by our institutions of houses that sell for $20,000 or more, or houses located only on 100 foot lots.

On the contrary, it will require the greatest feat of salesmanship and merchandising in the housing industry. To say it another way, I believe an increasing percentage of the houses built by private industry will have to have enough new ideas and improvements that hundreds of thousands of Americans now owning and living in existing housing will be unable to resist buying new houses.

All-Out Merchandising

This will necessitate an all-out, well-coordinated job of merchandising by all segments of the housing industry. Essentially, it is not unlike the task that faces the huge automobile companies, who year in and year out, must think up new engineering features, new designs, new interiors — in other words, new SALES APPEALS to create markets for new cars coming off the production lines.

The implementation of this kind of merchandising program is, to be sure, not the job of builders alone.

It is the job of the best creative minds in American industry who must think up new things to be used in the home—new appliances, new comforts, new conveniences.

It is the job of the architect who must discover new and more advantageous ways of using living space in houses.

It is the job of the real estate man who must work toward the development of better-planned communities and the use of lots which provide more light and air.

It is the job of the lender who must insist that the buildings which are financed are abreast of the latest advances in American technology and therefore Marketable a generation hence.

In this all-out effort, there is plenty that we in the savings and loan business can do. Our United States League is currently beginning a program which, we believe, will help you and your institutions do a better job of upgrading the overall standards of home planning and building. In the coming months, a comprehensive educational and information campaign will unfold, which will help you in your consideration of such matters as better neighborhood and lot planning, better design, and higher construction standards.

This campaign has been undertaken on the theory that our institutions are currently financing more new housing than ever before, that we will be financing an even greater amount as time goes on, and that we should, therefore, know as much as we can about new home planning and building.

This campaign is most appropriate because, if I might speak very frankly, I am afraid there has been considerable lack of attention by a few of our institutions to the quality of the housing and the neighborhoods they are financing.

FHA-VA Inflexibility

Many things have been said about the FHA program, both good and bad. One of the things about which almost all agree on the good side of the ledger relative to the FHA, is that it has insisted upon and produced some rather decent standards as to neighborhood and subdivision layout and in community facilities. In recent years the Veterans Administration has also done a reasonably good job in seeing to it that certain necessary minimum standards of construction, quality, street, sewer and water facilities in subdivision planning are maintained.

I agree that in many instances the FHA and VA requirements are unrealistic, inflexible, and add some unnecessary costs to the job of the builder. That probably is inevitable with any government operation. The inflexibility and the detailed requirements of the FHA have been among the reasons that builders have often preferred to do business with savings and loan associations. We are naturally more flexible, more understanding and easier to get along with than the government employees who must look to Washington for every policy decision. On the other hand, the FHA staff has taught us a lot about neighborhood planning and minimum construction requirements and I think in many instances the neighborhoods and houses financed with an FHA loan have been of somewhat higher quality than some of the projects financed, yes, by our institutions under conventional loans. I think in our desire to help the builders produce a low-priced house with a minimum of red tape and trouble, that we have been guilty of paying too little attention to some of the things which preserve the stability of the neighborhood, marketability of the house and good residential living. It is my hope that in the coming years savings and loan people will correct those phases of their operation to the extent correction is needed.

The Shortage of Home Sites

As most of you will recognize, a phase of the campaign to produce better neighborhoods and better housing must deal with neighborhood and lot planning. This is particularly important, and timely, in view of the growing shortage of adequate home sites. This problem is so important that it requires some discussion.

As the country emerged from the ill-fated '30s and new construction revived, we had plenty of land available in most communities because of the over-subdividing of the '20s. The day of the subdivider who bought land wholesale and sold it retail, usually to individuals, happily has passed. The narrow, deep lot that was the subdivider's trademark was one of the greatest evils ever visited upon residential building. Light and air were cut off, fire hazards were increased, privacy was decreased and street facilities and utility systems were seriously overloaded.

Fed upon by the tremendous postwar demand, practically all of the excess of developed land has been used. In most communities suitable developed land has almost disappeared. With the transition of building construction from a craft to a mass production industry, and the emergence of large-scale builders who were merchandisers, the development of land merged with the building of homes. If housing continues to be built at the rate of one million or more units per year, we will need five million more home sites by 1960. Where are they coming from?

The large-scale builder who gets all the publicity doesn't build all of the houses. Project builders are small in number, in relation to the small builders who traditionally have been our customers. The shortage of developed land is a definite handicap to the small builders. He doesn't have the capital to purchase a large tract of land to develop it and install the facilities and utilities necessary. This, to the small builder, is his Number One problem.

There has emerged in the past few years a new type of subdivider who develops large tracts of land and disposes of groups of lots to smaller builders and who is becoming a factor in supplying lots.

Usually such developers apply covenants running with the land or deed restrictions controlling the architectural design and provide for parks, playgrounds, school and church sites. The lots are wholesaled to builders on various plans. Many such land developers, however, feel that the FHA and VA have been unrealistic in their land appraisal values of these developed lots. In some communities small builders have banded together cooperatively to purchase and develop raw land, and one local association of home builders in California has made it an association activity. On the whole, these land developers are doing a good job of land planning and in the control of architectural design and layout.

Some land developers unfortunately are still creating new units laid out according to the old gridiron pattern and not applying enlightened land planning principles. Sometimes they are thwarted in their attempt to apply these principles by local communities who do not wish to grow, or unincorporated areas that prefer to remain the way they are. They put all possible road blocks in the way of intelligent land planning, because basically they are attempting to keep the builders out.

Modern land planning rather than a piece-meal, hodge-podge addition to communities, is good for the community. Savings and loan associations in those states where they have the local power to engage in land activities have done so successfully to the benefit of themselves in the acquisition of good mortgages. Basically land planning envisions not only single lots, but the entire neighborhood and its surrounding area. Neighborhood disintegration is a prime factor in the rapid depreciation of residential values.

The necessity of building sites being created from raw land presents an opportunity to mortgage lenders to assert their influence in favor of better planned residential developments, if we will but seize the opportunity. Neighborhood depreciation is often a greater threat to loan security and is harder to remedy than is structural deterioration. The effects of the people engaged in real estate and shelter industries, together with the activities of government at all levels, has not produced too much in the way of tangible results in the clearing of slums and urban renewal. It is an overwhelming task and will take years to correct or remedy.

The day of the "city beautiful" planner has pretty well passed and the land planner today has a great deal in common with the appraiser. The objective is to provide economically sound land and structures. Land use is directly allied with the value of land. In modern land planning, the emphasis is on working with nature, following the natural terrain and the saving of trees instead of bulldozing the way through the terrain, spoiling natural contours.

In order to retain value over the years, a community must have character which cannot be done with the sign and ornamental post, or a distinctive entrance plan.

The Septic Tank Problem

Another problem that we should be concerned with is the increased use of septic tanks. It has been estimated that of the new units built in 1955, about 400,000 were built out of reach of existing sewerage facilities. The septic system is the most complicated sewerage system known to man. It can mean higher long-term costs, a direct threat to loan security, unless proper installation standards are rigidly supervised and enforced by local health authorities.

The long-term value of residentional property is encompassed not only in location, but also in up-to-date building codes and construction standards. Unfortunately, a set of national construction standards cannot be outlined because they necessarily vary in different parts of our country, from region to region, as well as from state to state. They are influenced by fundamental differences in climate and natural terrain; also the inclusion or exclusion of many features influenced by the economic background of a community.

Our nation's steadily rising standard of living almost serves as a mandate to the mortgage lender that he be consistently on the look-out for improvements, both technological and social, that satisfy the kind of housing that people want and will continue to want over the years. By insisting on modern, up-to-date construction standards, you will be insuring your loan portfolio against a substandard stamp that progress is leveling at such a large segment of our housing.

Even though a lender may be concerned with FHA and VA standards, each lending institution should establish its own building standards that can serve as a guide for its conventional lending in its own community.

We must be familiar with the advantages and disadvantages of prefabrication, as well as the component method of construction. Better design is a growing need and we must realize that the same materials, properly arranged in a pleasing design, cost no more than a less appealing design. Building codes must be revised and brought up-to-date. Who better can be instrumental in this activity than the people associated with the local savings and loan associations who, in most instances, are long-time residents of the community, with the community interest uppermost in their mind.

Trade-in House

In order to aid this process we must give some thought and consideration to furnishing financing for the trade-in house. It is through the trade-in that the automobile industry has been able to do such an outstanding merchandising job.

I urge all savings association managers, loan officers, appraisers, contractors and loan committee members responsible for the formulation of appraisal policies and the execution thereof to:

(1) Assist in every way possible to bring about the adoption of up-to-date zoning ordinances or revisions of existing ordinances that will allow and demand the practice of modern land planning in their communities.

(2) Assume leadership in securing the adoption of enlightened building codes or revisions of existing outmoded codes, including the necessity of efficient local staffs to administer such codes.

(3) Recommend to subdividers and builders the use of modern, simple, and well-drawn protective covenants to implement existing zoning ordinances, thus assuring harmonious property development for the protection of neighborhood stability beyond that offered by zoning ordinances!

(4) Establish minimum architectural, construction and land development standards for your construction loan department.

(5) Keep under constant study and review, the technological changes in construction and methods developed by research.

I am sure that with our innate business intelligence, personal fortitude and mutual forbearance we can, in our own communities, be the motivating forces to upgrade the standards of our new housing through modern land planning and good architectural design. Together we can continue to build a better America.

With First California

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Richard T. Smith is now associated with First California Company, 436 14th Street.

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John A. Hawkins is now associated with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Ernest W. Fraser is now connected with Paine, Webber, Jackson & Curtis, 24 Federal Street.

Plohn Underwrites Tiarco Stock Offering

The Tiarco Corp., is offering holders of its $1 par value common stock of record May 18, 1956, rights to subscribe for an aggregate of 375,000 shares at $3 per share at the rate of three shares of new common stock for each share held. The offering will expire at 3 p.m. (EDT) May 31, 1956. Charles Plohn & Co., member of the New York Stock Exchange, is the sole underwriter.

Proceeds from the sale of the stock will be used to purchase production and research equipment, to complete the company's existing plant, to repay short-term loans, and to credit the remainder to working capital.

The company has developed and is now engaged in limited production of a unique process for plating dense, yet ductile, industrial chromium directly onto aluminum and its alloys, making an exceptionally strong bond between the chromium and the aluminum. Other processes developed include: (1) a technique for directly and securely plating industrial chromium onto titanium and its various alloys; (2) a process for depositing industrial chromium on a wide variety of cutting tools; and (3) a method of bonding industrial chromium directly onto cast zinc and lead alloy parts.

The company's operations are twofold: services performed on materials owned by others, and the selling and processing of tools owned by the company.

Upon completion of the current offering, capitalization of the company will be: $49,081 in long-term debt and 500,000 shares of common stock, $1 par.

Now With H. L. Robbins

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—John D. Lawrence has become affiliated with H. L. Robbins & Co., Inc., 40 Pearl Street.

D. B. Fisher Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Charles G. Boigegrain has become connected with D. B. Fisher Company, Buhl Building, members of the Detroit Stock Exchange.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Perdita R. Klehmet has been added to the staff of Dempsey-Tegeler & Co., 210 West Seventh Street.

With Livingstone, Crouse

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Peter J. Owen has become affiliated with S. R. Livingstone, Crouse & Co., Penobscot Building, members of the Detroit Stock Exchange.

Roney Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Arthur J. Cassidy, Jr., has become associated with Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges. Mr. Cassidy was previously with the National Bank of Detroit.

Joins Slayton Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Valgene M. Mathews is now with Slayton & Company, Inc., 408 Olive Street.

Two With Wachob-Bender

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — C. William Daly and Charles W. Watts are now with Wachob-Bender Corp., 3624 Farnam Street.

Policies of American Banks in Financing Export Transactions

By A. M. STRONG*
International Business Consultant
Consultant, American National Bank & Trust Company of Chicago

Instead of creating another Government insurance agency or insuring non-productive exports to deteriorating countries, Mr. Strong believes the "cold war" credit subsidy competition can be solved if world industrial business leaders, in unison, prevailed upon their governments to reestablish sound credit principles in international trade. Referring to foreign buyers tempted by longer payment terms offered by European and Japanese manufacturers and the past three-year decline in U. S. capital equipment exports, Mr. Strong discusses: (1) factors governing American commercial banks' inability to extend long-term and non-recourse credit; (2) inability to evaluate future exchange rates and changing regulations abroad; (3) availability of Export-Import Bank lines of credit and increasing commercial banks' participation in Export-Import Bank contingent liability financing, and (4) growth of private U. S. non-recourse long-term financing companies.

Economic growth and industrial expansion continued during last year in most of the countries of the free world. Industrial production was about 10% higher in 1955 than in the preceding year. World exports increased by 5.7% and world imports increased by 8.4%. International competition became keener and unduly long credit terms were more evident. There is still a preference in most countries for U. S. products even at higher prices because of superior quality, interchangeability of parts and prompt delivery. Nevertheless, the longer payment terms offered by European and Japanese manufacturers represent a great temptation to overseas buyers of capital equipment.

A. M. Strong

Credit Terms Competition

American exporters, particularly manufacturers of machinery and other capital goods are affected by the sharper competition in credit terms which is supported by foreign government insurance. Exports of such goods have declined during the past three years.

In a speech before the Chicago World Trade Conference on Feb. 29, 1956, Mr. Paul Dietz, Manager Export Department of Allis-Chalmers Manufacturing Company, said that the decline in exports of U. S. machinery during the three years, beginning with 1952, was very sharp. In 1952 such exports were valued at $3.9 billion or 48% of total world exports which amounted to $8.2 billion. In 1953, both U. S. and world machinery exports declined but the U. S. decline was about $1 billion or 24%, while the decline for the rest of the world was only $21 million, or less than one-half 1%. In 1954, the volume of U. S. sales was off 4% from 1953 and amounted to $2,848 million, while the machinery sale of the rest of the world increased in 1954 by over $300 million, or 6% over 1953.

When volume of products rather than price is used as a yardstick the decline in U. S. machinery sales was actually greater than 28%. Even on a dollar basis, in three years, the U. S. share of total world machinery exports had dropped from 48% to 39%.

Mr. Dietz also said that while we do not yet have complete figures for 1955 machinery sales, there are signs that a further decline in United States exports may have been arrested. The total world exports of machinery will probably once more show an increase over the 1954 figures.

*An address by Mr. Strong before the Institute on International Trade, University of Illinois, April 24, 1956.

American Banks' Unchanged Policy

Credit policies of American banks are basically unchanged. American banks cannot extend long term foreign credit, because of the need for liquidity and the higher risks involved. The funds lent by American commercial banks are primarily deposits of their customers, which can be withdrawn on demand and it has been the policy of prudent bank management to protect its depositors by liquidity of its funds. This policy is also expressed in State and Federal Banking legislation. Levels of deposits vary considerably from one time to another. In order to be prepared for periods in which deposits decline a bank must have cash or access to cash. It is for this reason that the major share of bank loans and investments have relatively short maturities.

Financing Without Recourse

American manufacturers seeking to finance their foreign bills without recourse find no response from their bankers. A commercial bank waiving recourse would be financing the buyer in the foreign land rather than its customer. The bank would forego the security of the dollar and the protection of American laws. It would be subject to the hazards of exchange fluctuations and changing regulations abroad. It is, of course, impossible for an American bank to evaluate future conditions, foreign exchange rates and regulations of any given country.

This opinion was overwhelmingly supported by leading U. S. bankers at the hearings before the Senate Committee on Banking and Currency (The Capehart Committee) in January and February, 1954. My limited time will not permit me to quote the many interesting and pertinent remarks. I will, however, quote from two typical statements.

Mr. E. W. Faulk, Senior Vice-President, Merchants National Bank, Mobile, Ala., said:

"A great bulk of the commodities which we finance for export are normally sold on shorter terms than six months. The question does arise in the case of heavier equipment and capital goods. When it does arise, there are many aspects to the problem. These include the credit standing of the purchaser, whose obligation is offered by the exporter; the credit standing of the exporter, whose responsibility must lie behind the transaction; and the position of the country of destination exchange-wise and, particularly dollarwise. All too often, the last factor is the one which governs a negative decision. A commercial bank, lending funds which come from demand deposits could hardly afford during the best of conditions to have large amounts in long-term transactions of this type. When exchange uncertainties are added and the possibility exists that the funds may be tied up for lack of exchange for a considerably longer period than is contemplated, obviously the commercial bank cannot favorably entertain the transactions. In our own case, we have financed the exportation of equipment manufactured within our area, payable over an amortized basis up to as high as three years with appropriate safeguards in the form of guaranties acceptable to us from banks in the country of destination. Our experience in that connection has been satisfactory, but the transactions and the risks have been carefully selected and we could hardly say that our position is one generally disposed to the handling of such transactions. As a matter of policy, and in the majority of instances, we would probably decline such loans or advances."

Mr. Faulk answered "No" to a question whether his bank is financing, without recourse, shipments to foreign countries payable over term periods.

Another witness before the Committee, Mr. Horace M. Chadsey, Vice-President The First National Bank of Boston made the following statement:

"As a commercial bank the funds which we have to lend are primarily those which have been deposited with us by our customers and which are withdrawable at the option of our customers—for the most part on demand. Given the established banking habits in the United States and the large number of our depositors, it is of course extremely unlikely that the major part of our deposits will be withdrawn over any short period.

"On the contrary aside from certain relatively long-term trends, withdrawals and deposits by our depositors will tend to be compensating and of course were it not for that fact we could hardly be a lending institution at all. Nonetheless, protection of the depositor and ready availability of his funds have traditionally been matters of certain concern, both in banking legislation and in prudent banking administration. The largest portion of our loans and investments must therefore necessarily mature and be recoverable at relatively short intervals.

"American manufacturers for the most part cannot afford, or do not consider it prudent, to encumber and immobilize their working capital for extended periods, and usually, therefore, in seeking financing of their foreign sales repayable only over a considerable period, they desire to obtain that financing without recourse to them, or at the most, with only limited recourse.

"A commercial bank waiving such recourse, foregoes a valuable protective feature — one enforceable in the United States in dollars rather than one conceivably collectible only in Brazil in cruzeiros, for example—as well as the continued active interest of the manufacturer in making every effort to expedite the liquidation of the indebtedness.

"If recourse to the American supplier is waived, the financing in fact is so altered in form as to constitute in effect financing of the buyer in the foreign land. Such a buyer is not ordinarily a customer of the bank and is hardly entitled to the facilities of the bank if that should mean a contraction of the ability to serve the bank's American customers. And, obviously, the difficulty of policing or enforcing the terms of such a loan are increased by reason of the distance and by reason of the applicability of foregoing law.

"Moreover, foreign loans carry with them the hazard of exchange fluctuation and of altering exchange regulations. The shorter the term, clearly the greater the ability of the lender to evaluate the probabilities. But when the term becomes not a matter of months, but of years, then possible exchange fluctuations present in themselves a problem of some magnitude, and even more troublesome is the likelihood that they will bring in their train new exchange regulations which, representing as they are likely to do a combination of economic necessity and of political aspiration, are just not possible to predict. In our own case, at least, we have no illusion as to our ability to outguess a managed currency."

There are exceptions to every rule. Banks are extending without recourse credit in selected cases when satisfactory safeguards are offered. The number of such cases is increasing. However these special cases offer small comfort to the exporting community.

Longer Term Credit Progress

Considerable progress has been made in providing longer term credit for our export trade. The Export-Import Bank of Washington announced in 1954 a new policy designed to assist U. S. exporters of capital goods to retain their established markets. The bank stated that the shift in international trade conditions from a seller's to a buyer's market abroad; the increasing importance of export markets to U. S. manufacturers because of expansion of plant capacity; and the increasing credit competition by foreign manufacturers based on assistance provided by their governments are are factors which led the bank to expedite the extension of assistance to U. S. exporters and to develop procedures to facilitate the financing of individual transactions.

Principal among such new procedures is the adoption of a plan to establish lines of credit for exporters of capital goods of a productive nature. The bank continues to consider on a case-by-case basis requests for financing on medium or long terms the sale of other types of capital goods.

Since the inauguration of the plan and up to March 9, 1956 the Export-Import Bank extended 134 exporter credit lines in a total amount of $174,585,000. However, only a small amount of the available credit has been used. The total transactions under the authorized lines was $9,587,330 or 5.4%. There is disappointment with the relatively small results achieved. Many ascribe it to the vast amount of background information required by the bank. Mast exporters find it difficult to obtain this extensive information on dealers and other customers.

While the bank must, of course, have complete data on the credit worthiness of the foreign buyer to whom the loan is actually made, I believe that the required information can be simplified. I hope that the bank has acquired adequate personnel, experienced in extending this type of credit, to handle the new business. After all the bank's function is to render effective assistance to American exporters and not to earn greater profits.

Participation by commercial banks in Export-Import Bank financing is increasing. According to the bank's semi-annual report to Congress for the period January-June, 1955, outstanding loans disbursed by banks under an agreement with the Export-Import Bank to redeem the loans at any time amounted to $27,272,510. These loans were extended to Brazil, Colombia, Mexico, Uruguay and other Latin American countries. Outstanding loans disbursed by banks under an agreement with the Export-Import Bank to redeem the loans only in the event of default amounted to $70,800,725. The loans were made to Brazil, Costa Rica and Japan.

Private Non-Recourse Financing

There is an increase in private facilities for long term financing without recourse. Several finance companies have been organized in recent years; among them are the American Overseas Finance Company, owned by five U. S. banks; the Arcturus Investment and Development Company, a subsidiary of the Chase Bank; Development Resources Corporation, sponsored by Lazard-Freres; Inter-American Capital Corporation; International Basic Economy Corporation; International Resources Fund, Inc.; and several others.

The abnormal competition in credit terms which is becoming a burden to sellers as well as to buyers who must assume the exchange risk during the time of the credit, is receiving the attention of business and financial leaders, here and abroad.

Mr. Eugene Black, President of the International Bank for Reconstruction and Development at the opening session of the bank's annual meeting which was held in September, 1955 in Istanbul, Turkey disclosed that 14 major exporting countries have agreed to supply the bank with confidential information on a quarterly basis concerning the extent of their medium-term loans.

Because the extension and acceptance of credit requires prudence by both the borrower and lender, and because prudence requires information on the extent of credit outstanding, the World Bank has undertaken to obtain this information. The reports will cover medium-term transactions for loans, guarantees, insurance, funding arrangements and the like.

Mr. Gustaf Soderlund, Managing Director, Skandinaviska Banken, AB, Stockholm, Swenden, in an article entitled "Export Credits as Means of Competition," published in the July, 1954 *Quarter Review* of the bank expressed the following views:

"There seems to be reason to draw the attention of the exporters to a matter, which private enterprisers unfortunately too often overlook, and that is that every case of running to the authorities with one's troubles and accepting assistance to improve one's competitive position will give rise to the imposition of new regulations, controls and directives.

"Now when we know from experience that extended credit facilities in connection with exports is very infectious also to countries who, as a matter of fact, have no credit to grant or any capital to spare, it is to be desired that people everywhere would agree to some kind of restrictions to be imposed upon the extravagances in the field of export credits. Fortunately, certain initiatives with this object in view have been taken within various national and international groups of industrialists and bankers, but it is important to reach a result before new occasions for an uneasy competition by means of export credits will arise.

"Collaboration between the commercial banks in the exporting countries is the first thing which should be arranged, but this will not solve the question last touched upon. For that purpose the collaboration must also comprise those Government-controlled agencies whose duty it is to grant export credits and export credit guarantees. The risk of an unsound export credit policy in periods of declining business levels is greater with them than with the commercial banks."

Commercial Credit Risk Insurance

The International Trade Section of the New York Board of Trade is sponsoring the creation of a special government agency to insure any goods against exchange risks, confiscation, etc. Such insurance, in the opinion of the Committee, would in turn make it possible to set up in the United States one or more privately owned and operated export credit guarantor organizations which would insure the commercial credit risk.

Political Risks

A Bill (2256) was introduced in the Senate on June 16, 1955, by Senator Fulbright to authorize the guarantee of exports against risks of a political nature. Although the spokesmen for the New York Board of Trade are advocating only convertibility insurance, the Bill is drawn in such broad language that it may be interpreted to insure against devaluation, failure of the collecting bank and similar risks.

The Bill defines "political risk" as the risk of any governmental action interfering with the payment for an export transaction within a stipulated period of time after due date in accordance with the lawful terms agreed upon by the parties hereto, including the restriction of the convertibility into United States currency or currency of the country to which the goods or services guaranteed were exported and any other cause of nonpayment loss due to governmental action (excluding the insolvency of the buyer or his protracted default) which is beyond the control of the exporter or the foreign buyer and which cannot be insured or is not normally insured with commerical insurers.

The word "loss" is defined as the difference between the contract price (including freight, insurance, and other charges legally due the exporter under the guaranteed transaction) for goods and services, in United States currency and the amount of such currency actually received by the exporter when payment therefore is due under the terms of the guaranty contract.

There is a division of opinion among exporters about the bill. The leading export magazine — *The Export Trade and Shipper* — discussing the bill in an editorial dated Aug. 1, 1955 said:

"The terms 'political risk' is defined in general as any governmental action interfering with the payment of an export transaction within a stipulated period of time. A number of specific examples of political risks are given, and in at least one instance the wording is doubtful and in need of clarification, but it is hardly appropriate to analyze these provisions at this time, since we find ourselves unable to approve the main objective of the bill.

"We doubt the need for this insurance on short-term transactions, and as regards medium and long-term transactions, these are usually financed on a basis which covers the political risk, or where this is not so, the exporter may apply for these guarantees to the Export-Import Bank."

There is a serious question in my mind whether exporters of consumer goods on short credit terms need government insurance and whether insurance of convertibility risks could serve as a basis for non-recourse bank financing or private insurance coverage against commercial risks. Convertibility insurance does not protect the exporter or the insurer against risk in many countries. I also question the need for another government agency for such insurance if it is determined that all exports be covered. The Export-Import Bank is authorized to issue guarantees against political risks and is prepared to do so if warranted.

According to the Export-Import Bank report to Congress for the period January-June, 1955, when no exchange problem is anticipated imports of almost any kind of goods from the United States would be assisted by the bank if the terms required were such that private financing would not be forthcoming. As the exchange situation of the importing country deteriorated, assistance first would be denied for non-essential goods. Upon further exchange deterioration, assistance also would be withheld from imports which, although productive within the economy of the country, make little contribution even indirectly to improvement of its dollar exchange position. Thus, even under the most adverse exchange conditions, assistance might still be available for imports which would make a sufficiently prompt and marked contribution to the improvement of the dollar position of the importing country so as to assist its return to the status of a normal trading partner of the United States.

Although the Export-Import Bank has adequate legal authority to finance sales abroad on short terms such as cash against documents or payments of 30, 60, 90, or 180 days, it generally does not do so. The bank believes that adequate financing for short-term credit sales is available on reasonable terms from commercial banks and other sources of private capital.

In my opinion, the solution to the international credit problem is not the creation of another government insurance agency or in insuring exports of non-productive goods to countries with unstable economies and exchange. I believe that the solution is in the reestablishment of sound credit principles in international trade. I must reiterate the statement I made last year that the time is ripe for an effort to stop the "cold war" in credit terms which is becoming a burden to all concerned.

It is time for business leaders of industrial countries to get together and prevail upon their governments to discontinue the use of credit insurance and guarantee facilities as a form of subsidy in export. These facilities should be used only as a means of extending normal credit, essential to particular industries.

With J. B. Hanauer

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Patricia M. Baumgarten is now with J. B. Hanauer & Co., 140 South Beverly Drive.

Joins H. Hentz

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Albert Miller has become associated with H. Hentz & Co., 9680 Santa Monica Boulevard. He was formerly with Fewel & Co.

T. R. Peirsol Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Jesse R. Baker has been added to the staff of T. R. Peirsol & Co., 9645 Santa Monica Boulevard.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — George H. Barnes, Jr. is with Shearson, Hammill & Co., 9608 Santa Monica Boulevard.

With W. G. Nielsen Co.

(Special to THE FINANCIAL CHRONICLE)

BURBANK, Calif.—Eugene G. Maunev has been added to the staff of W. G. Nielsen Co., 912 North Hollywood Way.

Big Increase in Capital Spending Planned

Programs of business community recently stepped up to total 30% rise over last year's outlay, McGraw-Hill survey reveals. Unprecedentedly large advance expectations for subsequent years also disclosed. Development of new products key factor.

United States business as a whole now plans to spend almost $39 billion for new plants and equipment in 1956, a 30% increase over spending in 1955. And business already has plans to invest more in the next four years than in any similar period before, exceeding the 1955 level of spending in every year from 1956 through 1959.

Dexter M. Keezer

These results of the McGraw-Hill Publishing Company's ninth annual survey of business's plans for new plants and equipment were announced by Dexter M. Keezer, vice-president and director of the McGraw-Hill Department of Economics which conducted the survey.

Plans have increased in almost every industry since the preliminary survey conducted by McGraw-Hill last October. For the first time since the surveys were started, plans for the second year in advance (1957) are equal to those for the current year (1956), with plans for three and four years ahead already within shooting range of the current level.

Other highlights of the annual survey are:

(1) Manufacturing companies plan to increase capacity 8% in 1956, and another 18% in the 1957-59 period. The total increase since 1950 will reach 51% by the end of 1956—which means manufacturing companies will soon have half again as much capacity as at the start of the Korean War.

(2) The development of new products is a key factor in industry's plans for 1956-59 as manufacturing companies now expect 11% of 1959 sales to be in products that were not made in 1955. This figure does not include all new products—some are still on the drafting board. But almost 30% of all manufacturing companies report that a significant share of their 1956 capital spending will be for facilities to make new products.

(3) Research and development expenditures in 1955 were nearly $5 billion for all business, a 29% increase since 1953. Presenting the first information ever compiled on plans for expenditures on research and development, the survey showed business already plans to increase these expenditures another 33% by 1959 when planned research spending is expected to reach $6.3 billion.

Most of the very large capital spending increases planned for this year are in manufacturing—up more than 45% (as a whole) from 1955, according to the survey. In the nonmanufacturing industries, mining is up 34%; petroleum, 11%. Railroads now plan to spend 62% more in 1956 than in 1955, while "other transportation and communications" show a 33% increase. Public utilities now are planning to boost spending 15% this year. Commercial enterprises—which are mostly in wholesale and retail trade—plan 20% higher expenditures in 1956.

The number of companies able to give specific plans as far ahead as 1959 was the greatest of any of the McGraw-Hill surveys—88%. In many individual companies and industries, the peak of these planned programs comes not in 1956, but in one of the following three years. This is particularly true of the petroleum industry, the electric utilities and the plans of the domestic airlines, but it is also true of many firms in manufacturing.

Plans in Manufacturing

The largest planned increases for 1956 in over-all capital spending within the manufacturing group are in non-ferrous metals (123%), paper (83%), steel (82%) and automobiles (81%). Various chemical process industries show increases of over 40%. The machinery industry is stepping up spending by 35%. Planned spending is up somewhat less in petroleum refining (15%), food (12%), and textiles (4%)—though these percentages represent large increases for the industries concerned.

The automobile industry will spend more, in total, than any other manufacturing industry this year ($2 billion). Next come steel ($1.6 billion) and chemicals ($1.4 billion). As a reflection of the intense demand for capital goods, the machinery industry in 1956 will spend over $1 billion on new plant and equipment for the first time in any one year. The petroleum refining, paper and food industries will each spend over $800 million.

Of the nonmanufacturing industries, the largest relative changes are in the plans of electric and gas utilities. Electric utilities already plan to increase their expenditures through 1957 and to spend almost as much in 1958 and 1959. Plans for gas pipelines, and other expenditures of the gas utilities, though they do not run so far in advance, are up sharply for 1956 and 1957 and may be increased for subsequent years. Expenditures in coal and iron mining this year will be up 50% and 44% respectively. The railroad industry will increase its capital spending over 60%, to $1.5 billion this year and preliminary plans for 1957-1959 call for average spending of $1 billion per year, compared with $923 million in 1955.

New Capacity

The largest capacity increases planned for 1956-59 are in the chemical and related industries (including paper, rubber, and stone, clay and glass products). In these lines, the planned expansion ranges from 18% to 29%. The chemical industry itself tops all others with a 29% increase in capacity planned, with nonferrous metals a close second with 28% for the four year period. The steel and metalworking industries (including autos and machinery) plan capacity increases of 17% to 20% for these years.

Boosting the expected capacity increases is the fact that most of the manufacturing industries were operating close to 100 per cent of capacity at the start of 1956, while in last year's survey it was established that the preferred operating rate in most industries, is under 90%. Even this year's record expansion will not be sufficient to restore this margin of reserve capacity, if sales equal or exceed 1955 levels.

Growth in Sales

Manufacturing companies plan to put 29% of their total capital expenditures into new construction, and 71% into new equipment in 1956. These industries continue to base their plans for capital expenditures on the expectation of strong growth in sales during the years ahead. The capital goods industries (machinery, electrical machinery and transportation equipment) expect the greatest increase in sales of any group during 1956. And—in line with advance plans for capital spending — they foresee only moderate tapering off in this rate of growth during 1957-1959.

In other lines, only moderate growth is projected for steel and auto sales to 1959, from the very high level achieved in 1955. Chemicals, oil and other growth industries expect to maintain their established trend. Companies in the beverage and textile industries and almost every other, except autos and the related steel and rubber industries, expect to show 5% or more growth in sales in 1956.

Research Expenditures

The increasing volume of research—particularly in industries that until recently did very little of it—means a continuing flood of new product developments, and high capital expenditures to take advantage of these developments. The largest research expenditures in 1955 were made by these industries: chemicals, aircraft manufacturing, and the machinery group (including electrical machinery). Other large spenders were the oil industry, fabricated metal products and instrument companies. However, the largest growth in research spending from 1955 to 1959, is planned by industries that were not among the major spenders last year: primary metals, nonelectrical machinery and the automobile industry, according to the survey.

(Industrial companies reporting in the McGraw-Hill survey employ more than 50% of all workers in the group of industries where capital investment is highest. This group includes oil, utilities, railroads, chemicals, autos, steel and nonferrous metals. In industries where coverage is not so complete, companies are carefully selected to provide a representative cross-section of their industry. Companies included in the industrial sample employ a total of more than 7.5 million workers, about one-third of total employment in all industry. Commercial business—trade, finance and services—is the one major field of capital investment with a lower level of coverage; the sample in this field is made up primarily of large chain stores, mail order and department stores.)

Two With McCormick Co.

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Ernest R. Aupry and Roland L. Barclay have become associated with McCormick and Company, Security Building.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Thomas C. Conoahue is now with Bache & Co., 445 North Roxbury Drive. In the past he was with Marache, Dofflemyre & Co.

Joins First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Norman L. Reighard has joined the staff of First California Company, 647 South Spring Street.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—William J. Reigel has become connected with Shearson, Hammill & Co., 520 South Grand Avenue. He was previously with J. Logan & Co.

With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Stanley Friedlander has been added to the staff of A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges. He was previously with B. C. Morton & Co.

1956 Mortgage Fund Supply and Determining Characteristics

By R. B. PATRICK*
Financial Vice-President
Bankers Life Company, Des Moines, Iowa

Iowan financier anticipates larger savings growth than in 1955 will supply adequate funds for mortgage and capital demands with little reliance on the banking system, in the course of predicting continued mortgage attractiveness and possible rise in mortgage debt over 1955. Mr. Patrick warns that a narrowing yield spread between top grade securities and mortgages can shift funds quickly from mortgages. Observes unrealistic FHA-VA administered interest rates greatly overstimulates housing demand at the expense of other important capital needs, and non-free market's compartmentalization prevents investible funds from moving freely from one sector to another due to government guarantees, government lending, administered interest rates, and effect of high taxes upon tax exempts.

My task is to put before you as succinctly as possible the elements that affect the supply of funds for the mortgage market and to do some guessing, and it will be just that, about the supply of mortgage funds for the current year. To understand clearly a complex subject such as this it is desirable to construct a background or framework in order that consideration of the subject can be kept in proper perspective. To do this I want to discuss the role of savings in the capital market, and the role of bank credit, and then examine critically some of the outstanding characteristics of this market with special reference to the mortgage sector.

R. B. Patrick

I'm sure that you realize that over a long period in order for an individual, a corporation, or a state to borrow it is necessary for other individuals or institutions to have saved. That is, for it to be possible for a large segment of the population to spend more than it presently earns, another large segment must spend less. For savings are, roughly speaking, the difference between what is produced, in a society, and what is consumed. Thus in the long run the factor that primarily determines the availability of investible funds in any year is how much is saved in that year. Now the amount of savings is not unlimited. (In fact most married men feel that the whole skill of modern advertising and selling is conspiring against saving.) Nevertheless, a modern industrial society such as ours does save a sizable portion of each year's income, although it doesn't always save the same portion. Actually the variation between years is significant. For example individuals in the United States saved almost 8% of their disposable personal income from 1951 through 1954. But in 1955 they saved less than 6%, a decline of approximately 25%. In many societies one of the greatest deterrents to progress is the inability or unwillingness of its members to save.

Declining Savings Rate

What determines this rate of savings? What has been the trend in the rate, and has the supply been adequate to satisfy the demand for capital formation? Of course, we don't know accurately the answers to these questions and you may be interested to know that the Life Insurance Association of America has made several large grants to outstanding research economists in order that they might study many aspects of the savings function.

It appears that probably the most important factor determining the rate of savings is current income, although past income, liquid assets and to some extent future income prospects are also determinants. You may be surprised to learn (I certainly was) that the rate of savings in the long run in this country has been declining. Research reveals in spite of a long rise in real product per capita the proportion saved actually declined from 13.8% of the national product for the 50 year period from 1860 to 1908 to 8.3% for the 40 year period from 1909 to 1948.

Was this because savings could not find sufficient investment opportunities and were, therefore, damped, or was it because in a dynamic economy the pressure for higher consumption levels resulted in a constant to declining savings proportion? The period since the Civil War was one of dynamic expansion and growth in the economy and probably not one lacking in investment opportunities. Although it is difficult to prove, investment opportunities were more likely in excess of the available supply of savings. But the American desire to improve living standards apparently resulted in a fairly constant savings proportion and a rising consumption proportion as real product per capita increased.

If this is a national characteristic then it is not likely that the savings proportion will rise in the foreseeable future. It is wrong to support long-period interpretations and conclusions with the short-period evidence since World War II but the tendency in the years ahead may be for the savings proportion to decline slightly as full employment and mild inflation stimulate higher consumption expenditures. The future tendency may be an even more eager pursuit of a higher standard of living at the expense of a declining savings ratio.

My own opinion is that over the long period of national growth savings have never exceeded the demand for them. It has been merely extremely easy bank credit that has given such appearance during certain periods. So now let's consider the role of bank credit and the very important function it performs.

Bank Credit Role

Primarily, commercial banks furnish the money and credit necessary for the day-to-day operations of our great industrial and commercial system. They finance the growth in inventories, in accounts receivable, in consumer credit, and facilitate countless transactions on an interim basis. Of course, as you know the amount of bank credit can be quickly expanded through the fractional reserve system. Also it can be contracted. This expansion and contraction in a modern society is the responsibility of the central bank. In our country this is the Federal Reserve System. Generally speaking, if economic activity is growing at a sustaining rate, bank credit is expanded to meet the needs of the growing economy. Also if plant, equipment and manpower are idle bank credit is not merely expanded but is made abundant. We refer to such a situation as one of easy credit. On the other hand if economic activity is developing at a rate which is not sustainable or if excesses in the use of bank credit are occurring, then such credit is contracted. If this is done drastically we refer to the situation as one of tight credit. Now tight credit and easy credit are relative terms and, I'm afraid, frequently misused. In fact we became so accustomed to a steady expansion of bank credit during the late war and until 1952, and the accompanying inflation, that anything less than that is referred to as a tight credit situation. Actually most of the time since 1952 bank credit has been expanded as needed to keep pace with the growth in business activity. Generally capital demands have been supplied from savings.

This brings me to the point that I wish to emphasize about bank credit. It is not a source of permanent capital. This it cannot be the ultimate basis for home building, plant construction, or any permanent investment. But of course, it can be used on an interim or temporary basis to facilitate any of these projects. However, as bank credit is readily expandable whereas savings are not, there is constant pressure to misuse it. For example in 1955 we saw home building expand at an unsustainable rate through the issuance of standby commitments and various plans to warehouse mortgages. Just recently FNMA sold short term securities to purchase long term mortgages. To the extent that these short term notes are bought by banks FNMA is operating on bank credit.

Current Bank Credit Uses

These are current uses of bank credit and have considerable bearing on the mortgage market. Let's consider them quite carefully.

Standby commitments are so named because the issuer doesn't really expect to have the loan delivered to him. Such commitments are issued principally by large banks although I have heard of some being issued by insurance companies and savings and loan associations. As you well know a charge is made for this umbrella holding and the take out price is set well below the expected market. I believe such arrangements are confined to FHA and VA loans because they are relatively riskless. At least I have heard of none of importance involving conventional loans. Such a plan is attractive to the issuer because of the fee received and possibly also because it enables him to secure the construction financing. The builder must enter such arrangements only because satisfactory credit on a permanent basis is not available. Otherwise, why speculate on the future market for mortgages? These commitments can be helpful in smoothing out irregularities in the flow of savings to the market but they can also become a real problem as they did last year, when by any standards they reached excessive proportions.

Now let's consider the related mortgage market development known as warehousing. You are all familiar with it. In fact under the prosaic term of interim financing it has long been a service banks have performed for mortgage investors and their correspondents. Customarily, the bank advanced funds to build or complete the purchase of a property. Then as soon as the loan was ready for delivery the investors accepted and paid for it. Obviously this is a service that a commercial bank can perform advantageously, especially for a distant investor. Recently, however, arrangements were made by investors to have mortgages held for them under various types of agreements for periods up to several years past the date when the mortgage is ready for delivery. This is a far different situation from a bank advancing credit to facilitate the closing and documenting of a mortgage and should not be confused with it. This is simply using bank credit to make loans where otherwise the loan could not be made. It is obvious that if the permanent lender had the funds on hand he wouldn't arrange for bank credit. Again I believe most of these transactions are confined to FHA and VA loans.

Understandably commercial banks like warehousing arrangements because they receive a good rate of interest for a loan secured by government guaranteed paper. As a matter of fact, there is very little risk anyway because performance in one way or another ultimately rests on a creditworthy financial institution. These institutions in turn praise warehousing because it creates a pool of mortgages always at hand to meet their needs. Of course, the traditional interim financing created a pool, too. It just wasn't as big a pool. Also, most warehousing arrangements result in an overriding spread between interest rates for the permanent investor.

Naturally, most mortgage correspondents enjoy having their principals undertake warehousing plans because it serves immediately to increase their mortgage volume. However, this is a onetime event while the so called pool is being filled. After that the same old routine prevails until the investor decides that the pool is too large or he no longer wants one at all. Then a less than normal amount of mortgages will be made. By now you will see that this is little different from the age old inventory problem. When investories are being accumulated most everyone is optimistic and the outlook is a happy one. But when inventories are being reduced, pessimism and unhappiness prevail. Thus to the extent that take out commitments and the related device of warehousing become excessive the swings that occur in the mortgage market are accentuated.

Insidious Effects

The insidious part of these schemes is that we all like the upward swing because loan volume is increased and frequently mortgage prices are rising. Of course, few like the downward swing, but come it must as excesses have to be corrected unless we are prepared, as few of us are, to accept continuous inflation. Last year increases in construction costs were occurring and the Federal Reserve was forced to take steps to curtail unsound expansion based on bank credit. Those of you who follow the money market closely were aware, I'm sure, that consumer buying and home building were, to a significant extent in the spring of 1955, the result of bank credit. Step by step the Federal Reserve curtailed this credit to slow down growth trends that had reached unsustainable rates. At the same time the Federal Reserve took a very dim view of mortgage warehousing. Caught in this money market squeeze were many building ventures backed only by standby commitments. Subsequently, many a standby price which looked a bargain twelve months earlier was accepted to secure a permanent investor. Also I suspect that many an investor was taking loans from his warehouse inventory that could have been bought more cheaply currently.

All of this was brought about because builders, mortgage bankers, and lenders endeavored to operate in excess of available savings. Regardless of the reasons or justification given for these operations they had reached a point of serious abuse. None involved liked the corrective measures necessary to bring the money market again into balance. Unfortunately, there is no painless way to correct a financial hangover. Like the better known type it must be endured for a spell. Many refuse to accept this approach and look about for hangover remedies. (Some of these are embodied in suggestions currently being made to Congress.)

Now, having considered the role of savings and the role of bank credit in capital formation, I believe that we are ready to take a careful look at the entire capital market.

Government Assumption of Risk

Here I want to insert parenthetically a fact that must be recognized in any proper evaluation of the mortgage market. This fact is that a large and growing proportion of home mortgage loans involve very little risk to the builder, the borrower or the lender. But a great deal of risk to the Federal Government. That is, to all of us. Of course, I refer to VA guaranteed or FHA insured loans. All of you know that a builderr, unless he builds expensive homes, has little if any cash invested in a project when he secures an FHA builder's commitment. Typically, he doesn't even pledge his good name as he operates through a building corporation with few or no assets. Furthermore, the lender has only a small risk on FHA loans and almost none on VA ones. If you doubt this, observe carefully the risk taking techniques or lack of them of an increasing number of mortgage lenders. Now consider the risk taken by the borrower. Certainly it is very little on minimum down payment VA or FHA loans. True, he signs the note, but this does not mean much in many states. Hence we must conclude that the real evaluation of risk is becoming the responsibility of government agencies. This introduces an artificiality and rigidity to the mortgage sector of the capital market.

Unfortunately, people engaged in a day-to-day mortgage operation are apt to overlook the fact that the mortgage market is only a part of the capital market, and that the capital market is a shifting and fluid framework of relationships between lenders, borrowers and savers. One reason for this tendency to ignore the close relationship of the mortgage market to the general capital market is that the mortgage market has many local aspects. In many areas of the United States, particularly the smaller cities, an important part of the supply of funds for mortgage investment comes from local savings institutions. Borrowers in these areas are apt to regard the availability of funds for mortgage investment as a local matter. But this is not correct. The savings and loan association or bank in the small city is very definitely one of the institutional suppliers of funds which, in the aggregate, make up the general capital market. When funds become progressively harder to get in an area,

*An address by Mr. Patrick before the Southwestern Senior Executive Conference, Dallas, Texas.

they are generally becoming progressively harder to get in all areas as the result of national monetary policy.

Last year, for instance, the Home Loan System became extremely restrictive in its credit policy toward Saving and Loan Associations. As a result a great many of these associations were virtually out of the market in the fall of 1955. The action of the Home Loan Bank System in tightening credit was not capricious, but conformed to the general money market policy initiated by the Federal Reserve System to halt inflation. But many borrowers are unable or unwilling to understand that their local capital market is a part of the national market.

Tighter Credit—Not Savings

The total supply of funds, that is savings, available to the capital market for investment is determined to a large extent by the willingness and ability of people to save. Their savings flow into the large financial institutions such as insurance companies, savings banks, pension funds, savings & loan associations, etc., and are invested by these institutions. The distribution of these savings between the various types of investments is largely determined by the comparative yields obtainable. A moment ago I mentioned that the supply of savings for mortgages may appear to become tight as a result of national monetary policy. But in this kind of situation it is not savings but credit which is tightening. The supply of funds for mortgages can also become tight even when the total supply of funds in increasing and when general monetary policy is unchanged. When a narrowing of the spread between yields on top grade securities and mortgages occurs the supply of funds can shift away from mortgages rather quickly, and this has happened in the recent past when interest rates on VA and FHA loans were maintained on an unrealistic basis. Often, the grumbling that is heard from mortgage men that mortgage money is tight has no basis in fact. What is happening in these situations is that investors find that yields on securities are more attractive than yields on mortgages or that various portfolio management considerations make other investments more desirable.

Perhaps equally important in making the supply of funds for mortgages seem inadequate are the very easy terms permitted by VA and FHA regulations. Under those terms the demand for housing is greatly stimulated—overstimulated in my opinion. As a result, I am convinced that there would never be enough savings to supply the capital needs of our economy and at the same time finance all the attractive homes that people are able to buy on easy credit.

Let me go a step further. I believe that housing credit can be cheapened to the point where an even greater volume of housing than the current one can be financed, constructed, and sold very easily. But the result would be to starve the capital needs of the rest of the economy and to cripple economic progress. And even in a situation such as this mortgage borrowers would probably complain that mortgage funds were scarce. The supply of savings is not enough to provide for the over-stimulated demand of the mortgage market and the legitimate needs of other sectors of the capital market.

Market Compartmentalization

Of course, we all know that the capital market is not a free market and that it has other rather curious aspects. For example, it has long been compartmentalized, but, with high taxes making tax exempt securities very attractive to some investors and government guarantees making other securities very attractive to other investors, its various compartments are becoming more fixed. Thus it is more difficult to keep investible funds moving freely from one sector of the market to another. Also, direct government lending of various kinds and administered interest rates have introduced rigidities into the market. Thus, the free flow of funds are influenced by government fiat. Funds flow into a sector if the administered rate is attractive but stop abruptly otherwise.

With these general comments on the weaknesses of today's capital market, I shall now turn to the flow of savings that will be available for the capital market in 1956 and estimate how much of total supply will flow into the mortgage sector.

Mortgage Investment Outlook

As previously pointed out, comparative net yields determine to a large extent the flow of the available supply of funds into the various sectors of the capital market. Because there is no reason to expect a significant change in comparative yields on the various types of investments in 1956 it seems safe to assume that mortgage investments will continue to be as attractive to investors as they were in 1955. Other assumptions that I make regarding the supply of funds available to the capital market this year is that there will be no deterioration of business conditions, individual incomes will remain high, and the rate of savings will increase over the rate that prevailed last year.

In 1955 about $45 billion in *new funds* (savings and bank credit) were supplied to the capital market, according to the Life Insurance Association of America. Of this amount, about $42.0 billion came from various forms of saving. The other $3 billion came from the commercial banking system. These new savings took various institutional forms as individuals saved through life insurance, time deposits in mutual savings and commercial banks, savings and loan associations, trust funds, pension funds, the various funds of the federal, state and local governments, and a few other sources. And last year a substantial part of this flow of savings came from corporations.

During the long period of prosperity that we have enjoyed since the war individuals have been saving with regularity through these institutions. An important part of institutional savings, namely life insurance and pension funds is contractual in nature and, hence, is stable and dependable, although there is considerable irregularity in flow during the year. It is the total flow that must finance new capital formation.

As we have seen, this vast fund of savings can be supplemented by the banking system. The extent to which the banking system can increase the supply available for investment depends of course on the policies followed by the Federal Reserve System. In a period of full employment such as the present one the Federal Reserve System has carefully limited the capacity of the commercial banking system to increase credit. The reason for this should be obvious. Unrestricted bank credit expansion could lead only to very serious inflation. As previously mentioned, in 1955 credit policies were tightened by the Federal Reserve System so that a large part of the supply of funds available for mortgage and other investments had to come from savings. Only 6% of total new funds, or about $3.0 billions, came from the banking system. In my opinion we can expect a continuation of the present Federal Reserve policy in the months to come and should look for funds to come from the non-bank institutions I have mentioned rather than from the banking system. Of course, a downturn in business would change Federal Reserve policy quickly.

Individual Savings

Individual savings through the various financial institutions may be at a somewhat higher rate in 1956 than in 1955. There is some scattered evidence that individuals began to save at a slightly more rapid rate in the fourth quarter of 1955. They may continue to save at this higher rate in 1956. At present we know that individuals are not spending as much of their income as they did in 1955. For instance, they are buying fewer automobiles and probably will not increase their expenditures on durable goods this year as they did last year. The result is likely to be a greater flow of savings through savings institutions such as commercial and mutual savings banks and savings and loan associations.

Last year, because of the heavy rate of personal expenditure, we saw for the first time since 1950 an important decrease in the rate of savings. The decrease was small but it was a sharp reversal of trend. There has not been a year since 1950, except for 1955, when savings did not increase substantially from year to year. I look for a resumption of the 1950-54 trend in 1956 with substantial increases in all forms of institutional saving. The result should be a larger supply of funds available for investment in the capital market.

You realize, of course, that forecasting the supply of funds that will be available for investment in the capital market is extremely hazardous and often inaccurate. Nevertheless, I believe I can state with certainty that the supply in 1956 will be greater than in 1955. It is another matter to be precise as to amount but I am of the opinion that the supply of funds from non-bank sources will probably range from $46 to $48 billions. At this point I should say that I don't believe this will quite satisfy the total demand for funds, but the shortage will be small and will be furnished easily by the banking system.

Mortgage Debt Rise

How much of this estimated total supply will be required to finance the increase in the mortgage debt? To answer this question we must review the factors that have encouraged the growth of the mortgage debt and determine whether these factors will be operating in 1956 with about the same strength as in past years. It is apparent to me that the potential demand for housing is still strong given an environment of very easy mortgage terms. This environment I might say seems assured. Another important factor is the attractiveness of mortgage yields compared to yields on other investments. Here I look for no change significant enough to induce lenders to move their funds away from mortgages into other sectors of the capital market. In fact this and other evidence points to a greater rise in the mortgage debt in 1956 than in 1955. This means, of course, a heavier volume of financing and a need for a greater supply of funds this year than last year.

In 1955 the mortgage debt increased about $17 billions. Of this increase about $13 billions was accounted for by the increase in debt on residential property and about $4 billions supported the increase in the commercial, multi-family and farm mortgage debt. As a reasonable estimate, or maybe a big guess, I believe that the total mortgage debt in 1956 will increase another $18 or $19 billions. The increase in the residential debt will probably range between $13 and $14 billions.

My estimate of the total supply of funds that would be available for investment in the capital market in 1956 ranged between $46 and $48 billions. This large supply of new funds should be adequate to finance not only the increase in the mortgage debt but also all other forms of debt with yields at about the levels prevailing in the first quarter of 1956 or slightly below.

Summarizing, it is my opinion that the outlook is for an adequate supply of funds for the mortgage market. The growth in savings will be large and should create a supply of funds which will effectively take care of the demand for capital with little reliance on the banking system.

Joins B. C. Morton Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Richard L. A. Hirsch has become associated with B. C. Morton & Co., 7811 Carondelet Boulevard.

With Remmele-Johannes

(Special to THE FINANCIAL CHRONICLE)

GRANVILLE, Ohio—George V. Brindley has been added to the staff of Remmele-Johannes & Co., 118 East Broadway.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Robert M. Kolodkin is now with Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

With Columbia Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Gilbert R. Gordy is now connected with Columbia Securities Company Inc. of California, 225 South Beverly Drive.

Two With E. H. Hansen

(Special to THE FINANCIAL CHRONICLE)

WHITTIER, Calif.—Donald W. Creech and Atwell R. Jobe are now with E. H. Hansen & Co., 124 North Bright Avenue.

Monterey Oil Stock Offered by Lehman

The Monterey Oil Co. (Los Angeles, Calif.) is offering to its common stockholders of record on May 18, 1956 the right to subscribe for 225,810 additional shares of common stock at the rate of one share for each seven shares held. The subscription price is $29.50 per share. The rights to subscribe will expire at 3:30 p.m. (EDT) on June 4, 1956. The offering is being underwritten by a group headed by Lehman Brothers.

Net proceeds from the sale of the additional shares will be used principally to carry out an agreement with The Texas Co. for the joint exploration of California offshore oil and gas prospects and to bid on offshore oil and gas leases offered by the California State Lands Commission and others. To the extent the proceeds are not used for such purposes they will be added to general funds of the company and will be available for general corporate purposes.

Monterey owns producing properties in California, Louisiana, New Mexico, Oklahoma, Texas and Wyoming. Its main exploration effort has been directed to South Louisiana, the Permiam Basin of West Texas, Southeast New Mexico, offshore California and South Texas.

Two With Philip Glanzer

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Arthur T. Ahrens and L. M. Ahrens have joined the staff of Philip Glanzer, 8549 Wilshire Boulevard.

Straus, Blosser Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Hector C. Huston is now with Straus, Blosser & McDowell, 20 West 9th Street. He was formerly with Waddell & Reed, Inc.

The Role of Profits Relearned

"But now the mood (with regard to profits) is changing and if there is one reason more than another for the change, it is almost certainly Britain's experience with its nationalized industries, in particular with coal and railway transport. Before 1945, for the great mass of working class voters, the switch to nationalization was the equivalent of 'production for use, not profit.' Industry would no longer work 'to put money in the bosses' pockets' but to satisfy the needs of the community. The elimination of profit would mean cheaper coal and cheaper fares, since the 'rakeoff' to private capitalists would have been removed, 'No profits, no problems' might have been a suitable slogan for 1945.

Barbara Ward

"Developments since that time have been a steady lesson in the true role of profits in the industrial system. As Labor Members of Parliament have studied the accounts of nationalized industries in the House of Commons or Labor supporters have expounded the results up and down the country, more and more of them have become aware of facts which, no doubt, economists and business men would always have been willing to impart to them, while they, lacking concrete experience, would have continued to prefer theory to fact. But the underlying reality has now become inescapable. Any industry, public or private, corporation or family partnership, has to pay its way.—Barbara Ward in the New York "Times."

An expensive lesson, but one well worth its cost if thoroughly learned!

New Inflationary Force Impends: Robey

Present stability is threatened by unwarranted wage increases, exceeding labor's share in productivity gains, and "will start the nation again on the road to inflation" according to the recent research findings of the NAM. Study recommends sharing economic growth benefits by: (1) lowering prices to consumers; (2) better wages to labor; and (3) increased returns to investors.

The United States stands today at an economic cross-roads and must decide whether to take the road leading to continuous inflation or to go straight ahead on the super-highway of orderly growth, according to a spokesman for the National Association of Manufacturers. It is a vital decision, Dr. Ralph Robey, economic advisor to the NAM, declared, for a new inflationary force now threatens the economic well-being of the nation.

Ralph W. Robey

"We must choose the right road—the road of orderly economic growth, which avoids the perils of inflations on the one hand and the evil of unemployment on the other," Dr. Robey said. "The only way to stay on this road is to share the benefits of economic growth fairly by means of lower prices to consumers, better wages to labor, and increased returns to investors."

This course is unavailable, however, Dr. Robey warned, as long as unions are permitted by law to exercise monopoly powers, and he went on to show that "unregulated and uncontrolled power of unions is the underlying cause of the new inflation threat."

A New Study

Announcing a new NAM study entitled "A New Force for Inflation," Dr. Robey said that this newest threat to prosperity stems from "the tendency for wage rates to grow without any definite or normal relationship to market conditions."

Stated briefly, he said, the problem is this:

"Rising wage rates in excess of productivity increases, forced on an economy by union economic or political power, cause prices to rise generally; to sustain activity and employment, an increased supply of money is required to handle this larger monetary volume of business transactions; and government or the banking system must either supply this inflationary volume of money or face the harsh alternative of curtailed activity and increased unemployment."

This latter course, Dr. Robey said, is not only "socially and economically undesirable but also politically unrealistic in free nations today." And he said the NAM study demonstrates that the former course — endless inflation — will lead ultimately to "disaster and economic collapse."

Few Escape Inflation

"Inflation is an evil from which few escape, whether they are employers or wage earners," the NAM study said. "Values which have been built up over a lifetime or over generations are reduced or wiped out. Savings accounts shrink in value; life insurance policies, pension funds and other forms of savings to which people have contributed lose purchasing power; bonds, mortgages, and other evidences of value become little more than pieces of paper; the wage earner is caught in a treadmill of spiraling costs; those on fixed incomes or whose incomes are slow to rise suffer sharply decreased living standards."

The NAM said the question confronting the nation is how to maintain economic growth and full employment and at the same time avoid forced additions to the money supply beyond the normal requirements of economic expansion.

Pointing out that this same problem is causing Great Britain and Western Europe grave concern, the NAM quoted a White Paper issued by the British government as to a possible solution. The only way out, the British White Paper advised, is "self-restraint on the part of unions in making wage demands and on the part of employers in fixing profit margins and prices, so that total money income would not rise faster than output."

Close Parallel

The NAM pointed to the close parallel to the situation in America, noting that "unwarranted wage increases, exceeding labor's reasonable share in the gains of productivity, are forced on industry year after year by union power." The Association offered statistics and charts showing that in the 1939-1953 period physical output per man-hour in manufacturing increased by 28% while pay received by employees in manufacturing plants for each man-hour of their work increased by 180% (not including so-called "fringe" benefits).

As a result, the index of industrial prices increased by 100% during this period. The NAM also showed that the Consumers Price Index during this period advanced by 93%, thus cutting labor's gain in real wages to 60%.

"The balance of labor's wage gains in excess of the increase in productivity was absorbed by decreases in the shares of the gross proceeds of private business going to other segments of the economy," the NAM said. "The percentage share of the gross proceeds of private business going to rent, interest and dividend receivers showed a sharp decrease; the shares going to unincorporated business, professional people and farmers also decreased."

The NAM said that the reservoir of excess money supply which permitted these gains by labor and the resultant price increases now has been absorbed.

Pointing out that the present Administration has succeeded in balancing Federal expenditures with receipts, the manufacturers' association said that the banking system of the nation is now benefiting from "sound, conservative leadership."

The NAM warned, however that unwarranted wage increases, exceeding labor's reasonable share in the gains of productivity, will necessarily destroy this stability, and through forcing a further increase in the money supply beyond that required by normal economic growth, will start the nation again on the road to inflation.

Avoid Inflation Danger

If this danger is to be avoided, the NAM said, wage increases, at the maximum, "must be restricted company by company, to increases in productivity, and, in the general public interest, the wage increase should be held to an even smaller figure."

Gains in productivity, according to the NAM, should be divided three ways: to labor for its increased efficiency, to investors for the more effective tools and machines their savings provide, and to consumers through price reductions of the products which are being produced with these improved tools.

"When an industrywide union, exercising monopoly control over the labor supply of an industry, demands wage increases which discount productivity gains far in advance, possible price reductions of mass-produced products are prevented and buying power is shifted unfairly from the public as a whole to the favored few who happen to work in the industry in question. Thus union monopoly power distorts economic rewards in favor of those who are under the umbrellas of the monopoly, to the detriment of all other economic interests."

The NAM concluded that in the situation which prevails today, where union monopoly power over the labor supply is a reality in most of the nation's basic raw materials, manufacturing, transportation and communications industries, persistent inflation is a constant threat.

Continued from first page

As We See It

hundreds of millions of people inhabiting these areas to become victims of turmoil and often misguided hostility toward other peoples. Imperialistic nations of the past have for the most part lost their power and even their colonial urge, while at least one of them has proportionately enlarged its interest and its determination to bring other sections of the earth and other peoples of the globe under its influence, not to say domination. With Japan reduced to impotency and its former rivals in Europe for one reason or another no longer much to be feared in the former colonialized areas of the earth, Russia is left with a relatively free field—and it is well aware of the fact.

Its Belief Uncertain

It is not easy to determine whether the Kremlin really considers the United States a determined imperialist and is making earnest effort to defend its interests in the premises, or whether it merely finds it convenient to pretend an opinion of this sort in order to gain a more advantageous position in the fields it chooses to make a battle ground for influence and power. In any event, the powers that rule Russia apparently have no intention of permitting things to take their own course in the Far East, the Middle East or anywhere else. Our greatly increased interest and activity in the foreign field and our worldwide system of military bases give the Kremlin excellent arguing points for use in convincing hundreds of millions of discontented peoples that we are but another colonial power (or a more modern equivalent thereof).

The old "balance-of-power" situation in the rest of the world which for so long made it possible for us to worry comparatively little about what took place in the trouble spots throughout the world simply no longer exists. Leave this country out of the reckoning and Soviet Russia now very nearly holds the rest of the world in the hollow of its hand. Such is a fact, and we simply cannot ignore it. Isolationism in the older sense thus appears to be out of the question, and those who keep domestic debate going by charging this, that and the other individual or group with being remnants of an old and "discredited" isolationism are simply either playing politics or else are not in touch with the facts. There are few if any in this country today who suppose that the situation by which we are faced abroad is essentially the same that it was, say, even 50 years ago, or who suppose that we can afford to ignore the Kremlin and its machinations throughout the world.

No Solution!

But there are doubtless many—and among them ourselves—who doubt that this altered situation can be met by pouring out our wealth over the surface of the world in an effort to buy friends here and there, or by "investing" funds in more than doubtful enterprises which backward peoples neither understand nor particularly desire. We have already sent many, many billions of dollars abroad and many foreign peoples have enjoyed the benefits therefrom. Some of these dollars have helped foreign business competitors develop their capacity to compete with our own producers, and it is more than doubtful if we have gained friends anywhere near proportionately. It is obvious, moreover, that we have not gained in influence upon the behavior of peoples aided by our generosity, gained, that is, in anything like in keeping with the gifts we have bestowed. Not being an isolationist is definitely not the equivalent of being an ardent admirer of what we have done or are now doing.

The situation and the problems by which we are confronted abroad at this time are in some basic respects quite different from those confronting us at the close of World War II. In 1945 and 1946 we had to consider a Europe torn asunder and virtually prostrate as a result of the most devastating war in history. A good part of the damage was, in point of fact, a result of our own strategic bombing which played so large a part in the winning of the war but which was very destructive of property. Something approaching starvation stalked the lands in several countries. Pure humanitarianism dictated generosity at least for a time. As might have been expected, some countries made good use of what was given them, and proceeded with marked vigor to the restoration of their economies and to the regaining of their economic independence, while others preferred to experiment with socialism and the like. In any event, further economic aid in these areas would be hard to defend.

Another Battlefield

But the scene of battle has shifted to other and quite different areas. Now the struggle is, to make use of a now rather trite phrase, for men's minds in so-called backward areas in the Far East and the Middle East. Here vast hordes of human beings are stewing in mass discontent and sometimes at least burning with resentment over the wrongs, real or imagined, of a long history of colonialism. Here it is that the Kremlin is now making a major play in an effort to take these peoples into camp, and they are proceeding with great shrewdness. Nor is the contest merely for "men's minds" although possibly that is the first essential. Vast stores of resources are to be found in these sections of the globe, too.

With our vast production potential we can, if we choose, give away much more than can the Kremlin. But is that the answer? We doubt it.

Calif. Investors Add

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Robert E. Bender and William L. Heiden are now with California Investors, Bank of America Building.

Joins Bankers Bond

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—Thomas L. Schoen has joined the staff of Bankers Bond Co., Inc., Kentucky Home Life Building.

Form Andes Securities

A. T. Menikoff is engaging in a securities business from offices at 303 West 75th Street, New York City, under the firm name of Andes Securities Company.

Lawrence Schreck V.-P. Of Ganor & Company

NEWARK, N. J. — Lawrence I. Schreck has been elected Vice-President of Ganor and Company, 744 Broad Street.

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The Stock Market Today And Tomorrow's Outlook

nature, and, if stocks are high at all, should stocks be bought today?

The stock market is not an abstraction. It cannot be looked at without also giving the utmost weight to the business picture on which securities prices are so greatly based. But again, neither the business atmosphere nor the prevailing economic environment is the only determinant of securities prices. Emotional attitudes of investors are an almost equally important consideration. When investors are distrubed, when their fears are aroused, they will not buy stocks at prices which are low by all objective tests. When their mood is one of urgency, investors have been known to pay fantastically high prices for securities.

Evaluation and Analysis

Today more than ever before, well-informed evaluation and analysis has taken the place to some degree at least of emotional attitudes. I think a clear proof of this is the stock market's sell-off immediately following the President's heart attack. Psychologically at that time many investors were thoroughly disturbed, for over the weekend a different light had been cast upon the country's economic prospects. Doubt was momentarily in the air and a substantial sell-off began with the opening of the market on Monday morning, Sept. 26, 1955. This sell-off lasted for one day. It became apparent quite quickly to objective observers that many stocks were suddenly available at seemingly attractive prices and the recovery that took place was probably in large measure the result of comparatively well informed though cautious buying. In other words, an attitude of emotionalism was replaced by an attitude based more on analysis and foresight. An added consideration inducing a degree of market stability is the fact that banks and institutional investors own about 28% of all listed securities. These shares should be regarded as removed from the floating supply to a very great degree.

Outlook

What then do business analysts look forward to that justifies current market levels? It is safe to say initially that a great expansion of the American economy will take place in the next decade. In the first place, America is growing. In 1900, there were 76 million Americans, in 1930 123 million, in 1950 150 million; today there are 167 million and in 1975, less than 20 years hence, there will be 217 million Americans. Incidentally, and to digress for a moment, in 1965, 18½ million Americans will live in California and by 1975 there will be 23½ million Californians.

We have had an economic revolution in America. Fifty percent of the nation's families now have incomes of from $4-$10,000 per year in contrast to less than 20% of these units in 1929. Moreover, individuals have an expanded desire to own more of the physical acoutrements of home well being. This is not only an American urge, it is a world-wide urge. Europeans for the first time, and as a result of World War II, are familiar with the comforts which the American way of life offers and are beginning to want home appliances such as electric refrigerators and washing machines, radios and television sets, and such other amenities of life as automobiles and improved plumbing facilities in ever-increasing numbers. The increased demands for electric power on the European continent have been stupendous in recent years.

General Electric has recently made an economic survey in which it has reached the conclusion that the average General Electric employee who earned $2,000 in 1939, and $5,600 in 1955, will probably be earning between $8,000 and $9,000 annually 10 years from now. Thus, consumer demand over the next 10 years as a result of population increases and higher incomes should not only remain strong but should show substantial expansion. Corporate managements, thoroughly aware of this situation, are therefore planning on a very long-term basis and are preparing themselves to meet greater demands for the products of industry. This type of planning is not subject to ready change because it is based on thoroughly considered plans covering a long period of time. Some $35 billion will be devoted this year to corporate expansion programs.

Research and Growth

The demand for more goods and better living standards will be accelerated by research. If we have had an economic revolution, we have had a revolutionary turn toward research, as well. For example, in this field, America during her history has made a total investment of $40 billion. Some $20 billion was spent in the first 174 years of the nation's life and $20 billion has been spent in the last five years. The rate of expenditure is rising. In the chemical industry alone, approximately 3% of gross sales are annually devoted to research activities. Many other companies today are spending great sums in this field, as is indeed the government itself.

For the investor to take advantage of the developments which will result, will require extreme selectivity. The word "selectivity" is an abused expression today but it exists, and it has importantly shown itself. Even in these early months of 1956, some of the "best" stocks have stood still or declined while others have moved ahead. Selectivity must be applied on both a short- and long-term basis and while I do not wish to comment on specific stocks, over the longer term it will probably be important to invest in those companies with technological and engineering research ability as well as those with managerial foresight. In a broad field, excellent long-term investment results should come from many high quality common stocks in such fields as electronics, chemicals, oils, papers, automobiles, steels, aluminums and special metals, guided missiles, and atomics.

It would be totally unrealistic to assume that tremendous new industrial technologies will not develop from the atomic field, for they will, even though it is difficult for us now to visualize what they will be. There will, of course, be many new products and devices developing especially from the growing field of electronics.

I have purposely avoided mentioning the international scene. It is my own view, however, than war is probably less likely today than it was a few years ago, if for no other reason that because of the tremendous capability for destruction of both the United States and Russia. However, a prolonged continuation of the cold war seems the most reasonable assumption, but if the cold war should end and an atmosphere of true peace come into being, substantial tax reductions could be effected which would in themselves greatly increase consumer buying power.

If then we accept the premise that the factors we have mentioned will on an overall basis provide business a fertile footing in which to grow and flourish in the decade ahead—what will the market do? It is my thought that while the market will not duplicate the percentage rise of the past decade, 145% from the 1946 high of 212, to the 1956 high of 521, it could well rise very substantially with some stocks far outperforming the Averages. The background elements to make this possibility become reality exist in the growth of our population, the rising American living standard, world-wide demand for a better way of life, and the technological changes which will take place.

While security prices may look high today, and while over the intermediate term the market may rise, or consolidate, or decline moderately or perhaps even significantly, over the longer-term the trend of stock prices must almost inevitably seek substantially higher levels.

Wyandotte Chemicals Common Stock Offered

The first public offering of common shares of Wyandotte Chemicals Corp., the business of which dates back to the 1890s, was made yesterday (May 23) by a group headed by Lazard Freres & Co. The offering comprises 100,000 shares of common stock at $26.50 per share.

Net proceeds received by Wyandotte from the sale of the additional shares will be added to general funds of the company and will be available for general corporate purposes. The company stated that while funds from the issuance of the shares will be useful for general corporate purposes, the primary reason for the offering is the creation of a public market for the shares, which heretofore have been held largely by descendants of the founder of the company, Captain John B. Ford.

Wyandotte, through its Michigan Alkali Division, is one of the largest producers of basic heavy chemicals in the country, and through its J. B. Ford Division is the largest producer of cleaning and sanitizing products for industrial and institutional use. Entering the organic field in more recent years, Wyandotte also produces glycols and synthetic detergents. In addition it produces coke, cement and limestone. Principal manufacturing plants of the company are located in Wyandotte, Mich., 11 miles below Detroit on the Detroit River. Smaller plants are located in California, Mississippi and Kansas.

Net sales and revenues during the first three months ended March 31, 1956 totaled $18,017,000. Net income amounted to $961,000, equal after allowance for preferred dividend requirements of $.62 per share on the 1,321,563 common shares outstanding on March 31.

With R. F. Griggs Co.

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, Conn. — Alfred J. Vallerand is now with the R. F. Griggs Company, 35 Leavenworth Street.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, Conn.—Thomas F. Melia is now associated with Coburn & Middlebrook, Incorporated, 20 East Main Street. He was formerly an officer of the R. F. Griggs Company.

Securities Salesman's Corner

By JOHN DUTTON

It Takes Patience

There are many people in your town who now have excess funds earning nothing in checking accounts. Nor am I advocating that you go out and try to convince the thousands of depositors in commercial banks, savings accounts, and the shareholders of Savings and Loan Institutions, that they should try to increase their income return from their cash holdings by investing them in tax exempt bonds or stocks. The majority of people who save modest sums regularly, or who have a few thousand dollars in these savings institutions, should keep their savings where they are.

But there are people who have invested too much in non-interest bearing checking accounts, or low interest paying savings accounts! I am now discussing those who have EXCESS FUNDS in these investments. They are the ones who should study their program of investments (or lack of one) and determine for themselves whether they are missing an opportunity to build capital, as if they are taking too much risk of future capital depreciation by being over-invested in dollars.

One Man's Feast Is Another's Famine

During the past fifteen years dollars have depreciated at the rate of an average of 4% a year. 1940 dollars are now worth 40c in terms of what they will buy. What will dollars buy in 1960, in 1965? No one knows, but those people who are investing eighty, ninety, or a hundred percent of their present capital in dollars had better be right when they bet that the dollars they own will be larger in the future rather than smaller. Possibly this will happen but it is a remote hope at best.

High taxes and built-in government spending are now a part of our way of life—for better or for worse. A change would mean a revolution in our thinking and a great resurgence of national character. No nation has reversed itself when on the royal road to paternalism, vote buying through subsidies, and creeping socialism. England has not reversed it's trend toward more and more socialistic controls, it has only paused along the way. Inflation, cheaper currency, increasing debt, more power over the lives of the individual, higher taxes; once this pattern is set in motion it continues **ad infinitum.** That's history!

A Good Salesman Never Tries To Force His Views on Others

As sincerely as you may believe these things, there are millions of people who still have an almost hypnotic faith in dollars. The billions now invested in low interest bearing savings accounts, and government bonds, have been invested by those people who disregard inflation, higher personal and corporate taxes, and who say to themselves, "Things look uncertain. I'll stay on the sidelines (in dollars)". They have been saying this for years, while others have kept apace with constantly increasing living costs, by investing in real estate and common stocks. But to those in the former group, it matters not, they stay in dollars.

Time and again I have heard securities men say, "If we could only find a way to channel some of these billions lying in savings accounts at low interest rates into common stock investments what good it would do for the country. This would provide more equity capital for small, medium, and larger business, better income and growth for those investors who could use it the most, and the investment securities business would then come into its own." That is just as true as anything ever said, but the catch is simply that you cannot change the psychological basis behind the thinking of millions of people who are now sold on dollars as an investment by the use of mass methods of salesmanship. The investment securities business cannot conduct a campaign that is so simplified that it will convince the people of this country that they should buy more and more equities until certain things happen.

These things are: There must be a better climate for the investment in common stocks. When the government takes 52% of the profits of business thinking people are not going to become stockholders in business on a large scale. The present tax rates on corporations are unfair and confiscatory. The high personal income taxes on taxable incomes between $7,500 per annum and up, are such that the double taxation now forced upon the stockholders of American business are killing the incentive to take risk. Many people say to themselves, "With such a deal as this I'll gamble on the dollar. The dollar is backed by the government, and the government is sucking the profits out of the corporations, and also those who receive the dividends paid by the corporations; if this doesn't produce enough income to keep my dollars from going to pot, then I'll give up." There are others who are still waiting for another financial collapse with its attendant deflation. They hold their dollars and wait.

Meanwhile, the alert securities salesman who knows how to help his clients will advise them individually as to what is best. He will suggest tax exempt bonds to those who can decrease their taxes and have more spendable income by investing in bonds that are exempt from the Federal income tax. He will advise others to buy growth stocks in companies that retain earnings and reinvest in research, plant expansion, and new products. Others, he will advise to hold part of their funds in savings accounts, bonds, and a percentage in common stocks in order to balance their capital against the risks of both inflation and deflation. Each account should be handled in a manner that will be best suited to the investor.

We are living in a world of misconceptions regarding the economic facts of life. Millions of our fellow citizens are either oblivious or unconcerned about inflation, higher taxes, and socialism. The creeping virus of big government and paternalism are still with us, and both political parties vie with one another as to which one can tax the most out of all of us as painlessly as possible for those who have the most votes, and as painfully as possible for those who have the least votes.

It takes patience to understand this situation, and still assist those people who desire to do as well as they can under these trying circumstances. When it comes to building capital and protecting income from the inroads of excessive, punitive taxation, and creeping inflation, you must be a realist.

Two With Johnston Bell

(Special to THE FINANCIAL CHRONICLE)

BRADENTON, Fla.—Nelson L. Samson and Rowena M. Samson have joined the staff of Johnston E. Bell & Co., 811 Manatee Avenue, West. Both were formerly with Curtis Merkel Company.

Continued from page 3

The Outlook in the United States For Business and Investment

what is likely to happen to total spending, and therefore to total business activity.

The Outlook for Business Activity

Government Spending

In the middle of 1953—almost three years ago—Federal government purchases of goods and services in the United States reached the highest level ever experienced in peacetime. You will remember that this was just six months after the Eisenhower Administration took office, and the rate of spending still reflected the appropriations of the previous Administration.

After the middle of 1953, Federal spending was drastically reduced. From the peak level of $60 billion annual rate in mid-1953, Federal government spending fell by the end of 1954 to a $46 billion annual rate. During 1955, this reduced rate was maintained, with total spending for the year amounting to $45.5 billion. This meant that, although the Federal government during 1955 was contributing over $45 billion to the general level of business activity, it was not supplying any **rising** impetus to business activity. In other words, the boom of 1955 in the United States was not engineered by government spending. It was generated entirely in the private sector of the economy.

In the coming year, Federal government spending is likely to rise by a small amount. At present, Federal spending is running at about the same level as in the comparable period of 1955, but later this year, as we move into the government's 1957 fiscal year, Federal spending will rise. By the end of 1956, government expenditures are likely to be about $1 billion above the present level. Business activity will therefore receive a mild stimulus from this type of spending.

In addition to heavier Federal purchases, state and local government expenditures (which now amount to two-thirds as much as Federal spending in the United States) will also rise, by about $2 billion. The continued need for new and improved highways, municipal buildings, schools, sewage systems, waterways, and all the other construction projects necessitated by our expanding and migrating population, will continue to push state and local government expenditures upward. This will not only contribute to overall business activity but will be particularly important in the construction field.

Total government spending (Federal, state, and local) by the end of this year is thus likely to be providing about $3 billion more support to business activity than it is now.

Business Capital Expenditures

Now let's turn to the second major spending segment in the economy — business capital expenditures.

Business investment in the United States in such capital installations as factories, warehouses, office buildings, stores, transportation and communication facilities, power plants, machinery, and machine tools advanced substantially last year, from a $37 billion annual rate at the beginning of the year to a rate of about $42 billion in the last quarter. This increase in business spending on plant and equipment is important not only because of its immediate effect on employment and incomes but also because of its effect on our ability to produce in the future. The rise in our standard of living over the years has not been brought about by greater physical exertion or longer hours by our labor force. Substantial increases in economic output can be accomplished only through the use of more, and better, capital equipment. Our standard of living in the future therefore depends on the volume of business capital investment today.

The prospects for a heavy volume of business capital expenditures in 1956 are excellent. New orders for machine tools in the last few months have been heavier than in any period since the Korean War surge in early 1951. The industry now has a nine-months backlog of unfilled orders. The railroad equipment industry has on hand unfilled orders for ten times as many freight cars as it did a year ago. Heavy construction contract awards, which had fallen off quite noticeably in the last quarter of 1955, zoomed to an all-time record in the first quarter of 1956, thus giving advance notice of what will undoubtedly turn out to be our greatest heavy construction year.

In trying to estimate future business capital spending, we receive some help from surveys which are conducted periodically by government and private agencies. Each year, businessmen are asked by such agencies as the SEC, the Department of Commerce, the Federal Reserve Bank of Philadelphia, and McGraw-Hill Publishing Company, what their plans are for future capital expenditures. Although these surveys cannot be taken as the final answer, they at least tell us what businessmen themselves **think** they are going to spend on plant and equipment. The most recent surveys, taken toward the end of 1955, indicate an exceptionally large rise in capital spending during 1956.

More convincing, I think, than any index or survey in signaling a heavy volume of investment is the confidence exhibited in the future by businessmen. More and more businessmen are coming to realize that in our competitive economy a business concern cannot stand still. It must constantly innovate, develop new products, and improve its ability to serve the consumer. There is also a growing realization that capital investment must be planned for the long pull, with little weight given to intermediate cyclical fluctuations in business activity. These new attitudes constitute one of the most important changes in our economy in recent years.

Considering all the factors I have mentioned, I estimate that business capital investment at the end of this year will be about $5 billion above the 1955 year-end level, providing one of the strongest points in the business picture during the coming months.

Business Inventory Purchases

The third major spending segment in the United States economy is another kind of business spending—business inventory purchases. This is perhaps the most volatile of all spending, and therefore one of the most difficult to forecast.

One of the causes of the 1953-54 business adjustment in the United States was that inventories in early 1953 had climbed to a level out of proportion to sales. The economy was first over-stimulated as these inventories were built up, and then depressed as businessmen attempted to bring inventories into a proper relationship with sales. By the end of 1954, however, business had succeeded in establishing a satisfactory inventory-sales ratio, and as sales began to rise in early 1955, inventories were permitted to increase gradually. In the last three quarters of 1955, inventories began to rise more rapidly, reaching a $5 billion annual rate of accumulation by the end of the year.

Ordinarily, so rapid a rise in inventories would be cause for alarm. It might be asked whether the whole inventory cycle of 1953-54 would be repeated in 1956-57. The rise of inventories does bear careful watching, but it should be noted that, while inventories rose substantially in 1955 and are still rising, sales have also risen very rapidly so that the inventory-sales **ratio** at present is still very favorable.

In the first quarter of 1956 we have seen some rise in automobile stocks and this has pushed the total business inventory figure upward. There has also been some speculative stockpiling of steel in anticipation of price increases following the coming labor negotiations. I do not believe, however, that the automobile industry will experience any real difficulty this year, and inventory accumulation in other lines will be moderate.

Total business inventories for the year should rise about $4 billion, a rate very similar to the average rate experienced last year. This factor, considered alone, will therefore not call for any change from the current rate of business activity.

Housing Outlays

Now, let's turn from business spending to consumer spending. For purposes of discussion it is convenient to separate consumer spending into two parts — consumer outlays on housing, and consumer spending on all other goods and services.

During 1955, residential construction in the United States constituted one of the strongest spots in the economy. Over 1,300,000 housing units were started during the year, a record second only to the all-time peak achieved in 1950. **Spending** on new residential construction, amounting to over $16 billion, outpaced all previous years by a wide margin.

Although 1955 was one of our greatest housing years, there was in evidence all year a gentle downward drift in the number of housing starts. The year opened with a terrific seasonally adjusted annual rate of over 1,400,000 starts. By December, 1955, this rate had fallen to just under 1,200,000, and the March, 1956 figure shows an annual rate of only 1,140,000, the lowest for any month since May, 1954. This decline in the volume of residential construction has been due partly to the increasing tightness of the mortgage market, partly to positive steps taken during 1955 by Federal government agencies to restrain the volume of loanable funds flowing to this market, and partly to the rising price of homes.

I myself feel, however, that even without these restraining forces most of the decline would nevertheless have occurred. We have made very careful analyses of the U. S. housing market at Prudential and the results seem to indicate that over the next five years to 1960 we cannot expect an annual average demand in the United States for much more than 1,100,000 housing units. This conclusion follows from the fact that family formation will not rise appreciably before 1960, and also from the fact that the process of undoubling, which has provided almost one-third of the demand in the postwar period, is now largely completed. Now, of course, 1,100,000 units a year will still give us a very prosperous residential construction industry. But I do think that it should be realized that residential construction over the next five years will not grow as fast as the rest of the United States economy.

The 1,100,000 unit figure I have given you is, of course, an **average** figure. In 1956, I should not be surprised to see slightly more units produced—perhaps 1,200,000. Residential construction contract awards in recent months indicate that by June or July there will be a good pick-up in housing starts. Even with this pick-up, however, we will not equal in 1956 the number of homes built in 1955.

Although housing starts for the year will probably be about 1,200,000, or 8% under 1955, the **trend** during the year will be upward. In addition, it is important to note that actual **spending** on homes will rise more rapidly than the number of housing units constructed. The rising price of the average new home, along with the steady modernization and enlargement of existing homes, should lift the total of these expenditures a half billion by the end of the year. As far as overall business activity is concerned, spending on homes during the remainder of 1956 is thus likely to provide a mild stimulant.

Consumer Spending on Goods and Services Other Than Homes

Now, let's turn to the last major spending segment in the economy —consumer spending on goods and services other than homes. This type of spending ordinarily accounts for about two-thirds of total spending in the United States. During 1955, the annual rate of personal consumption expenditures rose by the astounding total of $16 billion. Consumers continued, as they have done year after year, to provide a strong driving force in the economy.

It is not hard to single out the forces underlying this tremendous rise in consumer spending. Personal income during 1955 rose to record levels. The labor force grew by the unusually large number of two and one-half million persons. Unemployment was reduced by half a million persons. Average hours per week were lengthened and average hourly earnings climbed substantially. Last, but not least, consumers gained increased confidence in the stability and soundness of the economy.

Consumer spending during 1955 did not, however, stem entirely from higher incomes. Consumers went into debt $6 billion during the year so that they were able to increase their purchases more rapidly than their incomes rose.

During 1956, the rise in personal income will be continued. The labor force will grow, though by a much smaller amount than in 1955. Average hourly rates will rise and the working week will probably remain as long as it is at present. Unemployment may be pushed down even below its present extremely low level. As a result of these factors, I estimate that the labor and salary component of personal income will rise by about 5.5%. Although the other components of personal income—rent, interest, and profits—will not rise as rapidly, total personal income will nevertheless be up by about 4.5% in 1956—an increase of over $13 billion.

Not all of this increase in personal income will be reflected in consumer spending. The rise in repayment of consumer debt in the United States is beginning to catch up to new consumer extensions so that part of the $6 billion of additional spending through borrowing which we experienced in 1955 will be missing this year. Consumers will probably also save more of their incomes in 1956 than was true in 1955. On the other hand, there is some possibility of a reduction in the personal income tax rate later this year, and this might add about $1 billion to spendable income.

Considering all these factors—the rise in personal income, the slowing down of consumer credit extension, the increase in savings, the possibility of an income tax cut—I estimate that consumer spending will increase during 1956 by **about $10 billion**, providing strong support to overall prosperity.

Summary of Business Oulook

Now let's sum up all the separate spending segments I have discussed to see what is likely to happen to **total** spending in 1956, and thus to total business activity.

We have said that total government spending (Federal, state, and local) will be up $3 billion; that business capital expenditures will be up $5 billion; that there will be no change in the rate of inventory purchases; that housing expenditures will be up a very small amount; and that consumer spending on other goods and services will be up $10 billion. When we add all these spending segments together, we find that total spending is likely to rise during the year by about $18 billion dollars.

At the beginning of this year, the Gross National Product, i.e. the value of all goods and services produced in the United States, was running around $397 billion. If we add the expected increase of $18 billion in demand for goods and services in 1956, you will see that I expect GNP some time this year to top the $410 billion mark, with the possibility of reaching $415 billion by the end of the year.

Although it is possible that some future reversal in consumer or business psychology may alter this picture, the evidence now at hand indicates that 1956 will be an exceedingly prosperous year for the United States, with the second half of the year being even stronger than the first half.

The Outlook for the Investment Markets

Now, what does all this mean for the investment markets? Will there be an adequate supply of mortgage money in the coming year, and if so at what prices? Are we likely to see a further rise in corporate and government bond yields, with a consequent fall in the price of debt securities?

In the United States (and this I believe is also true in Canada), the tone of the money market and of the investment markets is set by the Central Bank. Although it would be an exaggeration to say that the Federal Reserve Board **establishes** the level of interest rates in the United States, it is not an exaggeration to say that a given level of interest rates can exist only with the tacit approval of the Board. Putting it in another way, the Federal Reserve Board does not bring into being all the factors which cause interest rates in the United States to rise and fall, but the Board **does** have the power to offset those factors, so that, within broad limits, the level of interest rates is, in fact, determined by the Board.

Because the Federal Reserve Board has the power, and the duty, to determine the level of interest rates in the United States, any estimate of the future course of the money and investment markets rests ultimately on an estimate of the action most likely to be taken by the Board in easing or tightening the credit situation. This does not mean, however, that those of us in the investment world should stop thinking about the supply and demand for funds and should spend all of our time trying to psychoanalyze the members of the Federal Reserve Board. The first job of the investment officer is to decide what the situation in the economy and in the investment markets would be **if no action were taken by the Central Bank.** Having prepared this picture, he is then ready to consider what action the Central Bank is likely to take in offsetting, or perhaps intensifying, basic investment market trends.

Let me very briefly demonstrate this procedure with respect to the United States investment outlook for 1956. Last year, the money and investment markets of the United States economy absorbed about $46 billion of net new funds. That is, over and above the reinvestment of all repayments on outstanding loans, lenders were called upon to provide $46 billion of new additional funds during the year. Of this $46 billion, $42 billion represented the **savings** of individuals or business establishments. A small part of these savings were invested directly by individuals or non-financial corporations. Most of the savings, however, were channeled through savings institutions such as life insurance companies, savings and loan associations, pension funds, mutual funds, savings banks, or the savings departments of commercial banks. The demand for funds last year was so strong however, that the $42 billion of savings was not sufficient to meet the demand. The remaining $4 billion of funds was supplied by the creation of new money through an expansion in the demand deposits of the commercial banking system.

Now, what is likely to be the situation in the coming year with respect to the demand for, and supply of, investable funds? I have indicated that the economy will be prosperous, that state and local governments will be increasing their expenditures, that businesses will continue to need increased working capital, and that the tremendous plant and equipment expenditure program will require substantial amounts of long-term funds over and above what corporations are able to generate internally.

Despite all these needs, I do not believe that the net new demand for funds in 1956 will be quite as large as in 1955. This is partly because 1955 was also a boom year with production advancing more rapidly than it will advance in 1956, partly because the need for residential mortgage funds in 1956 will be very little more than in 1955, and partly because the Federal government will show a small surplus in calendar year 1956 whereas it was a net borrower to the tune of $2 billion in calendar year 1955. The need for net new funds in the United States in 1956 will, I believe, total about $44 billion, $2 billion less than in 1955.

While the **demand** for funds will thus decline slightly, the **supply** of **non-bank-created** funds in 1956 is likely to be somewhat larger than in 1955. Funds supplied to the investment markets by non-financial corporations may decline somewhat, but savings through financial institutions will continue to show the same steady growth exhibited throughout the postwar period. The total supply of funds from savings sources in 1956 will probably amount to $43 billion, $1 billion more than in 1955.

With the demand for investment funds probably declining to $44 billion, and the supply of funds from non-bank sources creeping up to $43 billion, it is apparent that the gap to be filled through bank creation of money will fall to $1 billion, as compared to the $4 billion gap in 1955. At first glance, this decline in demand and increase in supply might lead us to conclude that the investment markets during the year will ease, with rates softening and prices firming. But this conclusion would overlook a very important difference existing between the situation of the commercial banking system at the beginning of 1955 and at the beginning of 1956.

At the beginning of 1955, the commercial banking system in the United States had around $650 million of excess reserves. The member banks were in debt to the Federal Reserve Banks by about $400 million. The commercial banks as a whole therefore had available $250 million of what we call free reserves, i.e. excess reserves not derived from borrowing at the Federal Reserve Bank. On the basis of these free reserves, the commercial banks were in a position to supply a billion dollars of money without any assistance from the Federal Reserve Banks. In addition, during 1955 the commercial banks borrowed another $500 million from the Federal Reserve Banks and, on the basis of these extra reserves, they were able to supply another $3 billion to the money and investment markets.

Now, at the beginning of 1956, we find quite a different situation. As the result of the expansion in 1955, the commercial banks have already used up all the free play in the banking system. The banks now have around $650 million of excess reserves, just as they did at the beginning of 1955. But they are at present in debt to the Federal Reserve Banks by over $1,100,000,000. They thus not only have no free reserves; they are in what we call a negative free reserve position of $500 million.

I have pointed out that the gap to be filled by the commercial banks in 1956 is only $1 billion compared to $4 billion in 1955. Despite this reduction, the present situation of the banks is so tight that unless the Federal Reserve Banks come to their rescue I do not believe that they will be able to fill the gap. If they are not able to do so, the demand for funds will have to be reduced, through rising interest rates, to the available supply of funds.

The picture I have described above is the situation facing the Federal Reserve Banks today. In order to complete our analysis of the investment outlook, we must turn to the Federal Reserve Board and attempt to guess what action the Board will take to ease, or perhaps to further tighten, the market. I have intentionally used the word "guess" in the preceding sentence, because no one can, of course, be sure what the reaction of the Board will be. My own opinion is as follows:

I believe that the Federal Reserve Board, faced with a very prosperous economy and one in which there is more than a suggestion of inflation, will continue to exercise the fairly strong restraining hand it has shown over the past few months. This will rule out any possibility of a substantial easing in the money and investment markets. On the other hand, it seems to me that the Federal Reserve Board is not likely to permit a further tightening of the investment situation. The present members of the Board remember well the situation in early 1953 when a very similar sequence of events in the United States evolved into something quite close to a money panic. Over the coming months, the Board is therefore likely to hold the commercial banks in a negative free reserve position. But, in order to prevent a further tightening in the market, I believe the Board will gradually supply additional reserves through open market operations. In this way, the commercial banks will be able to fill the $1 billion gap in the supply of investable funds, but while doing so they will be held under constant pressure by the Federal Reserve Banks.

The foregoing analysis leads me to this conclusion regarding the 1956 investment outlook in the United States: We have reached the bottom, price-wise, for debt securities. Except for temporary week-to-week fluctuations, the money and investment markets will not become tighter than they are at present. Yields will remain firm, but are not likely to go higher. The demand for funds throughout the year will be very strong, but it will be met on approximately the present terms. The investment outlook for 1956, as I see it, is therefore for a continued heavy volume market, but with no appreciable change from the present price-interest rate structure.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government bond market seems to be developing what is being termed a more favorable atmosphere because there is an expanding demand appearing for these securities. The short-term obligations are still the most active ones and have the most friends, even though there is more attention being given to the intermediate- and longer-term issues than was evident not too long ago. Institutional buying of selected long-term bonds has tended to give a better tone to these securities in spite of the fact that they are still playing second fiddle to corporates and tax exempts.

The fact that prices of fixed income bearing obligations have been able to develop an upward course, does not necessarily mean that the trend has been definitely changed yet as there are still uncertainties ahead which have to be contended with. Nonetheless, many opinions at this time are that the Government bond market is working towards stabilization, which means that the lows made not so long ago should not be breeched even if the unexpected should take place.

Lessened Pressure on Interest Rates Expected

Even though there is no tangible evidence yet of any lessening of pressure on the money market the feeling appears to be growing that the money tightening operation of the powers that be, will be decreased in the not too distant future. The trend of loans in the next month or so will be watched very closely, because the amount of money which will be borrowed for the payment of income taxes on June 15 is one of the forces which is helping to keep the screws tight on the money market. If the peak in borrowings comes with the loans which are made to pay taxes, and there are many money market specialists who believe this will be the case, it is expected that some decrease in the amount of pressure on interest rates will not be too long in coming about.

Reduced Demand for Capital Forecast

Another factor which has been keeping the money market on the tight side has been the demand for funds for capital expenditures. It was estimated a short while back that this kind of spending would amount to about $35 billion for 1956, which indicated a gain over last year's expenditures of about 17%. Recently, estimates of capital expenditures for this year were put at $39 billion compared with $30 billion in 1955, the previous record high. The larger outlays for capital goods in 1956 will tend to keep the demand for loanable funds very sizable and to that extent there will still be pressure on the money markets.

On the other hand, any lessening of the demand for loanable funds from other sources, and this is expected in some quarters, will take a certain amount of pressure away from the money markets. This decrease in demand for funds, for other than capital expenditures, would probably mean that certain phases of the business picture will have slowed down. Since it is the intention of the monetary authorities to keep the economic situation in a healthy condition, it would not be unexpected if the powers that be, would take some of the pressure off interest rates in order to forestall any decline in the general business pattern.

Demand Centered in Non-Government Bonds

The demand for interest bearing obligations is improving in a cautious manner, but it should be understood that one of the principal reasons for this improved attitude towards bonds is due largely to the better demand which has developed for the corporate and tax free issues. There is no question but what the kind of pick and choose buying which has appeared for the non-Government issues has taken a large number of these securities out of the market. The offerings of tax-free bonds have picked up sharply but with yields attractive and switches being made from other securities including equities, for defensive purposes, it is expected that the market will be able to absorb these issues without having much effect upon prevailing prices.

General Electric Issue Spurs Bond Market

The favorable reception which was given to the $300 million of General Electric Co. bonds after the yield had been shaved to 3.47% appears to bear out the improved attitude which is developing towards fixed income bearing obligations. To be sure, the General Electric name is a magic one and their securities are very desirable holdings in any portfolio because a concern such as this one does not come into the market too often and will beyond any doubt retire its indebtedness as soon as it is feasible. This along with the favorable call price gives added investment merit to the big G. E. issue. Another feature is the sizable sinking fund which will be operating in this very large corporate bond issue in the future and this will give a considerable amount of market stability, which has been so absent in the more distant Government bonds.

Dissension in Official Ranks?

The statements by Treasury Secretary Humphrey and Commerce Secretary Weeks about the recent discount rate increase and the effect it could have on business, appear to cast large shadows over any further tightening of interest rates and credit conditions.

Two With Sheffield

(Special to THE FINANCIAL CHRONICLE)

NEW LONDON, Conn. — Edward J. Halek and Warren G. Hewes are associated with Sheffield & Company, 325 State Street.

A. M. Kidder Adds

(Special to THE FINANCIAL CHRONICLE)

CORAL GABLES, Fla. — William F. Wedemyer, Jr., has been added to the staff of A. M. Kidder & Co., 380 Miracle Mile.

With Lincoln McRae

(Special to THE FINANCIAL CHRONICLE)

DELRAY BEACH, Fla. — John F. Nutty is now with Lincoln E. McRae, 292 Main Street.

Now With Atwill & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Everett C. Swanson, Sr., is now connected with Atwill and Company, Inc., 605 Lincoln Road.

Morgan Stanley Group Offers Consolidated Edison 3⅝% Bonds

An underwriting group headed by Morgan Stanley & Co. yesterday (May 23) offered for public sale $30,000,000 of Consolidated Edison Co. of New York, Inc. first and refunding mortgage bonds, 3⅝% series L, due May 1, 1986. The bonds are priced at 101.377% and accrued interest to yield 3.55% to maturity. The issue was awarded to the group at competitive sale May 22 on its bid of 100.7599 for the 3⅝% coupon rate.

Proceeds from the sale will be applied to payment of approximately $16,000,000 of short-term bank loans issued in connection with the utility company's construction program. The balance will be used for additions to utility plant. During the five years ended Dec. 31, 1955, Consolidated Edison made gross property additions of approximately $456,200,000 of which $402,400,000 was for electric plant. The company expects to spend an additional $650,000,000 for construction through 1960.

The new bonds are redeemable at 105.01% during the 12 months beginning May 1, 1956 and thereafter at prices decreasing to the principal amount on May 1, 1985. Special redemption prices range from 101.377% to the principal amount.

The service area of Consolidated Edison embraces all of the boroughs of New York City and certain sections of Westchester County. In the five years 1951-1955 total sales of electric energy increased from $321,075,136 to $392,430,588 and total operating revenues from $417,618,297 to $493,620,072. Gross income before income deductions, in the same period, rose from $54,632,326 to $72,864,595.

With Anderson Cook

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla. — Arthur W. Silvester has become associated with Anderson Cook Company, 308 South County Road.

Two With Davidson-Vink

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Frederick B. Stetser and Garrison F. Stetser have joined the staff of Davidson-Vink-Sadler, Inc., Florida National Bank Building.

Continued from page 24

Effect of Stock Investment Upon Supply of Mortgage Money

receipts of $4.417 billion, or 39.9% of the gross savings figure. This net savings receipt percentage has increased rather steadily each year since a low level of 28% was recorded for 1950.

Commercial banks derive their new mortgage lending money principally from increased capital funds and net additions to time deposits, chiefly the latter. The net increase in time deposits of all commercial banks as reported by year ends is as follows: 1950, $.2 billion; 1951, $1.6 billion; 1952, $2.8 billion; 1953, $3.0 billion; and 1954, $3.0 billion. It is possible that increased stock popularity could divert time deposit money from commercial banks to the stock market, but that development appears to be unlikely. Since 1933 the volume of time deposits in commercial banks has increased each year without interruption, and no change in that trend is presently visible.

Life insurance companies derive their new loanable funds almost entirely from premium receipts and investment portfolio income. An indication as to the volume of such receipts is afforded by the increase in total assets of life insurance companies (as reported by the Institute of Life Insurance) of almost $6.0 billion on Dec. 31, 1954, as compared with a year earlier. It is very unlikely that increased stock popularity would divert funds from life insurance to the stock market, as the investment element in life policies is distinctly a secondary consideration.

Mutual savings banks derive their new loanable funds almost entirely from additions to time deposits. Increased stock popularity could have an impact here. However, this appears even more unlikely than with the time deposits of commercial banks, because of the higher interest rate paid on mutual savings. Year-end figures indicate, with the exception of 1941, an uninterrupted increase in such time deposits since 1933, the net gain for 1954 being reported at $1.9 billion.

It would be helpful if it were possible to break down the last mortgage investing category entitled, "Individuals and Others" into its various elements, but data were not readily available. This group includes individuals, corporations, government agencies, trust accounts, foundations, endowment funds, and pension and profit sharing funds. Since mortgage holders in this group generally are better informed as to investment opportunities and are relatively more free of legal restrictions, it could be expected that the appeal of the stock market would exert a greater effect in this area. However, the reported data indicate no such trend. Again using year-end figures, the holdings of non-farm home mortgages (1-4 family houses) reported as owned by "others" increased each year from 1948 to 1954, the net gain for the last year being $.3 billion, with a further gain from Dec. 31, 1954 to Sept. 30, 1955 of $1.0 billion.

Common Stock Ownership

It is next desirable to examine briefly the owners of common stocks classified by major investing groups. This classification is more difficult than in the case of mortgage loan investors because comprehensive data are considerably less accurate and are not regularly reported. However, occasional studies have been made in the field, and the results of one such research endeavor are presented below. The table reports the estimated total holdings of common and preferred stocks at market values as of Dec. 31, 1954, classified into some 10 different groups of owners. Although not all-inclusive, the figures do indicate the breadth of distribution and the relative interest of various classifications of investors.

Estimated Holdings of Common and Preferred Stocks At Market Values as of December 31, 1954
(In Billions of Dollars)*

Class of Holder	Common Stock Holdings	Pfd. Stock Holdings	Total Stock Holdings
Life insurance companies	$1.1	$1.9	$3.0
Property and liability insurance companies	5.2	0.9	6.1
Savings banks and commercial banks	0.8	-0-	0.8
Open-end investment companies	3.5	0.1	3.6
Self-insured pension funds and trusts	3.0	0.5	3.5
Religious, educational, & charitable funds	6.3	0.7	7.0
Personal trusts, bank administered	32.7	4.3	37.0
Total institutional holdings	$57.8	$8.7	$66.5
Foreign holders of U. S. stocks	4.7	0.4	5.1
Individual investors	189.5	6.9	196.4
Total potential market supply	$252.0	$16.0	$268.0

*SOURCE: Factors Affecting the Stock Market, Staff Report to the Committee on Banking and Currency, U. S. Senate, April 30, 1955, p. 89.

The tabulation indicates clearly the predominant importance of the individual investor to the stock market. Of the "total potential market supply" of stocks amounting to $268 billion, individual investors held $196.4 billion, or 73% of the aggregate. An additional $37 billion, or 14% of the total was owned by bank-administered personal trusts, which reflect individual savings at some time in the past. Despite these facts, it is interesting to note the very substantial stock holdings of institutional investors, including bank trusts ($66.5 billion). If comparative data for prior years were available, it is certain that the expansion of this type of stock ownership would appear impressive indeed. In the opinion of the speaker, institutional stock ownership can be expected to increase at a steadily rising rate in the future, reflecting the continuing accumulation of funds and the general adoption of dollar averaging plans.

Institutional Trading

Supporting this belief is a booklet recently published by the New York Stock Exchange reporting the results of the latest survey of institutional stock trading on the Exchange. Four earlier studies of this activity had been made, and the series indicates a gradual, but steady, increase in the total volume of institutional trading, regardless of the level of trading activity. The figures are as follows: September 1952, 1,135,000 shares; March 1953, 1,324,000 shares; March 1954, 1,413,000 shares; December 1954, 1,750,000 shares; and June 1955, 1,813,000 shares. (The figures in each case cover two trading days and include both purchases and sales.) The latest of these studies for the first time surveyed the role of banks and trust companies in channeling institutional trading orders to the Exchange and reported that approximately one-fourth of this trading volume was thus handled. As might be expected, fully two-thirds of the orders emanating from trusts and estates, profit sharing plans, and pension funds were placed through commercial banks and trust companies. It is interesting to note that of the total volume handled by banking intermediaries, either as fiduciary or agent, the banks had full investment discretion with respect to 28% of the shares and partial investment discretion with respect to an additional 31%.

Admittedly, the popularity of common stocks as investment media has increased rapidly since the war, and especially so during recent years. It is pertinent to the present problem to look briefly at the factors which have so greatly enhanced the investment popularity of common stocks during the the recent past. If enough of these factors seem permanent in character, then it is reasonable to expect an indefinite continuation of the present trend.

Equities Investment Popularity

High on any such list as this is the present boom level of business activity and the long-continued bull market in stocks, both of which are closely related. For some 15 years now the national economy has been operating on a near capacity basis, the longest sustained level of peak prosperity in American history. There are those who believe that the government has actually eliminated the old-fashioned business cycle and that continuous prosperity is assured. And then, there are those less vocal individuals who believe that a day of reckoning is around the corner. Regardless of the merits of the two positions, a whole generation of professional and business people has come into economic productivity, with no actual experience of crises, panics, and depressions. It is only natural that they should expect a continuation of present good times and invest accordingly. In addition, an almost continually rising stock market serves as a powerful magnet to attract new investors in stocks and their buying tends to push stock prices yet higher.

Despite their importance, neither of the above factors can now be regarded as permanent. A decline in business activity is certainly possible, and a bear market in stocks is equally possible, although a market crash such as that of 1929 does not appear to be even a remote prospect. Both a sustained drop in business activity and falling stock prices can be expected to dampen the enthusiasm for common stock investment, but it is not likely that they will cause any real reversal of the long-term trend in that direction.

More permanent factors enhancing the general popularity of common stocks are at work, and these might be summarized under three headings: the higher prospective over-all investment return afforded by common stocks; more information as to investment securities in general and stocks in particular, and the greater protection now afforded investors in corporate securities. Brief comment as to each of these factors is in order.

The historical record indicates a very clear-cut advantage as to total investment return (dividends and appreciation) of the so-called "blue chip" common stocks over the return afforded on high grade fixed-dollar obligations. There is no present reason to expect significantly worse results over the future long range. A growing realization of this advantage, coupled with the recently coined magic expression, "growth stocks" has a tremendous appeal for investors, especially so in the light of a long-continued period of inflation.

It is difficult to over-emphasize the effect of more information on investor attitudes. It is certainly true today that more information as to investment securities is available, that the information is more complete and accurate, and that considerably more people are being placed in touch with that information. Much of the credit for this fortunate turn of events should be given to the Securities Exchange Act with its emphasis on full disclosure. However, the investment banking fraternity, the security brokerage business, the investment counsel services, and other less-directly interested organizations have taken an active part in making pertinent information available to the public as witness the tremendous increase in the output of financial literature geared to the lay investor and the many "finance forums" sponsored by security brokers, commercial banks, and others. It is true that in this area, as in many others, a little knowledge may be a dangerous thing, but it is equally true that it has greatly stimulated public interest in common stocks.

The fact that greater public protection is provided for the investor in common stocks than ever before is probably a minor factor in stimulating interest in stocks, because relatively few people are aware of the protection. Nevertheless, requirements as to full disclosure and the prohibition of misleading advertising have had their effect, if only in minimizing the number of unfortunate investor experiences such as that in connection with the late U. S. Trust and Guaranty Company.

Institutional Investing

Over and above the positive factors just listed is the increasing importance and continuous impact of institutional stock investment, as has been pointed out earlier. This demand for stocks is certain to grow and to provide an important support level for common stocks in the event of any decline in market levels. Institutional investment commitments are determined largely by the clock; as cash funds accumulate, they are committed on the dollar averaging principle.

It is hardly necessary to cite evidence of the growth in investment popularity of common stocks. Nevertheless, two relatively minor illustrations will be of interest with respect to the area of individual investors. In its 1954 Annual Report, the New York Stock Exchange stated that the Monthly Investment Plan, sponsored by members of the Exchange, has celebrated its first birthday Jan. 25, 1955. As of that date, some 28,800 plans were then in effect, representing an investment of $11,500,000. New plans were continuing to come in at the rate of more than 100 a day and if only the then-active Monthly Investment Plans should be completed, the total investment would exceed $68,000,000. In another release referred to earlier, it was reported that on June 8 and 15, 1955, a total of 92,100 shares of stock were traded by that very new investment development, the "investment clubs."

Direct Impact

Now to return to the impact of increasing stock popularity on the supply of mortgage money. For convenience, this impact can be separated into two parts—the direct and the indirect. The direct portion is concerned with the shift of investment policy from mortgages to stocks on the part of those investors which normally would purchase and hold mortgage paper. The indirect portion relates to the effect of the growing popularity of stocks on the supply of savings which heretofore has been made available to financial institutions normally investing in mortgage loans. As has been indicated earlier, it is believed that the indirect impact of the stock market in this area is much more important than the direct effect.

The direct effect of the increased popularity of common stocks on institutions normally investing in mortgage paper can be summarized rather briefly. With respect to savings and loan associations, the impact is nil. According to their charters, these associations, aside from reserves in cash and government securities, must invest their funds in mortgage paper. These loan funds, and only these loan funds are truly dedicated to mortgage financing.

So far as commercial banks are concerned, the direct impact of the stock market is nil. These institutions are forbidden by law to invest in common stocks, other than the stock of the appropriate central bank.

Life insurance companies are in a somewhat similar situation. The laws of the domiciling state generally forbid any investment in common stocks, and in those jurisdictions where stock investment is permitted, the discretion is very narrowly limited. Accordingly, in this area it can be said that the impact of the stock market is, at present, virtually nil. With respect to fire and casualty insurance companies, the situation is somewhat different. These companies generally have freedom to invest in common stocks, but their liquidity requirements are such as to forbid investments in mortgage paper. Accordingly, the impact of the stock market on the volume of mortgage lending in this idea can be considered as nil.

In the area of mutual savings banks, the same conclusion must be reached. Although these institutions do hold some stocks, a total of $600 million at the last report, their obligations are in terms of fixed dollar amounts, and therefore, they should confine their investments to fixed dollar securities even if they were not required by statute to do so.

Only in the area of mortgage paper held by "individuals and otehrs" is there any significant prospect that investment policy will shift from mortgage loans to stocks, and here the potential impact is not capable of measurement. Individuals can, of course, freely transfer investment funds from mortgage loans to common stocks. To a lesser extent, depending on the terms of the trust agreements, trustees can switch from mortgage paper to stocks as they believe to be proper and wise. Only an extended questionnaire survey could determine the extent to which this transfer of investment allegiance has actually occurred or is likely to occur in the future.

It can be seen that the direct impact of the stock market on mortgage-investing financial institutions is fairly easy to appraise because of statutory restrictions on their lending powers.

Indirect Impact

The indirect effect on these financial institutions is potentially far more serious. It is conceivable that the investment popularity of common stocks could slow down the flow of savings to these financial institutions and even result in the withdrawal of present savings balances for the purpose of stock investment. Perhaps this will happen in the course of time, but it does not now appear probable. The data reported indicate no such net transfer of funds thus far, and I see no reason to expect any significant change in the present pattern.

At least two solid reasons can be advanced in support of this opinion. In the first place, the number of stockholders, although steadily increasing, is still but a small percentage of the total number of savers. The transition from savers to investors is relatively slow, whether the investment security under consideration is a bond, a mortgage note, or a stock. For most savers, a considerable educational process is involved, a process sufficiently effective to overcome long-held prejudices. In the second place, savings habits tend to become fixed, and financial institutional relationships to become firmly established and difficult to break. As in the case of the family doctor, dentist, or lawyer, the customer relationship with the bank or other financial institution is confidential and tends to become enduring and increasingly difficult to abandon. In other words, once the initial deposit has been made with a financial institution, there is a strong tendency for succeeding deposits to go to the same institution. In this connection, it can be stated with confidence that the rate of interest paid on a time deposit in a bank is not a major consideration in the decision to build a savings account. Rather, it is safety and liquidity and habit. To recapitulate briefly, old savers are hard to wean from their savings institutions, and parents generally tend to instruct their children in savings habits.

Of the several financial institutions which normally invest substantially in mortgage loans, the savings and loan associations would appear to be the most vulnerable on this count, but even here the risk does not appear to be great. These institutions, in terms of present investors, are relatively new and their appeal for accounts has been based largely on the rate of yield or interest return. Presumably, therefore, many of their shareholders are yield-conscious and thus are more susceptible to the appeal of the higher return potential inherent in good common stocks.

Conclusion

The over-all conclusion to be drawn from the preceding brief survey is this: the stock market has exerted little or no direct effect on the demand of financial institutions for mortgage loans; it has exerted some, but relatively little effect in inducing individuals formerly investing in mortgage paper to transfer some of their commitments to common stocks; it has probably had considerable impact on the investment policies of foundations, endowments, and pension and profit sharing funds, but these institutional investors have never been substantial buyers of mortgage paper; and it has had some but relatively little effect in converting savers into common stock investors. In fine, and in my opinion, the stock market as yet has not seriously competed with the mortgage market for available investor funds.

Just in passing, this observation may be of interest. For each purchase of a share of stock, there must be a corresponding sale, and, therefore, what the buyer pays the seller receives. There are only two ways by which the amount of money tied up in common stocks can be increased—a rise in the price of the shares outstanding or a net increase in the number of shares outstanding. Both factors, of course, are presently working. There is always the possibility that the seller of stocks will re-invest the proceeds of his sale in mortgage paper; however, among other factors, the long-run inflationary bias in our economic structure argues against any great volume of such decisions.

Joins J. R. McCleskey

(Special to THE FINANCIAL CHRONICLE)

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minus $90,000, or $60,000 a year before taxes—which is little more than half as much as the net profits from the debt financing.

Assume, next, that the project is financed by new common stock capital. Let us say the company is earning $1 a share and its stock is selling at $10 a share, a fairly familiar price-earnings ratio of 10 to 1. In order to raise one million dollars the company must sell 100,000 shares at $10. What must these new shares earn if the immediate financial position of the common stockholder is to be neither helped nor harmed? They must obviously earn $1 a share after taxes, or a total of $100,000. Before taxes the figure would be $200,000, or $50,000 more than the project actually will earn. So the cost of this new capital from the viewpoint of the already existing stockholder is 20% before taxes—the break-even rate of return which would leave his financial position unchanged.

But suppose the company's stock were selling not at $10 but at $20—a price-earnings ratio of 20 instead of 10. Then only 50,000 new shares need be sold to raise the $1,000,000. Then, also, the project need earn only $50,000 after taxes or $100,000 before taxes to produce $1 per share on the new stock and make the position of the stockholder no better or no worse than before. The cost of the new common stock capital has thus fallen from 20% to 10% before taxes, and the stockholders are better off by $50,000 a year—which is almost as good as the $60,000 profit from the 9% preferred stock financing.

Assume, finally, that the project is financed by the only other source of new capital, namely retained earnings (or the difference between total earnings and dividends paid out). Now, if the dividends are not to be as much as the total earnings, the stockholders want something in return for the dividends withheld. And what the management promises when it invests retained earnings in a new project is that it will add at least $1 to the price of the stock for each $1 of dividends withheld. This is what is meant when earnings are said to be "ploughed back in the business." It is a practice which obviously is most popular with stockholders in high income tax brackets since they would further gain by the difference in tax rates on dividends and capital gains.

Let us take the first case where our company's stock was priced at 10 times its earnings. It needs to earn 10 cents after taxes on each dollar of withheld dividends to add $1 to the price of the stock, a break-even rate of return of 10% after taxes. But now look at the second case where our company's stock was priced at 20 times its earnings. It then needs to earn only 5 cents after taxes on each dollar of withheld dividends to add $1 to the price of the stock, a break-even rate of return of 5% after taxes. It will be recognized at once, therefore, that the cost of retained earnings is the same in principle as that of new common stock—which is scarcely surprising since both retained earnings and new common stock are merely different forms of common equity capital. It will also be recognized that the cost to the common stockholder of new common equity capital is, in general, the reciprocal of the price-earnings ratio. It is what might be called, therefore, the "earnings yield" on the market price of the stock. Thus, if the price-earnings ratio should be as high as 20, the "earnings yield" would be as low as 5%. The corresponding cost of common equity capital would then be 5% after taxes or about 10% before taxes.

So far as the common stockholders of our typical industrial company are concerned, therefore, we see that the pretax cost of borrowed capital and preferred stock is 3½% and 9%, respectively, on the basis of the assumptions made. And if its common stock should be selling at neither 10 nor 20 times earnings but close to the middle of this range—which is characteristic of good-grade industrial companies today—the pretax cost of its common equity capital, whether new common stock or retained earnings, would be approximately 13%. This would be uncomfortably close to our assumed typical rate of return of 15%. Thus, borrowed capital is much the cheapest and common equity capital much the most expensive from the standpoint of the common stockholder.

Risky and Safe Capital

It is also true, of course, that borrowed capital is much the riskiest while common equity capital is much the safest, also from the standpoint of the common stockholder. Interest charges have to be met and loans have to be repaid under penalty of bankruptcy or receivership, but no legal obligation exists to pay common dividends or refund common stock subscriptions short of liquidating the company. Hence, borrowed capital must be used with caution and in an amount not greater than the nature of the business would warrant. The safer a business, of course, the more of this risky kind of capital it can use. Thus, high-grade electric utility companies—which are regarded as the safest type of businesses—can use as much as 50% of borrowed capital, i.e. long-term funded debt, in their capital structure. But industrial companies, operating in less protected fields, ordinarily limit themselves to not much more than half this figure.

It is thus apparent that common equity capital is the type of capital which is not only the most expensive but also by far the most widely used by industrial companies. But why does the cost of this capital vary over so wide a range? Why is it so much less costly in some instances than in others?

Every industrial stock tends to have a characteristic price-earnings ratio which, in general, is a measure of its investment quality. While price-earnings ratios as a whole are always trending either upward or downward in response to the rising or falling confidence of investors in the market as a whole, the stocks of high investment grade persistently command higher-than-average price-earnings ratios. Conversely, the stocks of speculative grade are committed with equal persistence to lower-than-average ratios. This means, of course, that new common equity capital is always cheaper to the stockholders of investment-grade companies than to the stockholders of speculative-grade companies.

If a stock is selling at its typical ratio of market price to earnings, the resulting "earnings yield" is in general a fair measure of the cost of its common equity capital. But, just as "rate of return" represents an average figure over the life of the project, so does "cost of capital" also represent an average figure over the same period. Let us examine, again, for example, the case of the project financed by new common stock at a pretax cost of 10%. The profits from this project would be $1.50 on each of the 50,000 new shares sold to raise the $1,000,000. It may be assumed that this is estimated to be the average rate of earnings over the life of the project, which may be ten years or more. But in this same period will the old stock continue to earn $1.00 a share? Is this an equally realistic estimate?

When we discuss the cost of senior capital—debt or preferred stock—we are dealing with *absolute* costs, and no estimates are involved. When we talk about the cost of common equity capital, on the other hand, we are dealing only with *relative* costs and we must make some estimates concerning the future length of our "yardstick." For example, if earnings on the old stock in the same ten years should be in a downward trend, the gain to the common stockholder would be greater than indicated and the true cost of the common equity capital would be less than calculated from the typical "earnings yield." On the other hand, if the trend of earnings on the old stock should be upward, the exact reverse would be true. It is to be emphasized, however, that the trend must be upward *without the benefit of subsequent additions of new capital*, and a trend of that sort is rare indeed. Hence, if the typical "earnings yield" should on some occasions have understated the true cost of common equity capital, the reason is not likely to be that the profits from the company's then existing plants experienced a continued trend of secular growth over the following years. The reason is much more likely to be that the profits were simply cyclically depressed as a result of depression conditions prevailing at that time.

It should be emphasized again that, when the cost of common equity capital is as high as the rate of return, the consequences to the stockholder are by no means catastrophic. If the new capital should be common stock, the company's earnings per common share would not disappear; they would merely remain the same in market value. And if the new capital should be retained earnings, the company's earnings per share would actually increase; the increase in their market value, however, would be no greater than the value of the dividends withheld. The management could have accomplished substantially the same result by using the retained earnings merely to purchase and retire an equivalent amount of the company's already outstanding stock. The immediate consequence of a balance between rate of return and cost of capital, therefore, is that the common stockholder neither gains nor loses.

The Management of Corporate Expansion

What does this all mean with respect to the management of a program of corporate expansion? It is clear, first of all, that if the stockholder is to be benefited, the job of management is not easy. The cost of capital to the stockholders of the average industrial company is quite high in relation to the average rate of return earned on new projects in the past. Hence, there should be no relaxation in the standards demanded of new projects in the future and, if possible, these standards should be raised.

It is apparent next that, unless the cost of capital can be reduced, the position of the stockholder can be improved only by a steady increase in the average rate of return earned on the total investment in the business. If investment and earnings rise in the same proportion, the company will itself get bigger but the market value of each share of stock may remain the same.

Now an improvement in the average rate of return can be accomplished by either of two methods. The most obvious method is to add increments of new capital the rate of return on which is always higher than the preceding average. The bigger these increments in relation to the current size of the company and the wider the margin of the new return over the current average, the greater will be the rise in the unit value of the company's stock. But the bigger the company grows and the higher its average rate of return is lifted, the more difficult it becomes to benefit the stockholder further by this method.

The second method is the reverse of the first and is too often neglected. It consists of the sale or liquidation of operations on which the rate of return is hopelessly below the company's average. It has the great advantage of keeping the company from growing cumbersomely large in size and making the first method more difficult to apply. It is, in effect, a process of "pruning the corporate tree" in order to keep it healthy. And if a management should stubbornly decide to keep in its line every product on which any profit — however small — is earned, it would be running counter to the natural laws which govern the lives of all manufactured products.

Manufacturing Life Cycle

The life cycle of every manufactured product is very similar in pattern to the life cycle of a human being. Both the product and the human being have, so far as their earnings capacity is concerned, a birth, a rise to a level of maximum output, and an ultimate decline. The length of the cycle varies widely from product to product, but the general pattern is always the same. One of the principal objectives of industrial research, therefore, is to extend the life cycle of specific products, i.e. to defer or retard the ultimate decline in the profits which they can earn. This objective is sound, and can be very beneficial to the company's stockholders. But if pushed too far it becomes subject to the inescapable law of diminishing returns. Sooner or later the time must come when the cost to the stockholder of saving the profits will exceed the value to him of the profits saved. Hence, an excessive concentration on this defensive type of research is almost certain to result eventually in an adverse effect upon the market price of the company's stock.

The answer, of course, is the same for manufactured products as it is for human beings. Every industrial company comprises a family of products. This family cannot continue to exist without the periodic addition of new members any more than a human family can hope for survival without the periodic addition of new children. In the long run, therefore, the most effective defense against a decline in profits is aggressive research or some other type of positive action designed to add new products to the line. And each new product should, of course, promise a rate of return higher than the cost to the stockholders of the capital used to finance its manufacture.

Reduce Cost of Capital

Now what can management do to reduce the cost of capital? Every 1% reduction in the average cost of capital is worth just as much to the stockholders, of course, as every 1% increase in the average rate of return.

The first and most obvious action is to make increased use, if it is prudent to do so, of low-cost senior capital, i.e. preferred stock or long-term debt. At the present level of income taxes preferred stock is almost always more than twice as costly as debt. But debt is much more risky. You are perhaps familiar with the adage:

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"Have the most debt, and you eat the best; have the least debt, and you sleep the best." My only comment is that some managements may be sleeping a bit too soundly. Of course, no capital structure should contain more debt than is consistent with a reasonable factor of safety. But there is no more excuse for an excessive factor of safety in a capital structure than in an engineering structure. In either case the excess becomes only an unnecessary expense.

The soundest method of lowering the average cost of capital is to reduce the cost of new common equity. Thus, if a typical price-earnings ratio as high as 20 could be obtained for a company's stock, its common equity capital would then cost only 5% after taxes, or little more than the cost of preferred stock capital. And, interestingly enough, while management cannot materially change the cost of long-term debt, which is the cheapest form of capital, it has great power to influence the cost of common equity capital, which is much the most expensive.

The cost of long-term debt or borrowed capital depends, of course, upon the *credit* standing of a company. But there is comparatively little difference between the so-called "prime rate" at which the strongest companies can borrow and the only slightly higher interest rates at which the second and third-grade companies can borrow. As already pointed out, on the other hand, the cost of common equity capital depends upon the *investment* standing of a company. No company can have a good investment standing unless it first has a good credit standing. But many companies which can borrow at the prime rate are regarded as quite indifferent investments. So an attempt to reduce the cost of common equity capital is no more than an attempt to improve the investment quality of its stock—which should be the prime objective of management in any event.

What is primarily responsible for high investment quality and the high price-earnings ratio which goes with it? This is a considerable subject in itself but at the risk of much oversimplification I may say that in my opinion it is primarily security of income, both present and prospective. This security is usually accompanied by some slight growth in earnings, but a small rate of growth which promises to continue indefinitely is worth far more marketwise than a rapid rate of growth which threatens to end in the foreseeable future. The greater this sense of security in both present and prospective income, therefore, the higher the typical price-earnings ratio of a company's stock.

Investment Security

What, in turn, are the characteristics of a business which give this sense of security to its stockholders? We may say that corporate income is most secure when it is first most *stable* and, secondly, most *durable*. By "income stability" I mean resistance to the ups and downs of the business cycle — a quality which is more characteristic of the drug, food and consumer goods industries in general that it is of the steel, machine tool, and other "feast or famine" industries. By "income durability" I mean capacity to resist possible obsolescence of product, market, or manufacturing method or any other long-term development of an adverse nature—a quality which is more characteristic of a growing well-diversified company than of a non-growing single-product company.

What, finally, can management do to improve investment quality as thus defined? What steps can it take in addition to all the actions commonly associated with good management? In the time remaining to me I would stress three points in particular.

First, while some diversification in products and markets is essential to a high investment standing, not every program of diversification produces this desirable result. The wrong kind of diversification can weaken rather than strengthen a company. It can put the company into fields where it has no right to be—where sales costs are excessive, where competitive disadvantages exist, and where management problems multiply.

But the right kind of diversification can be the most important single tool in management's hands in lowering the cost of common equity capital. Diversification can improve stability of earnings by adding new products which are more depression-resistant than the old ones, or which have different seasonal patterns of sales, or which respond to different economic conditions, such as peace instead of war—or the other way around. And diversification can improve durability of earnings by adding new products or new companies which have greater promise of growth. Stable and durable earnings are worth much more in the stock market than fluctuating and uncertain earnings. Hence, the stockholder may be benefited fully as much by an improvement in the average quality of his company's earnings as by an increase in their magnitude.

Second, stability in dividends can add substantially to the investment quality of a company's stock. This is particularly true in industries which, by their very nature, are subject to wide cyclical swings in earnings. In such industries a strong temptation sometimes exists to pay big extra dividends when earnings are high and no dividends at all when earnings are low. But the same total disbursements would almost certainly result in a higher average market price of the company's stock if they took the form of regular dividends confined to a much narrower range. Hence, in times of great prosperity the dividend payout should be the lowest and the proportion of retained earnings the greatest. This is good for the common stockholder since at the top of the business cycle the common equity capital of any company is at its cheapest level and retained earnings can be invested to the greatest advantage. Conversely, in times of depression the dividend payout should be the greatest and the proportion of retained earnings the lowest. This, again, is good fo rthe common stockholder since at the bottom of the business cycle common equity capital is most expensive. At such a time management cannot hope, by withholding dividends and reinvesting them in the business, to match the gain then possible to the stockholder if he were to use the same dividend money merely to buy more shares of the company's own stock.

Third and last, there is a rate of growth which is right for every company at every stage in its career. Some managements haven't tried hard enough to grow, and have lagged behind in both the total magnitude of their business and the market action of their stock. But, as I said in my opening remarks, other managements have tried perhaps too hard. They have made great gains in the total magnitude of their invested capital and earnings but they have accomplished relatively little in improving the market performance of their stock.

It is my belief that every company has, within fairly wide and controllable limits, an optimum rate of growth. By "optimum rate of growth" I mean that rate of expansion of total sales or total invested capital which is accompanied by the highest rate of increase in the market price of the company's stock. This market price will increase only if the rate of return on the company's new projects is always higher than the cost of the capital used to finance them. And, in the case of the common equity capital so widely used by industrial companies today, this means that the rate of return on the new projects must usually exceed the company's current rate of earnings on the market price of its stock.

Now this is a big order at any time. But if the company is suddenly to grow much faster, it becomes a very big order indeed. With no diminishment in the quality of the final results, more and more demands of many kinds must be adequately satisfied. More new projects of higher-than-average promise. More research workers with the ability to convert promise into reality. More money in unprecedented quantities. More machinery and equipment of possibly a new and different type. More men to operate the new and different plants. More men to sell the new and different products. And more decisions for top management to make in organizing and operating new and different businesses.

The optimum rate of growth can be no faster than human minds, all down the line, can find successful solutions to these multiplying problems. That is why, as I commented at the start, I have some misgivings about our excelerating rate of research expenditures. On the one hand, we see company after company committing itself to the goal of an ever-increasing corporate size. But, on the other hand, we also see an increasing difficulty in finding the necessary manpower. Thus, we are so short today of technologists of all descriptions that we are glad to hire almost any engineer or chemist we can find, call him a researcher, and put him to work in the laboratory. I do not predict that these developments will result in failure and that increasing corporate size will no longer be accompanied by increasing profits. I do fear, however, that corporate standards of performance may necessarily deteriorate and that the common stockholder may no longer gain from this expansion effort the same degree of benefit he has enjoyed in the past.

Every company, then, should find that rate of growth which is best for it and should not attempt, by an excess of expansion effort, to exceed that rate. Research has sometimes been called an engine that moves a company forward. If we should regard the company as a ship, it is easy to see that if the engine is too small the ship will move too slowly. Make the engine bigger, and the ship's speed will increase quite sharply. Make it still bigger and the ship will go a little faster but perhaps not in proportion to the increased effort. Then make the engine ever so much bigger—and the ship may even sink under the engine's weight! We are still, I am sure, a long way short of sinking our industrial ship with too much research. Very many companies still need bigger engines. But where the right engine has been successful, let's not blindly assume that one twice as big will be twice as good. When we consider the economics of research, let's keep in mind what is best for the stockholder.

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Looking at the Economy and The Problem of Inflation

bounds. Spending on armaments has added heavily to the surging demands for raw materials and labor. Unemployment has been low in practically every part of the Western World. Nevertheless, the average level of prices in consumer markets has risen little in most places, and it has been virtually stable in the United States. If there has been a tremendous upsurge of demand during the last few years, there likewise has been a tremendous expansion of supply. We must not overlook this fact.

Steady Price Level

Since 1952 the domestic level of consumer prices has moved within a range of about 1%. It rose 8/10ths of 1% between 1952 and 1953, rose another 3/10ths of 1% between 1953 and 1954, then fell 3/10ths of 1% between 1954 and 1955. In March the index of consumer prices was 3/10ths of 1% higher than a year ago, but 1/10th of 1% lower than two years ago. These are diminutive movements. The essential fact is that the general price level in consumer markets has been quite steady.

We often hear that the steadiness of the consumer price level is largely the result of divergent trends in the prices of foods and other things, and that the price level of consumer goods would now be significantly higher if the prices of foodstuffs had not fallen. This is a dubious argument. For if the prices of foodstuffs had been higher than they actually were, people might well have spent more money on food and less money on other things, thus curbing the rise in the prices of goods other than foods.

But it is not necessary to engage in speculation on this point. The vital fact is that the prices of foods have not been alone in declining since 1952. Indeed, the general level of nearly every major category of commodity prices in consumer markets has moved downward. While the average of food prices was 3% lower in 1955 than in 1952, the average of apparel prices was 2% lower, the average of household appliance prices was 11% lower, the price average of furniture and bedding was 3% lower, and the price average of automobiles and related supplies was 6% lower.

When we take the commodities bought in consumer markets all together, it appears that a decline has occurred every year since 1952. In 1955 the average level of these prices was 3% below the level in 1952. This March the average level was six-tenths of one percent lower than a year ago.

The basic distinction in recent consumer prices is not between foods and other articles, but rather between commodities and services. While commodity prices have been declining, prices of services have been rising. The prices of some services—such as dwelling rents and medical fees—are still adjusting to the great inflation of the 1940's. These prices have been catching up, so to speak, to the broad price movement that occurred earlier. The prices of other services, such as work by domestic employees, barbers, and repair establishments, have been reflecting the upward trend of wages. When the rising trend of prices of consumer services is combined with the declining trend of prices of commodities, we get a virtually stable price level since 1952, as I've already noted.

I have been speaking of the consumer price level because that is the price level that figures in the thinking and lives of all Americans. What happens to that price level determines how much a typical family can buy with its dollars. What happens to that price level determines whether we can safely rely on the savings that we have accumulated in bank accounts, pension funds, life insurance policies, and Treasury savings bonds. By contrast, the movements of prices in wholesale markets are of direct concern to only a part of the population — those who are engaged in business dealings. However, wholesale prices are more sensitive to inflationary developments than are consumer prices, and it is therefore desirable to take notice of recent trends in wholesale markets.

Advancing Wholesale Prices

Here, some substantial advances have occurred. The average level of prices of processed materials used in industry, including components, parts, and supplies, has risen steadily since 1952, and rather sharply since June of last year. The prices of finished goods purchased by business firms—that is, machinery and equipment — have behaved in similar fashion. Construction costs have likewise risen materially. These are the prices and markets that reflect the pressures of our great expansion in investment. Other price movements have been much tamer. Nevertheless, the average of all industrial prices, which rose gently in 1953 and 1954, began advancing rapidly around the middle of last year. The average of these prices is now 5% above the level of last June. It is the broad movement of industrial prices that has caused special concern and renewed fears of inflation.

However, it is well to observe that the wholesale prices that bear most closely on consumer markets are not depicted by an over-all average of industrial prices. While the upward push of prices has been conspicuous at the wholesale level of consumer as well as producer goods, the fact is that since 1952 the prices of consumer durables have on the average risen less in wholesale markets than have the prices of producers' equipment. The prices of non-durables, exclusive of foods, have risen still less, while the prices of foods have declined.

In considering the general value of money in wholesale markets, we must take prices all together, regardless of the destination or character of the commodity. When we do that, we find only minor movements. The over-all index of wholesale prices stood at 111.6 in 1952, which compares with a figure of 100 in 1947-49. The index dropped to 110.1 in 1953, then rose to 110.3 in 1954 and to 110.7 in 1955. Thus, the average level of wholesale prices in 1955 was about eight-tenths of one percent below the average in 1952. In the first four months of this year the index of wholesale prices reached 112.7, which is 2% above the level of the corresponding months last year, 3% above the level in the third quarter of 1954 when the economy resumed its advance after the 1953 recession, and only 1% above the level that prevailed during 1952.

Price Stability Factors

The rough stability of the over-all level of consumer and wholesale prices in recent years requires explanation. As I see it, four factors are largely responsible for what has happened. First, rising productivity and expansion of industrial facilities. Second, increasing business competition. Third, restraint on the part of many in advancing prices. Fourth, monetary and fiscal discipline on the part of government.

Since the end of World War II business expenditures on new plant and equipment have been running at a very high level. Every year since 1951 these expenditures have exceeded $25 billion. Last year they reached $29 billion and this year they may amount to $35 billion or better. While these huge expenditures have put pressure on available resources and have served to raise the prices of metals, building supplies, and machinery, they have also resulted in a great expansion of industrial capacity and in widespread installation of modern and cost-reducing processes.

Back of these investment expenditures are huge outlays on research and development that have been steadily bearing fruit by increasing the amount of output that is obtained per unit of labor. In 1954 over 15,000 companies had research and development programs on which about 160,000 scientists and engineers were engaged. The numbers have grown since then. The more glamorous achievements of technology have recently been registered in electronics, jet and rocket flight, atomic energy and radioisotopes, metallurgy, plastics, and textile fibers. These achievements should not, however, obscure the fact that research and development activities have been expanding the variety of materials, products, or processes in virtually every branch of industry.

The drive to reduce costs is omnipresent. The processing stations of the factory are being integrated into continuous productive systems. Mechanization and systematic managerial planning have spread beyond the shop. They are already important features of office work and are almost as typical of the farm as of the factory. Indeed, very remarkable progress in reducing the amount of labor required per unit of production has recently occurred in agriculture, as a result of the spread and improvement of farm machinery, the increasing use of fertilizers, better varieties of seeds, improved breeds of livestock, and other advances.

The upsurge of technology, managerial planning, and capital investment has not only served to increase industrial productivity in recent years, but it has pushed the advance in productivity well above the gains of earlier decades. Between 1950 and 1955 the output per manhour in the private sector of our economy rose at an average annual rate of about 3% per year, in contrast to an average of about 2% between 1910 and 1950. Dramatic reductions of labor requirements per unit of output have served to offset the influence on costs of the substantial increases in wages of recent years.

But if advancing productivity has helped to keep unit costs down, business competition has served to keep prices down. Apart from some of the hard-goods industries, there has been a broad shift of late from sellers' markets to buyers' markets. Indeed, much of our business investment and progress in productivity has been stimulated by the intense competition that has developed in industry. Customers are again being wooed. The art of salesmanship, which was dormant during the 1940s, is again being practiced with vigor and ingenuity. The pace of competition has become especially keen in retail markets. New methods of distribution, symbolized by the discount house, supermarket, and suburban shopping center, have spread rapidly. Retail margins have generally narrowed and emphasis on volume of transactions has increased.

Many businesses have also been conservative in their pricing policies, that is to say, they have hesitated to pass on rising costs to their customers even when they could readily do so. Some businessmen have practiced restraint because they are aware of the dangers of inflation and feel a responsibility to do what they can to keep costs and prices from spiraling. Many others have taken a long view with regard to pricing in order to entrench themselves against competitive displacement when markets become weaker. The restraint of businessmen in advancing prices is often overlooked because it receives no publicity, in contrast to the notice that is taken of every upward revision in prices. Much the same is true of the behavior of workingmen. I do not like to contemplate what our present cost-price structure would be if every businessman, salaried official, wage-earner, and trade union leader sought aggressively to charge the full amount that current traffic would bear.

The private economic policies that have helped to keep prices down have been powerfully reinforced by public policies. Through its tax and expenditure programs, the Federal government has been encouraging research, innovation, and investment. Vigorous enforcement of the antitrust laws has reduced temptations to escape competition by rigging markets or entering into collusive arrangements. Most important of all, monetary and fiscal policies have sought to contain inflationary tendencies no less than recessionary developments. During a large part of the period since 1952 the banking system has been under pressure, sometimes mild and at others quite substantial, to restrain the expansion of credit. The creation of new money has been held in check. The management of the public debt has been coordinated with general credit policy. While the physical output of goods and services increased 11% between 1952 and the first quarter of 1956, the money supply—that is, the sum of demand deposits and currency in the hands of the public—rose only 8%. Meanwhile, the Federal budget has moved from a zone of substantial deficits to a modest current surplus.

Age of Inflation?

As a result of both private and public policies, we have thus had during the past four or five years approximate stability in the value of the dollar in consumer markets. This achievement should make us hesitate about describing our times as an age of inflation. Surely, many of the forces that have recently kept the over-all level of consumer prices stable can be counted on to operate in the years ahead.

The cumulative forces on the side of costs and supply are less commonly recognized than the cumulative forces on the side of demand. They are, however, no less vital. Thus, the sources of supply of metals and industrial hard goods are expanding both here and abroad. Research and development are proceeding on a wide front. Indeed, the pace is quickening, partly because markets are generally expected to grow, partly in response to the upward tendency of wages, and partly because of the need felt by progressive businessmen to match or surpass what their competitors may have to offer. This year $3 billion will probably be spent on research and development by private industry and the universities, and perhaps another $3 billion will be spent by the Federal government, in contrast to a combined total of about $5 billion in 1953 and of about $3 billion in 1950. As I have already observed, the trend of industrial productivity has of late moved forward at an accelerated rate. The opportunities created by expanding markets, by advances in technology, by business innovations, and by improved management bid fair to extend this trend. The pressure of wages on prices will therefore continue to be counteracted by a progressive tendency to increase output per unit of labor.

"Catching Up" Ending

Consumer markets are likely to remain intensely competitive. Even the prices of consumer services will not necessarily continue on their rising course. The process of "catching up" on the part of dwelling rents and other lagging items will probably be completed before long. Mechanization is likely to penetrate in increasing degree various of the manual services that have been exerting an upward push on the consumer price level. Although retail margins may not be reduced further or may even rise a little, it seems likely that marketing research will be stepped up materially and pave the way for lower unit costs of distribution for primary producers and manufacturers. With productivity rising, industrial capacity expanding, the abundance and variety of consumer articles increasing, and our international trade growing, we may expect competition for the consumer's dollar to be very keen in the years ahead.

The main uncertainties with regard to the future of the dollar are therefore, first, whether wages will tend to rise faster than industrial productivity, second, whether businessmen will give sufficient heed to the longer-range consequences of their pricing policies, third, whether the monetary and fiscal policies of government will be sufficiently disciplined to keep in check such inflationary pressures as may from time to time develop. Experience since 1952, while favorable and encouraging on balance, is much too brief to be conclusive. It may be that our private or public policies will become reckless in later years. It may be that we will throw restraint to the winds. But it cannot be justly argued from the evidence so far available that a high-level economy is necessarily biased in an inflationary direction. It is a disservice both to truth and to social opportunity to describe our times as an age of inflation. We are living in an age that can be either one of inflation or of general price stability, depending on the courage and wisdom that private citizens and government officials bring to their responsibilities.

Economic Literacy

What I find most promising in contemplating future prospects is the fact that economic literacy is spreading rapidly. Knowledge of economic movements, and of their causes and consequences, is no longer confined to specialists. Nowadays, great numbers of ordinary citizens understand that inflation can wipe out their savings just as effectively as can prolonged unemployment. They understand that inflation creates hardships for many salaried workers as well as for those living on pensions or on income from fixed-interest securities. They know that inflation reduces a nation's ability to sell in foreign markets. They know that inflation distorts the calculation of depreciation costs and of profits and thereby threatens the solvency or growth of businesses on which they depend for their livelihood. They know that inflation is often the precursor of depression and unemployment. Most important of all, they know that inflation is not an act of God, and they believe that a mature people should be able to conduct their private and public affairs so as to avoid both deflation and inflation.

This growth of economic knowledge and understanding has played a large role in maintaining the value of our dollar in recent years. It can be counted on as a major force to promote general price stability in the future, and to do so in other nations as well as our own. The need for monetary discipline is now recognized practically everywhere, and nowhere more than in the countries of Europe that have suffered most from inflation in the past. Experience is also teaching the nations of the world that the effectiveness of traditional monetary restraints has been reduced as a result of growth in the economic scope of the public sector. Under modern conditions an exacting fiscal discipline and some funding of the public debt may well have to accompany monetary restraints when inflationary pressures mount.

I have allowed myself in the course of these remarks to dwell largely on longer-run tendencies and prospects rather than on current developments. However, before closing I wish to add an observation or two on the immediate situation. I have already noted that the level of wholesale prices has been rising since last year. This advance — which has been especially pronounced in some broad categories of industrial prices—has given rise to renewed fears of inflation. The potential danger of the rise in wholesale prices that has occurred during the past six or twelve months should not be minimized. But I think it is also important to see the recent price movements in perspective.

Since 1952 economic activity has been proceeding at a very high level. At no time during these years has our economy been very far from a position of practically full employment, and during most of this period it has been quite close to it. The physical output of goods and services is currently running at a level that is about 11% larger than in 1952 and 5% larger than a year ago. Employment now is 6% higher than in 1952 and 4% above a year ago. Had I been told toward the end of 1951 what the movements of production and employment in our country would be like during the next four or four-and-a-half years, and also told of the great boom that would develop in the economy of Western Europe, I seriously doubt whether I would have predicted the degree of stability that has characterized the over-all level of consumer and wholesale prices in recent years. In the light of the history of prices during the past century and a half, and especially of their usual behavior during periods of vigorous economic activity, I would have envisaged higher indexes of prices than are currently being recorded. The remarkable thing even about the level of wholesale prices is that, despite the widespread and accumulating pressures of demand, it has risen so little.

When an economy is poised on a very high plateau, as ours has been in recent months, the threat of inflation cannot be very distant. The like, unhappily, is also true of the threat of recession. Aggregate economic activity is now proceeding at peak levels, but divergent movements are going on beneath the surface. Capital expenditures on the part of business have been rising rapidly, and governmental spending as a whole has also been moving upward. Homebuilding and retail trade, on the other hand, have been somewhat sluggish. I have the impression that relations among prices deserve no less attention than the over-all level of prices. Rather wide discrepancies have been occurring in price movements. They have resulted in a cost-price squeeze not only in agriculture, but also in homebuilding, the automobile trade, the farm equipment industry, and some branches of the textile and appliance industries. The present cost-price structure is in process of being tested in the nation's markets. While it is true that retail prices tend to lag behind wholesale prices, it is not yet clear that the recent advances of industrial prices in wholesale markets will be passed on to the consumer in significant degree. Developments in prices, inventories, and retail trade will bear careful watching in coming weeks and months.

Minor movements of the price level or of general business activity are significant not of themselves, but because of what they may portend for the future. Mistakes in diagnosis are bound to occur at times, and our only real protection against them is vigilance and a willingness to face the consequences of new facts as they develop. Our attention and efforts must center equally on the avoidance of inflation and of depression. The importance of maintaining general price stability is now recognized as widely as the importance of maintaining a high and rising level of production and employment. The paramount lesson of the history of the past few years is that these goals of economic policy are broadly compatible. It is this lesson and its great promise for mankind that I have tried to emphasize here.

Security Planning of NY

Security Planning Co. of New York has been formed with offices at 250 West 57th Street, New York City, to engage in a securities business. Partners are Norman K. Rosen and Alvin Voge.

Julius Silver Opens

Julius Silver is engaging in a securities business from offices at 165 East 179th Street, New York City.

Bley Stein Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Bley Stein is conducting a securities business from offices at 1758 South La Cienega Boulevard.

Form Suburban Secs.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Suburban Securities Co. has been formed with offices at 732 East 200th Street to conduct a securities business. Officers are Anton Potokar, Jr., President, and Gail Potokar, Secretary and Treasurer.

Howard Weinberger Opens

Howard Weinberger is conducting a securities business from offices at 200 West 57th Street, New York City.

W. B. Wilson Opens

William B. Wilson is engaging in a securities business from offices at 515 Madison Avenue, New York City.

Carter & Co. Formed

EAST ORANGE, N. J. — C. R. Carter is engaging in a securities business from offices at 380 Main Street under the firm name of Carter & Co.

New York Office for Thomas Darst & Co.

Thomas C. Darst & Company, has opened an office at 15 William Street, New York City. The firm's main office is in Southern Pines, N. C.

Continued from first page

Activity in Auto Industry Features Fund Operations

Mathieson was bought by five funds and sold by three. Air Reduction was newly acquired by four managements, and Dow by three. Affiliated Fund added 17,700 shares to its holdings of Victor Chemical.

Selective Bullishness Over-all

This mild and selective bullishness in the chemicals and motors seemed to typify the over-all policy of fund managements during the period.

Managements reporting to us showed their average ratio of net assets allocated to risk securities maintained practically unchanged from the previous quarter (81.2% vs. 80.8%); and the proportion of their assets devoted to defensive and cash-and-equivalent practically unchanged; indicating continuation of moderate buying-on-balance which prevailed in previous periods. Aggregate dollar purchases of securities other than government bonds, exceeded sales by 41.4%.

Interestingly, two companies, one a closed-end investment company, and the other a common stock fund, made no purchases whatever during the last quarter.

Prudent Confidence

The viewpoint of selective confidence is well typified by this statement from Kennard Woodworth, President of Massachusetts Life Fund (which has 62% of its portfolio in common stocks): "Economic indicators point in the direction of a continuation of a high level of business activity and record corporate earnings." Citing the reports of huge capital outlay plans by business as indicating the confidence with which businessmen view the long-range future of the nation, Mr. Woodworth continues: "Massachusetts Life Fund shares in this view. Nevertheless, business is not without ups and downs. In addition, political uncertainities, foreign troubles, and labor disturbances can bring about rapid changes in investor confidence. Prudent investment requires recognition of these varied aspects."

Similarly, from George Putnam, Chairman of the Trustees of The George Putnam Fund: "Against the background of record earnings and dividends the stock market continues to move ahead in an orderly and confident manner. Historically, prices have advanced into new high ground but here again we need to adjust our sights for two basic factors, first the substantial decline in the purchasing power of the dollar in recent years and second, the unprecedented economic advance in this country and throughout the Free World during the post-war years.

"For these reasons we have consistently maintained a strong common stock position in the Putnam Fund. We still feel that such a policy is desirable. We readily admit, however, that the prices of many common stocks are no longer 'cheap' by customary standards and we therefore feel the need of increased care and caution. On March 31, the portion of the total fund invested in common shares was 65% as compared with 66% at the year end."

The note of guarded confidence was also embraced by Bowling Green Fund, Inc., as expressed by its President, Kenneth S. Van Strum: "In view of the high level of stock prices and economic and political uncertainties, the portfolio was further upgraded in the past three months. We believe that, while a cautious attitude is imperative, the prospects are that general prosperity will continue, principally based on a belief that partially inflationary aggressive government supports will be forthcoming, if necessary to maintain the activity. This suggests that investment positions selected with this view in mind could show further benefits to the shareholders."

At March 31 this fund maintained 18.7% of its assets in cash and U. S. Government bonds; which was about the same as at the end of the previous quarter.

Typical of the greater caution felt in some quarters is the comment from the Trustees of the New England Fund, which bought only one common stock issue during the period. Citing their policy of converting accrued capital appreciation into realized profits as stock prices reach high levels and of reinvesting the proceeds in defensive-type holdings, they say: "The past record suggests that it is better to be too early than too late in this regard, since unexpected developments frequently upset the most careful appraisals of future business prospects. . . . The gradual steps toward a more conservative position, as stock prices moved higher and higher, have also (in addition to re-investment in short-term bonds, notes and high-grade preferreds) included shifts from certain stocks of companies in more cyclical industries into the more stable

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Balance Between Cash and Investments of 69 Investment Companies

End of Quarterly Periods December 1955 and March 1956

	Net Cash & Governments Thousands of Dollars —End of—		Net Cash & Governments Per Cent —End of—		Investment Bonds and Preferred Stocks* Per Cent —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—	
	Dec.	Mar.	Dec.	Mar.	Dec.	Mar.	Dec.	Mar.
Open-End Balanced Funds:								
American Business Shares	6,674	6,539	20.4	20.2	27.4	28.1	52.2	51.7
Axe-Houghton Fund "A"	4,435	5,059	9.5	10.4	36.7	32.0	53.8	57.6
Axe-Houghton Fund "B"	3,937	3,731	7.2	6.1	22.3	19.6	70.5	74.3
Boston Fund	7,588	4,571	5.3	3.0	25.2	¶26.3	69.5	‡70.7
Commonwealth Investment	8,335	11,450	7.8	9.8	18.5	16.0	73.7	74.2
Diversified Investment Fund	949	1,132	1.6	1.7	25.4	25.0	73.0	73.3
Dodge & Cox Fund	384	373	8.0	7.6	22.0	20.3	70.0	72.1
Dreyfus Fund	272	215	4.8	3.2	3.3	None	91.9	96.8
Eaton & Howard Balanced Fund	8,627	11,427	5.2	6.4	24.4	23.5	69.2	70.1
Fully Administered Fund—Group Securities	1,459	1,950	17.8	22.5	6.6	6.7	75.6	70.8
General Investors Trust	340	291	10.2	8.4	14.4	10.4	75.5	81.2
Investors Mutual	27,074	22,879	3.0	2.4	26.7	25.7	70.3	71.9
Johnston Mutual Fund	300	293	6.5	5.7	21.7	20.1	71.8	74.2
Massachusetts Life Fund	1,778	2,864	7.9	9.7	27.8	27.2	64.3	63.1
National Securities—Income	994	2,695	1.9	4.9	12.3	11.5	85.8	83.6
Nation-Wide Securities	3,913	4,553	14.7	16.6	28.6	26.1	56.7	57.3
George Putnam Fund	3,092	4,142	2.5	3.1	26.4	24.7	71.1	72.2
Scudder, Stevens & Clark Fund	3,668	4,933	6.7	7.4	32.2	30.9	61.1	61.7
Shareholders Trust of Boston	2,099	1,716	11.5	9.0	22.7	21.0	65.8	70.0
Stein Roe & Farnham Fund	2,211	2,134	15.8	13.8	30.4	27.1	53.8	59.1
Value Line Fund	2,125	3,197	20.0	29.0	34.7	33.2	45.3	37.8
Wellington Fund	49,360	62,097	10.0	11.4	22.4	21.5	67.6	67.1
Whitehall Fund	141	148	2.0	1.9	46.4	42.3	51.6	55.8
Open-End Stock Funds:								
Affiliated Fund	37,141	40,462	10.6	11.0	None	None	89.4	89.0
Axe-Houghton Stock Fund	232	334	3.1	4.5	24.4	25.8	72.4	69.7
Blue Ridge Mutual Fund	1,875	1,208	7.2	4.4	None	None	92.8	95.6
Bowling Green Fund	24	9	3.6	1.3	17.8	17.4	78.6	81.3
Broad Street Investing	1,401	1,694	1.7	1.9	12.9	14.2	85.4	83.9
Bullock Fund	3,669	3,981	13.1	13.1	0.6	None	86.3	86.9
Delaware Fund	1,952	3,112	5.2	7.4	2.1	2.5	92.7	90.1
de Vegh Mutual Fund	2,348	1,709	20.8	13.7	None	None	79.2	86.3
Dividend Shares	32,229	33,412	16.0	15.5	None	None	84.0	84.5
Eaton & Howard Stock Fund	7,740	6,809	13.8	10.9	1.1	2.5	85.1	86.6
Fidelity Fund	8,659	8,477	4.0	3.5	3.6	3.7	92.4	92.8
Fundamental Investors	7,301	4,952	2.2	1.4	None	None	97.8	98.6
General Capital Corp.	2,544	1,510	12.2	7.5	5.6	5.7	82.2	86.8
Group Securities—Common Stock Fund	1,270	1,038	6.7	4.9	None	None	93.3	95.1
Incorporated Investors	11,584	5,137	4.9	2.0	None	None	95.1	98.0
Institutional Foundation Fund	263	535	3.8	6.8	11.0	11.4	85.2	81.8
Investment Co. of America	5,500	5,174	7.2	6.0	None	None	92.8	94.0
Knickerbocker Fund	555	368	3.9	2.8	14.3	16.1	81.8	81.1
Loomis-Sayles Mutual Fund	11,542	9,751	23.4	18.3	22.3	24.6	54.3	57.1
Massachusetts Investors Trust	§	6,028	§	0.6	None	1.0	§	98.4
Massachusetts Investors Growth Stock	2,777	2,456	3.3	2.5	None	None	96.7	97.5
Mutual Investment Fund	839	1,503	10.1	16.0	12.4	10.0	77.5	74.0
National Investors	618	958	1.1	1.5	None	None	98.9	98.5
National Securities—Stock	2,728	6,469	2.1	4.9	None	None	97.9	95.1
New England Fund	1,041	975	8.0	7.1	30.9	31.4	61.1	61.5
Pine Street Fund	470	484	3.9	3.8	11.5	12.2	84.6	84.0
T. Rowe Price Growth Stock Fund	955	1,043	15.4	14.8	2.1	1.8	82.5	83.4
Scudder, Stevens & Clark—Common Stock Fund	546	220	4.9	1.7	None	None	95.1	98.3
Selected American Shares	3,278	1,392	6.3	2.4	None	None	93.7	97.6
Sovereign Investors	17	12	1.0	0.7	1.7	1.6	97.3	97.7
State Street Investment	21,213	22,313	13.0	11.7	0.1	None	86.9	88.3
United Income Fund	4,293	4,282	3.1	2.8	None	None	96.9	97.2
Wall Street Investing	1,307	1,297	19.4	18.7	None	None	80.6	81.3
Wisconsin Fund	376	156	3.6	1.4	None	None	96.4	98.6
Closed-End Companies:								
Adams Express	2,790	2,402	3.5	2.7	0.3	None	96.2	97.3
American European Securities	1,627	971	9.8	5.0	6.9	10.5	83.3	84.5
American International	798	628	2.3	1.6	0.4	None	97.3	98.4
Carriers & General	939	831	5.5	4.5	4.5	3.8	90.0	91.7
General American Investors	6,109	5,677	9.9	8.2	None	None	90.1	91.8
General Public Service	385	5,250	2.0	18.7	None	None	98.0	81.3
Lehman Corporation	13,696	16,656	5.9	6.5	1.8	None	92.3	93.5
National Shares	2,538	2,748	11.1	10.9	1.3	None	87.6	89.1
Niagara Share	2,187	2,112	4.9	4.3	3.1	2.8	92.4	92.9
Overseas Securities	404	1,118	11.9	32.3	None	2.7	88.1	65.0
Tri-Continental	998	1,227	0.4	0.4	19.7	19.0	79.9	80.6
U. S. & Foreign Securities	7,576	11,830	5.9	8.1	None	None	94.1	91.9

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. ¶Bonds and preferreds irrespective of quality classification. ‡Common stocks only. §Capital gain distribution of Feb. 18, 1956 offset cash, governments, etc.

SUMMARY

Changes in Cash Position of 69 Investment Companies

	Plus	Minus	Approx.	Total
Open-End Companies:				
Balanced Funds	11	9	3	23
Stock Funds	9	22	3	34
Closed-End Companies	4	7	1	12
Totals	24	38	7	69

Average Allocation by 69 Companies of Assets to Cash and Equivalent, Defensive Securities, and Risk Securities

	March 31, 1956	Dec. 31, 1955
Net cash and Governments	7.9%	7.8%
Defensive securities (investment bonds and high grade preferreds)	10.9	11.4
Risk securities (common stocks plus lower grade bonds and preferreds)	81.2	80.8

Changes in Common Stock Holdings of 52 Investment Management Groups

(December 31, 1955 — March 31, 1956)

Transactions in which buyers exceeded sellers—or sellers exceeded buyers—by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios. **(Purchases shown exclude shares received through stock splits or stock dividends. Changes through mergers also disregarded.)**

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment		
7	18,000	Deere & Co.	19,600	6(2)
5(1)	15,500	International Harvester	None	None
		Aircraft Manufacturing		
5	51,000	Boeing Airplane	300	1
3	4,700	Douglas Aircraft	450	2
1	1,500	General Dynamics	7,000	1(1)
4(1)	3,300	North American Aviation	3,000	1
2(1)	23,500	United Aircraft	2,550	2
2(2)	*14,500*	*Bendix Aviation*	*7,250*	*3(1)*
		Airlines		
5	30,800	American Airlines	32,000	2(1)
5	14,700	Eastern Air Lines	1,000	1
4	14,500	United Air Lines	9,650	3
		Automotive and Parts		
1	1,000	Clark Equipment	15,000	1(1)
31(31)	279,385	Ford	None	None
2(1)	8,000	Ford of Canada	7,500	2(2)
6(1)	43,850	Fruehauf Trailer	3,200	1(1)
2	2,000	Thompson Products	2,000	2
3	*37,500*	*Chrysler Corp.*	*8,600*	*4(3)*
2	*2,045*	*General Motors*	*320,900*	*22(9)*
		Beverages		
3	39,600	Pepsi-Cola	5,000	1
1	*2,500*	*Canada Dry*	*75,000*	*2(2)*
		Building Construction and Equipment		
5(1)	34,800	Armstrong Cork	1,000	1(1)
5(1)	30,300	Carrier Corp.	21,200	3(1)
5(2)	24,400	Johns-Manville	9,000	1(1)
4	9,500	Lone Star Cement	2,000	2(1)
2	4,800	Minneapolis-Honeywell	6,400	1
3	3,000	National Lead	10,000	2
2(1)	19,500	Otis Elevator	None	None
3	9,000	U. S. Plywood	None	None
1	*20,000*	*American Radiator*	*57,700*	*5(2)*
1	*15,000*	*Certain-teed*	*3,200*	*2*
1(1)	*10,000*	*National Gypsum*	*5,504*	*3(1)*
1	*2,000*	*Penn-Dixie Cement*	*6,300*	*3(1)*
		Chemicals		
4(4)	19,000	Air Reduction	None	None
3(1)	6,000	American Cyanamid	7,500	1
2(1)	4,444	Atlas Powder	None	None
3(3)	8,000	Dow Chemical	1,982	1
1	1,000	Monsanto Chemical	2,295	1(1)
5(1)	5,000	Olin Mathieson	20,200	3(3)
3	3,300	Union Carbide	10,500	2(1)
1	17,700	Victor Chemical	1,500	1
None	*None*	*Allied Chemical & Dye*	*2,650*	*2(1)*
1	*300*	*Du Pont*	*23,400*	*8(1)*
None	*None*	*Texas Gulf Sulphur*	*2,200*	*2*
		Coal		
3(3)	77,000	Island Creek Coal	None	None
		Containers and Glass		
1	26,300	Anchor Hocking Glass	1,000	1
2(1)	6,000	Corning Glass	2,500	1(1)
3	15,500	Libbey-Owens Ford	3,000	1(1)
2	26,600	Lily Tulip	6,300	2(1)
1	*11,200*	*Dixie Cup*	*6,250*	*2*
None	*None*	*Owens-Corning Fiberglas*	*1,700*	*2(1)*
		Drug Products		
4(2)	46,900	American Home Products	None	None
4(3)	45,500	Mead, Johnson	1,500	1
3(1)	11,500	Merck & Co.	None	None
5(2)	20,200	Parke, Davis	None	None
5	30,900	Pfizer (Chas.)	34,000	2(1)
None	*None*	*Allied Laboratories*	*6,450*	*3(2)*
None	*None*	*Searle (G. D.)*	*11,000*	*2(1)*
1(1)	*2,500*	*Sterling Drug*	*4,300*	*2*
		Electrical Equipment and Electronics		
3(1)	4,000	General Electric	19,000	2
2	2,600	McGraw Electric	1,000	1(1)
2	18,300	Radio Corp.	7,200	2(1)
4(2)	8,800	Sylvania Electric	3,000	1(1)
1	*3,000*	*Westinghouse Electric*	*89,700*	*15(14)*
		Finance, Banking and Insurance		
3	6,600	C. I. T. Financial	3,500	1
2	24,000	Commercial Credit	None	None
4(2)	32,000	Transamerica	None	None
3(1)	4,000	Travelers Insurance	None	None
		Food Products		
2(2)	12,000	Continental Baking	None	None
1	7,000	National Dairy	1,800	1(1)
3	2,100	United Fruit	24,900	3
None	*None*	*National Biscuit*	*14,500*	*2*
2(1)	*4,600*	*Standard Brands*	*4,700*	*3*
		Machinery and Industrial Equipment		
6(2)	31,500	Allis-Chalmers	4,000	1(1)
2(1)	33,300	American Machine & Foundry	None	None
4	4,100	Babcock & Wilcox	3,307	1(1)
3(1)	4,500	Caterpillar Tractor	1,000	1
2(2)	10,300	Dresser Industries	1,440	1
3	7,300	Food Machinery & Chem.	None	None
2	10,000	Ingersoll Rand	None	None
2	5,000	Worthington Corp.	53,600	2(1)
1	*500*	*United Shoe Machinery*	*16,800*	*3(1)*
		Metals and Mining		
9(1)	24,100	Aluminium Ltd.	1,500	1(1)
9(2)	42,500	Aluminum Co. of America	13,000	2(2)
3(2)	18,000	American Smelting & Refining	12,200	3
3	3,100	Climax Molybdenum	None	None
1	1,500	Homestake Mining	1,000	1
5(1)	10,800	International Nickel	1,700	3(1)
4(1)	12,500	Kennecott Copper	5,000	2(1)
2	4,000	Newmont Mining	900	2(1)
2(1)	25,500	New Jersey Zinc	None	None
4(1)	29,000	Phelps Dodge	21,000	2(1)
2(1)	10,000	Vanadium Corp.	1,600	1
2	*3,000*	*Anaconda*	*11,800*	*3(1)*
		Natural Gas		
4(1)	26,500	American Natural Gas	6,338	2
1	41,000	Chicago Corp.	2,000	1
1(1)	5,000	Colorado Interstate Gas	1,500	1(1)
3	3,325	El Paso Natural Gas	1,000	1(1)
3(1)	18,900	Northern Natural Gas	8,300	3(1)
2(2)	7,300	Oklahoma Natural Gas	15,000	1(1)
2	*4,000*	*Republic Natural Gas*	*17,500*	*3(1)*
		Office Equipment		
7(2)	86,000	Burroughs	None	None
7(1)	1,967	I. B. M.	1,837	1
2(1)	8,300	National Cash Register	4,000	1
		Oil		
6(2)	20,600	Amerada Petroleum	6,500	2
2(1)	2,600	Anderson Prichard	2,500	1(1)
5(1)	5,860	Cities Service	2,200	1
3(2)	2,700	Continental Oil	1,300	2(1)
7(5)	38,160	Gulf Oil	31,800	1
1	10,000	Interprovincial Pipe Line	50,000	1
1	800	Mission Development	5,000	1(1)
4(1)	70,000	Ohio Oil	32,000	2(1)
4	17,700	Phillips Petroleum	200	1(1)
8(4)	24,400	Royal Dutch Petroleum	1,500	1(1)
4(1)	46,000	Seaboard Oil	200	1
3(1)	8,700	Shell Oil	None	None
2(1)	27,600	Signal Oil & Gas	8,100	1
9	45,200	Sinclair Oil	500	1(1)
3(1)	44,400	Skelly Oil	None	None
13(3)	61,006	Standard Oil (Ind.)	None	None
5	67,332	Standard Oil (N. J.)	None	None
1(1)	2,000	Sunray Mid-Continent Oil	10,000	1
3(1)	11,500	Texas Co.	1,000	1
1	2,400	Tide Water Oil	2,000	1(1)
6(2)	21,400	Union Oil	22,000	1(1)
None	*None*	*Houston Oil*	*39,100*	*7(7)*
1	*2,400*	*Louisiana Land & Exploration*	*22,000*	*3*
2	*1,200*	*Socony Mobil Oil*	*16,100*	*6*
None	*None*	*Southern Production*	*22,000*	*2*
6(1)	*49,100*	*Standard Oil of California*	*26,500*	*8(3)*
1	*14,000*	*Texas Pacific Coal & Oil*	*11,000*	*2(1)*
		Paper and Paper Products		
2	11,400	Container Corp.	12,000	1(1)
2	3,000	Crown Zellerbach	None	None
1	1,600	Kimberly Clark	6,700	1
2	5,200	Mead Corp.	None	None
4	34,000	St. Regis Paper	None	None
3(1)	3,000	Scott Paper	13,000	1
1	3,800	Union Bag & Paper	4,000	1(1)
None	*None*	*Champion Paper & Fibre*	*11,200*	*3(2)*
1	*2,000*	*International Paper*	*2,775*	*4*
		Public Utilities		
3(1)	43,500	American Tel. & Tel.	2,000	1(1)
1	13,400	Columbus & Southern Ohio Elec.	2,000	1
2	11,000	Commonwealth Edison	None	None
1	3,000	Duquesne Light	10,000	1(1)
3(1)	14,000	General Public Utilities	10,000	1
4(2)	27,000	Kansas Gas & Electric	None	None
2	24,500	Northern States Power	18,000	2(2)
10(3)	55,500	Oklahoma Gas & Electric	13,015	2
4	2,800	Panhandle Eastern Pipe Line	18,000	1(1)
3	2,500	Peoples Gas Light & Coke	10,100	3(3)
2(1)	28,500	Public Service of Indiana	4,500	1(1)
11(4)	124,900	Texas Utilities	1,300	1
1	*2,880*	*American Gas & Electric*	*1,200*	*2*
None	*None*	*Columbia Gas System*	*25,600*	*4(1)*
None	*None*	*Consolidated Edison (N. Y.)*	*10,000*	*2(1)*
1	*5,000*	*Florida Power & Light*	*16,400*	*3(1)*
None	*None*	*Gulf States Utilities*	*4,700*	*2(1)*
None	*None*	*Idaho Power*	*7,600*	*2*

Bought No. of Trusts	Bought No. of Shares		Sold No. of Shares	Sold No. of Trusts
1	*3,100*	*Illinois Power*	*7,000*	*2(2)*
1(1)	*5,000*	*Kansas Power & Light*	*25,500*	*2(1)*
1	*1,500*	*Middle South Utilities*	*8,097*	*2*
None	*None*	*Niagara Mohawk Power*	*74,300*	*3(2)*
None	*None*	*Southern California Edison*	*18,100*	*2(2)*
None	*None*	*Transcontinental Gas Pipe Line*	*21,000*	*2(2)*
		Radio, Television and Motion Pictures		
6(3)	53,900	Amer. Broadcasting-Paramount	None	None
3	20,300	Columbia Broadcasting "B"	7,360	3
2(2)	7,000	Loew's	10,000	1(1)
2(1)	*23,000*	*Columbia Broadcasting "A"*	*16,156*	*7(1)*
1	*2,000*	*Paramount Pictures*	*11,000*	*3(1)*
None	*None*	*Twentieth Century-Fox*	*39,000*	*3(2)*
		Railroads		
3(1)	7,500	Chesapeake & Ohio	2,900	1
2(1)	30,189	Chicago & North Western	None	None
2(1)	22,000	Kansas City Southern	None	None
2(1)	4,600	Louisville & Nashville	None	None
3(2)	26,500	Norfolk & Western	1,000	1
None	*None*	*Atchison, Topeka & Santa Fe*	*21,500*	*5(1)*
1	*2,700*	*Chicago, Rock Island & Pacific*	*67,200*	*7(5)*
None	*None*	*Denver & Rio Grande Western*	*21,500*	*4(2)*
2	*5,200*	*Illinois Central*	*13,100*	*6(2)*
None	*None*	*New York, Chicago & St. Louis*	*11,600*	*5(1)*
1(1)	*5,000*	*Northern Pacific*	*7,000*	*2*
None	*None*	*Seaboard Air Line*	*10,950*	*4(2)*
1	*200*	*Southern Railway*	*4,200*	*2*
None	*None*	*Union Pacific*	*13,800*	*2*
		Railroad Equipment		
2(1)	30,500	ACF Industries	950	1
2	16,600	General Amer. Transportation	500	1
		Retail Trade		
2	3,700	Allied Stores	11,500	2(2)
3(2)	40,900	Kroger	1,000	1(1)
4(2)	20,750	National Tea	5,000	1(1)
		Rubber and Tires		
2	3,200	Firestone	1,500	2(1)
6(2)	18,500	Goodyear	1,600	1
5(4)	48,200	U. S. Rubber	7,180	2(1)
4	*14,200*	*Goodrich (B. F.)*	*51,000*	*6(3)*
		Steels		
4	17,000	Allegheny Ludlum	None	None
5(1)	34,100	Armco	8,900	4(1)
4(1)	4,700	Bethlehem Steel	19,600	4
1	6,000	Cleveland Cliffs Iron	4,000	1(1)
2	16,000	National Steel	26,000	2(2)
3(1)	37,500	Republic Steel	2,000	1(1)
7(2)	24,200	U. S. Steel	18,000	4
3	23,000	Youngstown Sheet & Tube	2,000	2(1)
1(1)	*3,700*	*Jones & Laughlin*	*8,100*	*3(2)*
None	*None*	*Wheeling Steel*	*21,950*	*4(1)*
		Textiles		
4	*32,975*	*American Viscose*	*21,200*	*5(3)*
1	*4,400*	*Lowenstein (M.)*	*5,400*	*2(1)*
		Tobacco		
1(1)	4,000	Philip Morris	300	1
2(1)	2,500	Reynolds Tobacco "B"	None	None
		Miscellaneous		
7(3)	32,000	Colgate Palmoline	None	None
2(1)	4,400	Diamond Match	3,300	1
6(5)	51,000	Gillette	None	None
2(1)	7,500	Halliburton Oil Well	6,300	1
4(2)	8,500	International Tel. & Tel.	1,000	1
2	3,500	Minnesota Mining & Mfg.	5,000	2(1)
5(1)	60,962	Pittston Co.	None	None
1(1)	*4,000*	*Sperry Rand*	*11,500*	*3(1)*

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stocks of banks, utilities, and food companies."

More Misgivings

Expressing misgivings about the "supercharged economic situation," the President of Loomis-Sayles Mutual Fund, Maurice T. Freeman, comments: "The attitude of the Federal Reserve Board is well justified under present conditions—in the interest of the future stability of the economy, it warrants active support in political, business, labor, and investment circles. In spite of the dynamic long-term forces at work in our economy, the conditions that disturb the Federal Reserve Board emphasize the need for a conservative, careful approach to business and investment decisions." Such expressions of caution may well embody implications about portfolio during the present period.

Caution From the Growth-Stock Area

A new note of conservatism is also to be noted in the popular growth-stock area. Thus, from Mr. T. Rowe Price, President of T. Rowe Price Growth Stock Fund, Inc.: "The recent upsurge in market value of leading growth stocks has reduced current dividend yields on the average to well below 3%. Meanwhile bond yields have increased so that U. S. Treasury and top quality corporation bonds yield over 3%. Under such circumstances your management deems it advisable to maintain substantial reserves for the future purchase of common stocks." During the quarter under review this fund added only one new stock, Union Oil of California, to its list; and made some small additional commitments in air conditioning, airlines, electronics, and petroleum.

A closed-end company, General Public Service, with similar caution, increased its net cash and governments to $5,250,000 from $385,000 to the year-end, are reducing its portfolio's percentage of risk securities from 98% to 81.3%.

Renewal of Interest in the Coal Industry

Reflecting the broadly increasing confidence in the improved outlook for the formerly unpopular coal sector, Island Creek was newly acquired by three units, in the amount of 77,000 shares. Incorporated Investors was one of the other funds displaying particular interest in this bituminous industry, alone making the following new acquisitions: 50,000 shares of West Kentucky, 67,000 shares of United Electric, 70,000 shares of Island Creek, 6,800 Pocohantas, 6,000 Clinchfield. This fund retains it holding of the "Blue Chippy" Pittsburgh Consolidation Coal over which issue General American Investors has likewise been a long-time enthusiast. Pittston, whose field of activity includes coal, was liberally acquired during the period.

Oils Continue Popular

The petroleum issues were important beneficiaries of the ruling selective confidence. Continuing the trend from previous periods, managements made liberal acquisitions here, both by way of adding new names and also increasing existing holdings. Standard of Indiana was a particular favorite, being bought by 13 managements, three of them being "virgin" acquisitions. Five managements added to their holdings of Stand-

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Joins Kidder Staff

(Special to The Financial Chronicle)

ORLANDO, Fla. — Hiram H. Maynard has joined the staff of A. M. Kidder & Co., 127 North Main Street.

Palmer, Pollacchi Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Francis J. Leazes is now with Palmer, Pollacchi & Co., 84 State Street.

With APA Inc.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Jules L. Steele has joined the staff of APA, Incorporated, 631 Marquette Avenue.

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ard Oil of New Jersey (without regard to receipt of additional shares via the stock-split). Royal Dutch was purchased by eight managements, four of them new holders. The high-priced Amerada was bought by six managements, four of them being previous holders.

Tri-Continental, the largest closed-end company, evinced particular bullishness toward the oil sector, this constituting their most important group increase. Its purchases included 30,000 Standard of New Jersey, 29,800 Standard of California, 30,000 Skelly, 20,000 Seaboard, and 30,000 Ohio Oil. On the other side of the medal in the oil and gas area, Southern Production was sold by two managements and bought by none.

Unqualified confidence in the oil industry is evidently not unanimous. Thus, the current issue of the Value Line Investment Survey, issued by the managers of Value Line Fund, after mentioning the "pro's," list as alleged risks in the economic structure of the industry: threats to Middle Eastern crude oil supplies; the threat of huge new discoveries, possible obsolescence of present products; atomic energy competion; and threats to high-cost producers. Value Line Fund owns only one oil issue, Monterey, acquired in the last quarter.

Drugs Attract Strong Buying

Coincident with the development of new drug items, and the public's growing interest, the drug product group attracted strong buying. American Home Products was bought by four managements, Mead Johnson by four, Merck by three, and Parke, Davis by five units; with almost no offsetting sales in these issues. In Charles Pfizer, five funds added to their holdings, with one reducing its commitment, and another completely eliminating the issue. Light selling occurred in G. D. Searle.

Mixed Treatment of Electrical Equipments

In the electric equipment sector, action was mixed in most issues. In the case of Westinghouse, however, quite surprisingly in view of the resolution of its long-continued and critical labor troubles, the previous bearishness became intensified. Fifteen funds sold a total of 89,700 shares of this leading issue, with 14 effecting complete eliminations.

In view of widespread public worry over the expansion of consumer credit, and the proposals for governmental action toward curtailment, it is interesting to find that purchases of the finance companies exceeded liquidation. In fact, in the case of Commercial Credit, there was no liquidation whatever, against purchases of 24,000 shares by two funds.

Travelers Insurance, which had attracted important new buying during the previous quarter, was again sought; two managements State Street and National Shares, adding to their holdings, and one, Pine Street, buying the issue for the first time.

In view of the selective market strength recently displayed by the rail section, the preceding purchases of some of the carrier issues are noteworthy. Chesapeake and Ohio, Chicago and North Western, Kansas City Southern, Louisville and Nashville, and Norfolk and Western attracted a predominance of substantial buying. On the other hand selling predominated in Atchison, Rock Island, Denver & Rio Grande, Nickel Plate, Seaboard Air Line and Union Pacific.

Buying spilled over into the railroad equipments, General American Transportation and ACF being favored.

Selling in Utilities

Considerable selling was directed at the public utilities, possibly due, in part at least, to the general rise in interest rates and hence in competing yields. Niagara Mohawk was sold by three funds, with two completely eliminating. Columbia Gas was sold by four managements, including one entire disposal. Southern California Edison was liquidated by two, one completely. In the case of these issues, no offsetting buys were made, but buying did accompany selling in the following companies: General Public Utilities, Oklahoma Gas and Electric, Kansas Gas & Electric, Texas Utilities wherein 11 managements bought a total of 125,000 shares. Three managements (including Lehman to the tune of 25,000 shares) bought an aggregate of 43,500 shares of staid American Telephone, while one fund (Investment Co. of America) liquidated its entire 2,000 share holding.

Operations in broadcasting typified selectivity. American Broadcasting Paramount was bought by six trusts including State Street (20,000 shares) and United Income (10,000 shares) while Twentieth Century-Fox was being sold by three units. There were no offsetting transactions in the case of either issue.

As with instalment finance, popular misgivings about the outlook for housing were not reflected in the funds' attitudes or policies. Issues in the building construction and equipment field remained in favor, notably Armstrong Cork, Carrier Corporation, Johns Manville, and Otis Elevator, and U. S. Plywood. Consolidated Cement and Permanente Cement were newly acquired by General American Investors.

The long previous rise in the paper issues did not deter fresh buying in this sector, notably in Crown Zellerbach, Mead, St. Regis, and Scott (Adams and American International adding to their holdings of the latter). Champion attracted some profit taking, two funds (Fundamental Investors and Selected American Shares) closing out their holdings.

Among the highly favored specialty issues were Colgate Palmolive, bought by seven funds, two of them for the first time; and Gillette, bought by six trusts, five of them newly.

Per our table detailing portfolio transactions (on pages 46 and 47), our comment is geared to the number of managements involved, rather than to the number of shares.

Boston Inv. Club To Hear Badger

BOSTON, Mass.—On Monday, May 28, the Boston Investment Club will feature as its monthly speaker Sherwin C. Badger, Financial Vice-President of the New England Mutual Life Insurance Company. Mr. Badger, who graduated from Harvard in 1923, was Editor of "Barron's" financial weekly from 1932 until 1935 when he joined New England Mutual. Among other affiliations, he is a director of the Old Colony Trust Company, the American Life Convention, the Massachusetts Business Development Corporation, and an advisor to the Bond Investment Trust. He is also chairman of Governor Herter's Advisory Committee on Fiscal Affairs. Mr. Badger's talk will be entitled "The Money Market Today."

Joins Craig-Hallum

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Harold W. Atkins is now associated with Craig-Hallum, Inc., Rand Tower.

With John G. Kinnard

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Marvin G. Martinson is now with John G. Kinnard & Company, 133 South Seventh Street.

Edward Borg Opens

Edward Borg is conducting a securities business from offices at 350 Fifth Avenue, New York City.

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 27	§96.6	*95.3	100.5	96.4
Equivalent to—					
Steel ingots and castings (net tons)	May 27	§2,379,000	*2,345,000	2,473,000	2,326,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 11	7,028,950	7,084,433	7,155,900	6,681,050
Crude runs to stills—daily average (bbls.)	May 11	¶7,911,000	*7,664,000	7,551,000	7,061,000
Gasoline output (bbls.)	May 11	26,403,000	24,725,000	25,417,000	24,416,000
Kerosene output (bbls.)	May 11	2,263,000	2,276,000	2,067,000	2,070,000
Distillate fuel oil output (bbls.)	May 11	11,462,000	11,979,000	12,170,000	10,040,000
Residual fuel oil output (bbls.)	May 11	8,244,000	8,135,000	8,178,000	7,470,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 11	187,708,000	189,220,000	195,059,000	171,034,000
Kerosene (bbls.) at	May 11	19,332,000	18,349,000	17,607,000	22,951,000
Distillate fuel oil (bbls.) at	May 11	64,945,000	63,990,000	60,832,000	72,710,000
Residual fuel oil (bbls.) at	May 11	33,119,000	33,216,000	32,788,000	44,161,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 12	777,606	770,558	742,053	752,645
Revenue freight received from connections (no. of cars)	May 12	665,911	679,138	662,943	647,330
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 17	$300,211,000	$557,690,000	$536,373,000	$475,705,000
Private construction	May 17	137,096,000	370,489,000	386,544,000	324,471,000
Public construction	May 17	163,115,000	187,201,000	149,829,000	151,234,000
State and municipal	May 17	108,564,000	130,510,000	119,912,000	117,460,000
Federal	May 17	54,551,000	56,691,000	29,917,000	33,774,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 12	10,060,000	*9,990,000	10,050,000	8,737,000
Pennsylvania anthracite (tons)	May 12	402,000	519,000	545,000	*418,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 12	129	125	114	108
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 19	10,875,000	10,837,000	10,894,000	9,730,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 17	279	258	252	226
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 15	5.179c	5.179c	5.179c	4.797c
Pig iron (per gross ton)	May 15	$60.29	$60.29	$60.29	$56.59
Scrap steel (per gross ton)	May 15	$50.33	$53.17	$55.50	$34.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 16	45.650c	45.475c	46.275c	35.700c
Export refinery at	May 16	43.625c	43.775c	47.275c	36.075c
Straits tin (New York) at	May 16	97.750c	98.250c	99.625c	91.500c
Lead (New York) at	May 16	16.000c	16.000c	16.000c	15.000c
Lead (St. Louis) at	May 16	15.800c	15.800c	15.800c	14.800c
Zinc (East St. Louis) at	May 16	13.500c	13.500c	13.500c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 22	94.92	94.28	92.81	96.54
Average corporate	May 22	104.83	105.00	105.00	108.88
Aaa	May 22	108.16	108.16	107.98	112.19
Aa	May 22	106.74	106.92	107.09	110.34
A	May 22	104.66	104.66	105.00	109.06
Baa	May 22	100.32	100.32	100.49	104.31
Railroad Group	May 22	103.64	103.64	104.14	107.27
Public Utilities Group	May 22	105.17	105.17	105.34	109.42
Industrials Group	May 22	105.86	105.86	105.69	109.97
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 22	2.89	2.94	3.07	2.75
Average corporate	May 22	3.46	3.45	3.45	3.23
Aaa	May 22	3.27	3.27	3.28	3.05
Aa	May 22	3.35	3.34	3.33	3.15
A	May 22	3.47	3.47	3.45	3.22
Baa	May 22	3.73	3.73	3.72	3.49
Railroad Group	May 22	3.53	3.53	3.50	3.32
Public Utilities Group	May 22	3.44	3.44	3.43	3.20
Industrials Group	May 22	3.40	3.40	3.41	3.17
MOODY'S COMMODITY INDEX	May 22	420.3	419.4	424.4	403.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 12	251,309	387,268	247,625	243,958
Production (tons)	May 12	294,894	289,465	285,493	274,269
Percentage of activity	May 12	99	99	100	97
Unfilled orders (tons) at end of period	May 12	583,953	633,043	602,710	578,264
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 18	109.08	109.12	108.62	106.73
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 28	1,493,979	1,420,324	1,239,287	1,246,390
Dollar value	April 28	$80,669,715	$78,327,849	$65,796,336	$66,416,081
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	April 28	1,149,154	1,094,719	1,103,530	1,122,658
Customers' short sales	April 28	6,222	5,649	11,068	7,697
Customers' other sales	April 28	1,142,932	1,089,070	1,092,462	1,114,961
Dollar value	April 28	$57,937,557	$55,561,855	$55,588,549	$56,990,244
Round-lot sales by dealers—					
Number of shares—Total sales	April 28	262,400	251,210	293,700	303,440
Short sales	April 28	------	------	------	------
Other sales	April 28	262,400	251,210	293,700	303,440
Round-lot purchases by dealers—					
Number of shares	April 28	609,670	593,630	422,380	432,380
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 28	522,760	500,160	474,190	533,740
Other sales	April 28	13,297,780	11,567,580	11,524,160	12,830,950
Total sales	April 28	13,820,540	12,067,740	11,998,350	13,364,690
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	April 28	1,600,890	1,466,530	1,396,590	1,750,490
Short sales	April 28	341,490	290,220	272,160	302,850
Other sales	April 28	1,341,180	1,249,540	1,191,400	1,432,410
Total sales	April 28	1,682,670	1,539,760	1,463,560	1,735,260
Other transactions initiated on the floor—					
Total purchases	April 28	322,810	268,430	327,790	322,540
Short sales	April 28	22,000	27,700	25,000	24,400
Other sales	April 28	300,650	290,460	316,200	315,620
Total sales	April 28	322,650	318,160	341,200	340,020
Other transactions initiated off the floor—					
Total purchases	April 28	541,445	608,443	580,972	639,229
Short sales	April 28	68,110	63,310	94,870	106,330
Other sales	April 28	706,535	746,185	671,751	658,033
Total sales	April 28	774,645	809,495	766,621	764,363
Total round-lot transactions for account of members—					
Total purchases	April 28	2,465,145	2,343,403	2,305,352	2,712,259
Short sales	April 28	431,600	381,230	392,030	433,580
Other sales	April 28	2,348,365	2,286,185	2,179,351	2,406,063
Total sales	April 28	2,779,965	2,667,415	2,571,381	2,839,643
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 15	114.3	*113.9	113.5	110.3
Farm products	May 15	90.9	*88.8	88.0	91.7
Processed foods	May 15	101.8	*100.8	100.7	103.0
Meats	May 15	79.6	*76.8	76.6	84.1
All commodities other than farm and foods	May 15	121.8	121.8	121.3	115.7

*Revised figure. ¶Includes 879,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,000 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,319 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of February	132,763	140,394	116,236
Stocks of aluminum (short tons) end of Feb.	17,074	19,816	14,458
AMERICAN GAS ASSOCIATION—For month of March:			
Total gas (M therms)	7,811,721	8,112,785	7,033,165
Natural gas sales (M therms)	7,395,846	7,675,948	6,647,796
Manufactured gas sales (M therms)	44,209	48,375	54,246
Mixed gas sales (M therms)	371,666	388,462	331,123
AMERICAN PETROLEUM INSTITUTE—Month of February:			
Total domestic production (barrels of 42 gallons each)	232,449,000	248,081,000	212,451,000
Domestic crude oil output (barrels)	109,027,000	223,160,000	191,392,000
Natural gasoline output (barrels)	23,382,000	24,854,000	21,023,000
Benzol output (barrels)	40,000	67,000	36,000
Crude oil imports (barrels)	24,584,000	24,944,000	21,033,000
Refined products imports (barrels)	16,618,000	19,137,000	17,566,000
Indicated consumption domestic and export barrels)	281,707,000	312,004,000	267,904,000
Decrease all stock (barrels)	8,056,000	19,842,000	16,854,000
AMERICAN RAILWAY CAR INSTITUTE—Month of April:			
Orders for new freight cars	6,559	1,618	2,706
New freight cars delivered	5,943	5,949	2,750
ASSOCIATION OF AMERICAN RAILROADS—Month of April:			
Locomotive units installed in service	136	155	107
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of April 30:			
Imports	$235,353,000	$262,604,000	$229,023,000
Exports	239,646,000	236,448,000	189,255,000
Domestic shipments	11,407,000	10,768,000	10,633,000
Domestic warehouse credits	32,018,000	38,225,000	178,901,000
Dollar exchange	9,987,000	17,576,000	67,628,000
Based on goods stored and shipped between foreign countries	99,757,000	94,404,000	91,881,000
Total	$628,168,000	$660,025,000	$767,321,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of April	12,475	12,822	11,756
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of April 30 (000's omitted)	$508,000	$560,000	$622,000
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of February (000's omitted)	43,994,169	44,751,728	37,712,269
Revenue from ultimate customers—month of February	$725,160,000	$734,354,000	$654,843,000
Number of ultimate customers at Feb. 29	52,743,335	52,661,775	51,345,703
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of April:			
Weekly Earnings—			
All manufacturing	$78.39	*$78.78	$74.96
Durable goods	84.66	*84.46	81.58
Nondurable goods	69.60	*70.49	65.91
Hours—			
All manufacturing	40.2	*40.4	40.3
Durable goods	40.9	*41.0	41.2
Nondurable goods	39.1	*39.6	39.0
Hourly Earnings—			
All manufacturing	$1.95	$1.95	$1.86
Durable goods	2.07	2.06	1.98
Nondurable goods	1.78	1.78	1.69
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of April:			
Gas, water heater shipments (units)	231,000	263,200	245,200
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of April:			
Seasonally adjusted	142	*141	136
Unadjusted	143	*143	138
INTERSTATE COMMERCE COMMISSION—Index of Railway Employment at middle of April (1947-49=100)	82.3	81.4	79.5
NEW CAPITAL ISSUES IN GREAT BRITAIN-MIDLAND BANK LTD.—Month of April	£25,390,000	£58,297,000	£10,356,000
PORTLAND CEMENT (BUREAU OF MINES)—Month of February:			
Production (barrels)	19,578,000	21,440,000	17,611,000
Shipments from mills (barrels)	15,929,000	13,273,000	13,806,000
Stocks (at end of month—barrels)	28,939,000	25,456,000	27,087,000
Capacity used (per cent)	78	*80	78
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of March (000's omitted):			
Savings and loan associations	$815,849	$699,830	$927,627
Insurance companies	151,870	136,438	173,867
Bank and trust companies	468,006	421,330	458,034
Mutual savings banks	127,796	127,468	133,904
Individuals	299,684	269,539	302,550
Miscellaneous lending institutions	407,791	395,175	458,630
Total	$2,270,996	$2,049,780	$2,454,612
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of April:			
Net sales	------	------	------
Net purchase	$46,717,700	$10,690,500	$29,872,000
WINTER RYE CONDITION—CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of May 1	80%	------	88%
WINTER WHEAT PRODUCTION—CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of May 1 (bushels)	681,432,000	------	705,372,000
ZINC OXIDE (BUREAU OF MINES)—Month of March:			
Production (short tons)	15,281	14,359	14,990
Shipments (short tons)	11,596	17,420	14,380
Stocks at end of month (short tons)	16,931	13,246	15,960

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.

★ **Acme Uranium Mines, Inc., Denver, Colo.**
May 18 (letter of notification) 1,650,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses. **Office** — 229 Midland Savings Bldg., Denver 2, Colo. **Underwriter**—None.

• **Adams Express Co.**
May 2 filed 528,792 shares of common stock (par $1) being offered for subscription by common stockholders of record May 23, 1956 on the basis of one new share for each five shares held; rights to expire on June 6, 1956. **Price**—$23.25 per share. **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.

★ **Alunite Corp. of Utah**
May 17 (letter of notification) 160,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For manufacture and sale of commercial fertilizer. **Office**—373 West 3rd North, Salt Lake City, Utah. **Underwriter**—Cayias, Larson, Glaser, Emery, Inc., Salt Lake City, Utah.

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.**
May 2 filed 375,100 shares of common stock (par $1) being 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**—$13.50 per share. **Proceeds**—For investments and other corporate purposes. **Underwriter** — None. Adams Express Co. owns 69.36% of the outstanding shares.

★ **Anchorage Gas & Oil Development Co., Inc.**
May 9 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For oil development. **Office**—Suite 1419 — 500 Wall St., Seattle, Wash. **Underwriter**—Grace C. Tucker, Seattle, Wash.

★ **Appell Oil & Gas Corp.**
May 7 (letter of notification) 12,000 shares of common stock. **Price**—75 cents per share. **Proceeds**—To go to selling stockholder. **Office**—Appell Bldg., Alice, Tex. **Underwriter**—None.

Arizona Public Finance Co., Phoenix, Ariz.
Sept. 16 filed 78,006,081 shares of common stock to be offered for subscription by holders of life insurance policies issued by Public Life Insurance Co. **Price**—20 cents per share. **Proceeds**—For working capital. **Underwriter**—None, sales to be directly by the company or by salesman of the insurance firm.

Associated Grocers, Inc., Seattle, Wash.
April 20 filed 5,703 shares of common stock; $2,000,000 of 25-year 5% registered convertible debenture notes; and $1,500,000 of 5% coupon bearer bonds. **Price** — Of stock, $50 per share; and of notes and bonds, 100% of principal amount. **Proceeds**—To reduce bank, mortgage loan, or other indebtedness; and for working capital. **Underwriter**—None.

Atlantic Oil Corp., Tulsa, Okla.
April 30 filed 2,000,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — To be named by amendment.

Atlas Corp.
Feb. 28 filed 9,890,095 shares of common stock (par $1) to be issued pursuant to an agreement of merger with this corporation of Airfleets, Inc., Albuquerque Associated Oil Co., RKO Pictures Corp., San Diego Corp. and Wasatch Corp. on the following basis: Four shares for one of Atlas common; 2.4 shares for one share of Airfleets common; one share for each share of Albuquerque common; four shares for each 5.25 shares of RKO common; 2.4 shares for each share of San Diego common; 13 shares for each share of Wasatch cumulative preferred; and 1.3 shares for each share of Wasatch common. The registration statement also covers 1,250,000 shares of 5% cumulative preferred stock (par $20) which will become issuable upon and to the extent that shares of common stock are convertible into shares of preferred stock. Stockholders will vote on merger on May 24. Statement effective April 20.

Atlas Investment Co., Las Vegas, Nev.
Jan. 9 filed 20,800 shares of class B common voting stock, of which 12,000 shares are to be offered for public sale at $50 per share and 8,800 shares are to be offered in exchange for preferred stock. **Proceeds**—For payment of bank loans, and for capital and surplus. **Underwriters**—Rex Laub and Max Laub, of Tremonton, Utah, and M. D. Close Mortgage & Loan Co. and Jack Hemingway Investment Co., of Las Vegas, Nev.

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.

★ **Broadway-Hale Stores, Inc.**
May 16 filed $5,000,000 of Interests in company's Stock Plan for Employees, together with 460,000 shares of common stock (par $10), being the estimated number of shares which may be acquired under the Plan.

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.

★ **Calumet Hills Mining Co.**
May 10 (letter of notification) 5,750,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—1 South 55th Place, Birmingham, Ala. **Underwriter**—None.

★ **Chain Belt Co. (6/11)**
May 18 filed 76,543 shares of common stock (par $10) to be offered for subscription by common stockholders of record about June 8, 1956, on the basis of one new share for each eight shares held; rights to expire on or about June 25. **Price**—To be supplied by amendment. **Proceeds**—For working capital and other corporate purposes. **Underwriters**—Morgan Stanley & Co., New York, and Robert W. Baird & Co., Inc., Milwaukee, Wis.

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.

★ **C. I. T. Financial Corp. (6/6)**
May 17 filed $75,000,000 of debentures due June 1, 1971. **Price**—To be supplied by amendment. **Proceeds**—Primarily for furnishing working funds to company's subsidiaries. **Underwriters**—Dillon, Read & Co. Inc., Kuhn, Loeb & Co. and Lehman Brothers, all of New York.

★ **Clinchfield Coal Corp.**
May 17 (letter of notification) 4,000 shares of common stock (par $20) to be offered to employees. **Price**—At the market (not to exceed an aggregate of $150,000). **Proceeds**—For mining expenses. **Office**—350 Fifth Ave., New York, N. Y. **Underwriter**—None.

Coastal Chemical Corp., Yazoo, Miss.
March 22 filed 399,986 shares of class A common stock. **Price**—At par ($25 per share). **Proceeds**—Together with bank loans, to be used to construct and operate a fertilizer plant. **Underwriter**—None.

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.

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.**
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 as of May 24; rights to expire on June 7. **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. (6/6)**
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. (6/6)**
May 16 filed 104,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, retire $455,000 of bonds, and for construction program. **Underwriters**—Putnam & Co., Hartford, Conn., and Chas. W. Scranton & Co., New Haven, Conn.

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 being 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 as of May 15 (with an oversubscription privilege); rights to expire on May 31. The remaining 12,805 shares of 6% preferred stock are being offered in exchange for the 5% preferred stock on a share-for-share basis; offer to expire on June 27. **Price**—$10 per share. **Proceeds** — For working capital. **Underwriters**—Baker, Simonds & Co., Detroit, Mich.; and P. W. Brooks & Co. Inc., New York, N. Y.

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, has withdrawn as underwriter.

• Cullen Minerals Corp. (Texas) (6/4)
March 30 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To repay bank loans, and for expansion and working capital. **Underwriter** — Lepow Securities Corp., New York.

Dalmid Oil & Uranium, Inc., Grand Junction, Colo.
April 16 (letter of notification) 2,700,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1730 North 7th Street, Grand Junction, Colo. **Underwriter**—Columbia Securities Co., Denver, Colo.

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. on June 6.

Dennis Run Corp., Oil City, Pa.
Nov. 28 (letter of notification) 46,000 shares of common stock (par $1). **Price**—$6.50 per share. **Proceeds**—To pay bank loans and debts; and for working capital. **Office**—40 National Transit Bldg., Oil City, Pa. **Underwriter**—Grover O'Neill & Co., New York.

Dibbs Aluminum Products, Inc. (6/4-7)
April 27 filed $360,000 of 7% convertible subordinated debentures due June 1, 1966 and 180,000 shares of common stock (par 10 cents) to be offered in units of $50 of debentures and 25 shares of stock. **Price**—$100 per unit. **Proceeds**—For additional equipment and working capital. **Business**—Manufacturer of aluminum awning and casement windows, jalousies, and similar products. **Office** — Tampa, Fla. **Underwriter** — Eisele & King, Libaire, Stout & Co., New York.

Doctors Oil Corp., Carrollton, Tex.
Feb. 23 filed 500,000 shares of common stock (par 10 cents). **Price** — $1 per share. **Proceeds** — For working capital, to be devoted mainly to acquiring, exploring, developing and operating oil and gas properties; and to pay off $13,590.80 liabilities. **Underwriter** — James C. McKeever & Associates, Oklahoma City, Okla.

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.

★ Dry Creek Cattle Co.
May 10 (letter of notification) an aggregate of $214,000 of common stock. **Proceeds**—For raising cattle. **Address**—8 N. E. 5th Ave., Milton-Freewater, Ore. **Underwriter**—None.

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.

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.
May 1 filed $5,277,500 of 4½% convertible subordinate debentures due 1971 being 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**—Par (flat). **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.

★ Finance Co. of America at Baltimore
May 18 filed 5,100 shares of class A common stock (par $10). **Price**—$45.50 per share. **Proceeds**—To the company's Employees' Benefit Plan. **Underwriters**—E. R. Jones & Co., Alex. Brown & Sons and Stein Bros. & Boyce, all of Baltimore, Md.

First Railroad & Banking Co. of Georgia
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 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.

★ Fischer-Spiegel, Inc.
May 8 (letter of notification) $125,000 of 12-year 12% regular debenture notes at $1,000 each. **Proceeds**—For working capital. **Office**—Pleasant Ave., Geneva, Ohio. **Underwriter**—None.

Florida Sun Life Insurance Co.
March 16 filed 32,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To expand company's business. **Office**—Fort Lauderdale, Fla. **Underwriter**—None. Offering will be made through James C. Dean, President of company.

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 "Triple-Ray" infra-red space heater. **Office** — Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., 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.

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NEW ISSUE CALENDAR

May 24 (Thursday)
Reading Co. .... Equip. Trust Ctfs.
(Bids noon EDT) $6,600,000

May 25 (Friday)
Harrison (D. L.) Corp. .... Common
(Garrett & Co.) $250,000

May 28 (Monday)
Mountain States Tel. & Tel. Co. .... Debentures
(Bids noon EDT) $25,000,000
Petroleum Corp. of America .... Common
(Offering to stockholders—no underwriting) 328,400 shares

May 29 (Tuesday)
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)
Northwest 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)
Cullen Minerals Corp. .... Common
(Lepow Securities Corp.) $300,000
Dibbs Aluminum Products, Inc. .... Debs. & Com.
(Eisele & King, Libaire, Stout & Co.) $720,000
Lewisohn Copper Corp. .... Common
(George F. Breen) 100,000 shares
Milwaukee Gas Light Co. .... Bonds
(Bids noon EDT) $13,000,000
Potomac Electric Power Co. .... Bonds
(Bids 11 a.m. EDT) $10,000,000

June 5 (Tuesday)
Commonwealth Edison Co. .... Bonds
(Bids 10:30 a.m. CDT) $40,000,000
Dubl-Chek Corp. .... Preferred & Common
(Talmage & Co.) $299,370
New York Central RR. .... Equip. Trust Ctfs.
(Bids noon EDT) $6,600,000
Taylor Fiber Co. .... Common
(Stroud & Co., Inc.) 53,347 shares
Western Kentucky Gas Co. .... Common
(Equitable Securities Corp. and J. J. B. Hilliard & Son) 81,690 shares

June 6 (Wednesday)
Braniff Airways, Inc. .... Common
(Offering to stockholders—to be underwritten by F. Eberstadt & Co.) 1,105,545 shares
C. I. T. Financial Corp. .... Debentures
(Dillon, Read & Co. Inc.; Kuhn, Loeb & Co.; and Lehman Brothers) $75,000,000
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
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
Shopping Bag Food Stores .... Debentures
(Wagenseller & Durst, Inc. and Lester, Ryons & Co.) $1,500,000
Shopping Bag Food Stores .... Common
(Wagenseller & Durst, Inc. and Lester, Ryons & Co.) 50,000 shs.
Southern Pacific Co. .... Equip. Trust Ctfs.
(Bids noon EDT) $9,660,000
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
United States Plywood Corp. .... Debentures
(Eastman, Dillon & Co.) $15,000,000
United Utilities, Inc. .... Common
(Offering to stockholders—to be underwritten by Kidder, Peabody & Co.) 251,389 shares
Western Air Lines, Inc. .... Debentures
(Blyth & Co., Inc.) $5,000,000

June 7 (Thursday)
Baltimore & Ohio RR. .... Equip. Trust Ctfs.
(Bids noon EDT) $3,600,000
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 11:30 a.m. EDT) $10,000,000

June 8 (Friday)
Maine Bonding & Casualty Co. .... Common
(Offering to stockholders—to be underwritten by Hornblower & Weeks and Bartlett Clark Co.) 30,000 shares
Mercast Corp. .... Common
(Offering to stockholders—no underwriting) 187,850 shares

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.
Wheland Corp. .... Debentures
(Hemphill, Noyes & Co.; Courts & Co.; and Equitable Securities Corp.) $2,000,000
Wheland Corp. .... Common
(Hemphill, Noyes & Co.; Courts & Co.; and Equitable Securities Corp.) 136,000 shares

June 12 (Tuesday)
California Electric Power Co. .... Common
(Bids 9:30 a.m. PDT) 300,000 shares
National Gypsum Co. .... Common
(Offering to stockholders—to be underwritten by W. E. Hutton & Co. and Blyth & Co., Inc.) 417,403 shares

June 18 (Monday)
Pacific Gas & Electric Co. .... Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc.) 812,971 shares
Union Mines, Inc. .... Class A Stock
(Milton D. Blauner & Co., Inc.) $800,000

June 19 (Tuesday)
Rohm & Haas Co. .... Preferred & Common
(Bids 3:30 p.m. EDT) 4,810 shs. preferred and 79,213 shs. com.

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 21 (Thursday)
Republic Cement Corp. .... Common
(Vickers Brothers) $9,650,000

June 25 (Monday)
Boston Edison Co. .... Preferred
(Bids noon EDT) $18,000,000

June 27 (Wednesday)
Nucleonics, Chemistry & Electronics Shares, Inc. .... Common
(Lee Higginson Corp.) 400,000 shares

July 10 (Tuesday)
American Telephone & Telegraph Co. .... Debentures
(Bids to be invited) $250,000,000
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—to be underwritten) 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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Proceeds—For expenses incident to mining operations. **Office**—Kemmerer, Wyo. **Underwriter**—Philip Gordon & Co., Inc., New York 6, N. Y.

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.

★ **Grizzly Peak, Inc., Red Lodge, Mont.**
May 7 (letter of notification) 2,500 shares of common stock. **Price**—$100 per share. **Proceeds**—For working capital. **Underwriter**—None.

Guaranty Income Life Insurance Co.
Dec. 30 (letter of notification) 24,000 shares of capital stock (par $5) to be offered first to stockholders; then policyholders and the public. **Price**—$10 per share. **Proceeds**—For working capital. **Address**—P. O. Box 2231, Baton Rouge, La. **Underwriter**—None.

Hard Rock Mining Co., Pittsburgh, Pa.
Feb. 20 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—To purchase machinery and equipment and for working capital. **Office** — 377 McKee Place, Pittsburgh, Pa. **Underwriter**—Graham & Co., Pittsburgh, Pa.

Harrison (D. L.) Corp., Dallas, Texas (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.

★ **Helicopter Transports, Inc.**
May 9 (letter of notification) 10,000 shares of common stock. **Price**—At par ($30 per share). **Proceeds**—For organization of helicopter transportation service. **Address**—P. O. Box 953, Reno, Nev. **Underwriter**—None.

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.

★ **Hidden Dome Exploration Co., Inc.**
May 15 (letter of notification) 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For the development of oil and gas properties. **Office**—219 E. Fremont Ave., Las Vegas, Nev. **Underwriter**—National Securities Co., Las Vegas, Nev.

Hill & Hill 1956 Oil Exploration Capital Fund
March 13 filed $450,000 of participations in this Fund to be offered for public sale in minimum units of $15,000. **Proceeds**—For payment of various property and exploratory well costs and expenses. **Business**—George P. Hill and Houston Hill are engaged in exploration for and production of oil and gas as a joint venture. **Office**—Fort Worth, Tex. **Underwriters** — William D. McCabe and E. S. Emerson, South Texas Bldg., San Antonio, Tex.

Holden Mining Co., Winterhaven, Calif.
April 13 (letter of notification) 250,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Address** — P. O. Box 308, Winterhaven, Calif. **Underwriter**—Arthur B. Hogan, Inc., Hollywood, Calif.

Hometrust Corp., Inc., Montgomery, Ala.
Jan. 5 filed 125,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds** — To expand operations of subsidiary and increase investment therein. **Underwriter**—None.

★ **Household Finance Corp., Chicago, Ill. (6/6)**
May 17 filed $50,000,000 of sinking fund debentures due 1978. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term bank loans. **Underwriters**—Lee Higginson Corp. and White, Weld & Co., both of New York, and William Blair & Co., Chicago, Ill.

★ **H. W. I. Building Corp.**
May 18 (letter of notification) $190,000 of 5% first mortgage bonds, series B. **Price**—At 100% (in denominations of $500 each). **Proceeds** — For construction purposes. **Office**—Nelson Road, Fort Wayne, Ind. **Underwriter**—None.

Idaho-Alta Metals Corp.
March 7 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For exploration and development expenses. **Underwriter** — Fenner Corp. (formerly Fenner-Streitman & Co.), New York.

Ideal-Aerosmith, Inc., Hawthorne, Calif.
Dec. 16 (letter of notification) 150,000 shares of capital stock (par $1). **Price** — $2 per share. **Proceeds** — For equipment, machinery, inventory, etc. **Office**—12909 So. Cerise Ave., Hawthorne, Calif. **Underwriter**—Samuel B. Franklin & Co., Los Angeles, Calif.

Indianapolis Power & Light Co. (6/7)
May 8 filed $10,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Blyth & Co., Inc.; Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp. (jointly); W. C. Langley & Co., White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co.; Equitable Securities Corp.; Hemphill, Noyes & Co. and Drexel & Co (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on 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.

★ **Inglewood Gasoline Co.**
May 18 (letter of notification) 175,725.9 shares of capital stock (par 50 cents). **Price**—$1.70 per share. **Proceeds**—For construction of an absorption type gasoline plant. **Office**—11950 San Vincente Blvd., Suite 207, Los Angeles 49, Calif. **Underwriter**—Bennett & Co., Hollywood 28, Calif.

Insulated Circuits, Inc., Belleville, N. J.
Nov. 10 filed 100,000 shares of 6% convertible preferred stock (cumulative if and to the extent earned). **Price**—At par ($5 per share). **Proceeds**—For general corporate purposes. **Underwriter**—Alexander Watt & Co., Inc., has withdrawn as underwriter; new one to be named.

★ **Insulating Products, Inc.**
May 17 (letter of notification) 74,936 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—3226 Cinder Lane, Las Vegas, Nev. **Underwriter**—Edward McGuire, Las Vegas, Nev.

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.

● **Iowa Power & Light Co.**
April 25 filed 249,558 shares of common stock (par $10) of which 226,6871 shares are being 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. **Price**—$24 per share. **Proceeds**—To retire bank loans and for construction program. **Underwriter**—The First Boston Corp., New York.

★ **Istel Fund, Inc., New York**
May 22 filed (by amendment) 100,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

Isthmus Steamship & Salvage Co., Inc.
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.

★ **Jones Apothecary, Inc.**
May 8 (letter of notification) 100,000 shares of capital stock (par 50 cents) of which 80,000 shares are for the account of the company and 20,000 shares of selling stockholders. **Price**—$3 per share. **Proceeds**—For the enlargement of offices; for three new stores, and repayment of promissory notes. **Office**—620 Texas Ave., Houston 2, Tex. **Underwriter**—J. R. Phillips Investment Co., Inc., Houston, Tex.

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.

★ **Kaman Aircraft Corp., Bloomfield, Conn.**
May 15 (letter of notification) 27,000 shares of common stock, class A (par $1). **Price**—$11 per share. **Proceeds**—For the building of helicopters. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass.

★ **Kay-Lab, San Diego, Calif.**
May 23 filed 364,280 shares of class A common stock (par $1), of which 307,400 shares are to be offered for account of company and 56,880 shares for account of certain stockholders. **Price**—To be supplied by amendment. **Proceeds**—$2,455,361 to be applied to the repayment of notes and bank loans; $343,700 to pay accounts payable and commissions payable; and the balance of approximately $200,000 to be added initially to working capital to be used for general corporate purposes. **Underwriter** — Shearson, Hammill & Co., New York, and Los Angeles, Calif.

★ **Kolob Uranium Corp.**
May 14 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For mining expenses. **Office**—516 South 5th St., Las Vegas, Nev. **Underwriter**—None.

★ **Lawyers Mortgage & Title Co.**
May 11 (letter of notification) 133,000 shares of common stock (par 65 cents). **Price**—$1.50 per share. **Proceeds**—For working capital. **Office**—115 Broadway, New York 6, N. Y. **Underwriter**—None.

Lester Engineering Co., Cleveland, Ohio
Feb. 24 (letter of notification) 37,500 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 1, 1956 on the basis of one new share for each 4¼ shares held. Of the unsubscribed portion, up to 7,500 shares are to be offered to employees. **Price**—$8 per share. **Proceeds** — For general corporate purposes. **Office**—2711 Church Ave., Cleveland, Ohio. **Underwriter**—None.

● **Lewisohn Copper Corp. (6/4-8)**
March 30 filed 100,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For exploration and evaluation of leasehold properties, improvements, equipment and for general corporate purposes. **Office**—Tucson, Ariz. **Underwriter**—George F. Breen, New York.

Long Island Lighting Co.
April 5 filed 120,000 shares of cumulative preferred stock, series G (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co., all of New York. **Offering** — Postponed because of present unsatisfactory market conditions.

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.

★ **Maine Bonding & Casualty Co. (6/8)**
May 17 filed 30,000 shares of capital stock (par $10) to be offered for subscription by stockholders at the rate of one new share for each 2½ shares of stock held on May 25; rights to expire on June 25. **Price**—To be supplied by amendment. **Proceeds** — To enlarge business. **Underwriters** — For unsubscribed shares (except those sold to officers and employees): Hornblower & Weeks, New York; and Bartlett & Clark Co., Portland, Me.

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.

★ **Mercast Corp., New York (6/8)**
May 18 filed 187,850 shares of capital stock (par 10 cents) to be offered for subscription by stockholders of record June 7, 1956 on the basis of one new share for each two shares held. **Price**—To be supplied by amendment. **Proceeds**—For advances to subsidiaries; to repay current bank loans; for improvement and development costs; and other corporate purposes. **Underwriter**—None.

Mesa Oil & Gas Ventures, Inc.
March 29 (letter of notification) 900,000 shares of common stock (par one cent). **Price** — 15 cents per share. **Proceeds**—For expenses incident to oil and gas properties. **Office**—421 Glenwood Ave., Grand Junction, Colo. **Underwriter**—Columbia Securities Co., Denver, Colo.

Midland General Hospital, Inc., Bronx, N. Y.
Jan. 12 filed 24,120 shares of common stock (no par) and 30,000 shares of $6 dividend preferred stock (no par). The company does not intend presently to sell more stock than is required to raise, at most, $2,700,000. **Price** — $100 per share. **Proceeds** — For construction, working capital, reserve, etc. **Underwriter**—None.

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.**
April 25 filed 225,810 shares of common stock (par $1) being 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** — $29.50 per share. **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**—To be received up to noon (EDT) on May 28 at Room 2315, 195 Broadway, New York, N. Y.

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 Gypsum Co. (6/12)**
May 22 filed 417,403 shares of common stock (par $1) to be offered for subscription by common stockholders of record June 11, 1956 on the basis of one new share for each eight shares held; rights to expire on or about June 25. **Price**—To be supplied by amendment. **Proceeds**—To finance development of a gypsum deposit discovered and now held under option to the company. **Underwriters** — W. E. Hutton & Co., Cincinnati, O. and New York City; and Blyth & Co., Inc., New York.

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.

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.

● **Northwest 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. of record May 31 at the rate of one new share for each share of Pacific Northwest stock held (with oversubscription privilege); rights to expire June 14. The 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. (6/27)**
Feb. 17 filed 400,000 shares of capital stock (par $1). **Price**—To be supplied by amendment (expected at $10 per share). **Proceeds** — For investment. **Office**—Englewood, N. J. **Underwriter** — Lee Higginson Corp., New York. **Name Changed**—From Atomic, Chemical & Electronic Shares, Inc.

Oak Mineral & Oil Corp., Farmington, N. M.
Nov. 8 (letter of notification) 2,000,000 shares of common stock (par five cents). **Price**—15 cents per share. **Proceeds**—For exploration and development and other general corporate purposes. **Underwriter**—Philip Gordon & Co., New York.

Old National Insurance Co., Houston, Tex.
March 29 filed 48,108 shares of capital stock (no par) to be offered for subscription by stockholders on the basis of one new share for each nine shares held (with an oversubscription privilege). **Price** — To be supplied by amendment. **Proceeds** — To purchase life insurance in force and assets from other life insurance companies. **Subscription Agent** — Old Southern Trust Co., Houston, Tex. **Underwriter**—None.

★ **Ore-Mont Oil Co.**
May 14 (letter of notification) 275,000 shares of capital stock (no par). **Price**—$1 per share. **Proceeds**—For oil development expenses. **Underwriter** — John L. Long, Portland, Ore.

● **Pacific Finance Corp. (Calif.)**
April 10 filed $25,000,000 of debentures due 1971. **Price**—To be supplied by amendment. **Proceeds**—For reduction of short-term bank loans. **Underwriters**—Blyth & Co., Inc., and Hornblower & Weeks. A second delaying amendment was filed May 21, with the expiration of the first 20-day delaying period.

★ **Pacific Gas & Electric Co. (6/18)**
May 22 filed 812,971 shares of common stock (par $25) to be offered for subscription by common stockholders of record June 12, 1956 on the basis of one new share for each 20 shares held; rights to expire on or about July 2, 1956. The subscription period is expected to open on June 18. Transferable warrants will be mailed on or about June 15. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans and for construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

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 June 11. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Underwriter**—None.

★ **Pinal Copper Corp.**
May 17 (letter of notification) 25,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—For mining expenses. **Office**—1618 N. 7th St., Phoenix, Ariz. **Underwriter** —None.

Pinellas Industries, Inc., St. Petersburg, Fla.
Feb. 16 (letter of notification) 8,000 shares of class A common stock (par $1). **Price**—At the market (maximum $6). **Proceeds**—For working capital. **Office**—34th St. & 22nd Ave., North, St. Petersburg, Fla. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

★ **Pioneer Credit Corp.**
May 15 (letter of notification) $300,000 of 6% subordinated capital notes due May 1, 1976, to be offered in denominations of $100 and multiples thereof. **Proceeds** — For working capital. **Office** — 337 Main St., Great Barrington, Mass. **Underwriter**—None.

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 at company's office in Washington, D. C.

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.

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.

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.
May 2 filed 170,000 shares of class A (cumulative convertible) capital stock (no par). **Price**—$12 per share. **Proceeds**—To repay loans and advances and for working capital. **Office**—Tulsa, Okla. **Underwriters**—Hulme, Applegate & Humphrey, Inc., Pittsburgh, Pa.; The Milwaukee Co., Milwaukee, Wis.; The Ohio Company, Columbus, Ohio; and Stroud & Co., Inc., Philadelphia, Pa. **Offering**—Expected today (May 24).

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. (6/21)**
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.

★ **Riverside Mining Co.**
May 8 (letter of notification) 50,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For mining expenses. **Office**—c/o C. E. Pew, 314 Fuller Ave., Helena, Mont. **Underwriter**—None.

● **Rohm & Haas Co., Philadelphia, Pa. (6/19)**
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). **Bids**—To be received up to 3:30 p.m. (EDT) on June 19 at the Office of Alien Property, 101 Indiana Ave., N. W., Washington 25, D. C.

★ **Saginaw Financing Corp.**
May 17 (letter of notification) 8,176 shares of common stock to be offered to stockholders. **Price**—$5 per share. **Office**—606 Eddy Bldg., Saginaw, Mich. **Underwriter**—None.

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.

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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.

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 (6/6)**
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. **Office**—Los Angeles, Calif. **Underwriters**—Wagenseller & Durst, Inc. and Lester, Ryons & Co., both of Los Angeles, Calif.

● **Sierra Pacific Power Co.**
April 12 filed 80,500 shares of $2.44 preferred stock, series A (par $50) being offered in exchange for 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 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.

● **Southern Union Gas Co. (6/6-7)**
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.

★ **Stratford Corp.**
May 14 (letter of notification) not exceeding 200,000 shares of common stock (par 10 cents). **Price**—At market (about 87½ cents per share). **Proceeds**—To two selling stockholders (Jerome Jennings, President, and Edward Gropper, Chairman, 100,000 shares each). **Office**—745 Fifth Ave., New York, N. Y. **Underwriter**—None.

Suburban Land Developers, Inc., Spokane, Wash.
Feb. 2 (letter of notification) 920 shares of 6% cumulative non-voting preferred stock ($100 per share) and 2,160 shares of common stock (par $10). **Price**—Of preferred, $100 per share; and of common, $15 per share. **Proceeds**—For improvements and working capital. **Office**—909 West Sprague Ave., Spokane, Wash. **Underwriter**—W. T. Anderson & Co., Inc., Spokane, Wash.

Sun Oil Co., Philadelphia, Pa.
April 18 filed 229,300 shares of common stock. **Price**—At the market. **Proceeds**—To selling stockholders. **Underwriter**—None.

★ **Super Mold Corp. of California**
May 15 (letter of notification) 12,972 shares of capital stock (par $5). **Proceeds** — For plant and equipment. **Office**—420 North Sacramento St., Lodi, Calif. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

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. (6/5)**
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., Inc., 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.

★ **Texas Eastern Transmission Corp.**
May 16 filed $6,500,000 of interests of participation in company's Employees' Stock Purchase Plan, together with 242,990 shares of common stock (par $7), being the estimated number of shares which may be acquired under the Plan.

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.

● **Tiarco Corp., Newark, N. J.**
April 25 filed 375,000 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of three new shares for each share held as of record May 18; rights to expire on May 31. **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.

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 Mines, Inc. (6/18-22)**
May 17 filed 400,000 shares of class A stock (par 10¢). **Price**—$2 per share. **Proceeds**—To pay indebtedness and for exploration and development costs. **Office**—Grand Junction, Colo. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

★ **Union National Investment Co.**
May 16 (letter of notification) 85,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For formation of a wholly owned subsidiary known as Union National Life Insurance Co. **Office** — 1338 Main St., Columbia, S. C. **Underwriter**—David L. Anderson, Florence, S. C.

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. (6/6)**
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.

★ **U. S. Rare Earths, Inc.**
May 14 (letter of notification) 900,000 shares of common stock (par 5¢). **Price**—25¢ per share. **Proceeds**—For mining expenses. **Office** — 709 Farmers Union Bldg., Denver, Colo. **Underwriter**—None; sales to be handled by Earl W. Meerdink, President.

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.

★ **Universal Fuel & Chemical Corp.**
May 17 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—825 Broadway, Farrell, Pa. **Underwriter**—Langley-Howard, Inc., Pittsburgh, Pa.

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.

Ward Industries Corp.
March 9 (letter of notification) 12,000 shares of $1.25 cumulative preferred stock, series A (par $25) and 1,500 shares of common stock (par $1) being offered in exchange for 5% cumulative preferred stock (par $100) of The Prosperity Co. on the basis of four Ward preferred shares, one-half share of Ward common stock and $1.05 in cash for each Prosperity preferred share. This offer, which is limited to acceptance by 3,000 Prosperity preferred shares, is alternative to the right to receive instead $100 per Prosperity preferred share.

West Jersey Title & Guaranty Co.
Jan. 23 (letter of notification) 10,000 shares of common stock (par $10) of which 8,000 shares are first to be offered for a period of 30 days in exchange for outstanding preferred stock on a 2-for-1 basis; any shares remaining will be offered to common stockholders. **Price**—$25 per share. **Office**—Third and Market Sts., Camden, N. J. **Underwriter**—None.

● **Western Air Lines, Inc. (6/6)**
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. **Office**—Los Angeles, Calif. **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 Kentucky Gas Co. (6/5-6)**
May 16 filed 81,690 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—Together with proceeds from the sale of $6,000,000 of bonds to insurance companies, will be used to increase investment in Kengas, Inc., a subsidiary; to retire $800,000 of bank loans, and for construction program. **Office**—Owensboro, Ky. **Underwriters** — Equitable Securities Corp., Nashville, Tenn., and J. J. B. Hilliard & Son, Louisville, Ky.

Western Securities Corp. of New Mexico
Feb. 15 (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.

★ Wheland Co., Chattanooga, Tenn. (6/11-15)
May 23 filed $2,000,000 of convertible subordinated debentures due June 1, 1976, and 136,000 shares of common stock (par $5). Of the latter, 75,000 are to be offered for the company's account and 61,000 shares for selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—Together with proceeds from private sale of $1,500,000 4¾% first mortgage bonds and $900,000 of 3-year unsecured 4½% notes to a group of banks, will be used to retire outstanding series A and series B 5% first mortgage bonds, and for expansion program. **Underwriters**—Hemphill, Noyes & Co., New York; Courts & Co., Atlanta, Ga.; and Equitable Securities Corp., Nashville, Tenn.

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.

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.

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.

★ Zapata Off-Shore Co., Houston, Tex.
May 22 filed $2,350,000 of 5½% subordinated debentures due June 1, 1971 to be offered for subscription by common stockholders. **Price**—At 100% of principal amount. **Proceeds**—For general corporate purposes. **Underwriter**—G. H. Walker & Co., St. Louis, Mo., on a best-efforts basis.

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, Morehead 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. (7/10)
March 21 the directors authorized a new issue of debentures (non-convertible) amounting to $250,000,000. They will be dated July 1, 1956 and mature July 1, 1990. **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 on July 10.

Arizona Public Service Co.
March 23 it was announced company plans to spend during the next five years an estimated $94,000,000 for new construction. Of this amount, $41,000,000 is expected to come from within the company, and the balance from outside sources. No new equity financing is planned for 1956. About $16,000,000 is expected to be spent this year. Bond financing is expected to be done privately through Blyth & Co., Inc. and The First Boston Corp.

★ Baltimore & Ohio RR. (6/7)
Bids will be received by the company up to noon (EDT) on June 7 at 2 Wall St., New York 5, N. Y., for the purchase from it of $3,600,000 equipment trust certificates, series GG, to be dated Jan. 1, 1956, and to mature in 15 equal annual instalments from Jan. 1, 1957 to 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 this week.

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.
May 14 it was reported company plans to issue and sell $13,000,000 first mortgage bonds in 1957. **Proceeds**—For construction program. **Underwriter**—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).

★ Central Illinois Light Co.
May 14 it was reported company plans to issue and sell about 80,000 shares of cumulative preferred stock (par $100) later this year. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—May be Union Securities Corp., New York.

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.

★ Commonwealth Telephone Co. of Pennsylvania
May 21 it was reported company plans to issue and sell 100,000 shares of common stock (par $10). **Price**—To be named later. **Proceeds**—For expansion, etc. **Underwriter**—Eastman, Dillon & Co., New York. **Offering**—Expected in June.

Consolidated Natural Gas Co. (7/25)
March 15 it was announced company plans to issue and sell $30,000,000 of debentures due 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and The First Boston Corp (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly). **Bids**—Expected to be received on July 25.

Consolidated Water Co.
Jan. 16, Frank A. O'Neill, President, announced that the company sometime between now and the summer of 1956, will probably do some additional financing. **Proceeds**—For expansion. **Underwriters**—The Milwaukee Co.; Harley Haydon & Co., Inc.; and Indianapolis Bond & Share Corp. underwrote class A common stock offering made last August.

Consumers Power Co.
April 7 it was reported company plans to issue and sell $30,000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly). **Offering**—Expected in the Fall.

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.

★ 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 stockholders. **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 Patterson, 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.

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● **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 June 6; 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.

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.

Johns-Manville Corp.
March 9, Leslie M. Cassidy, Chairman, said the corporation is studying possibilities for expansion that could require financing, adding that the management had no definite plan for the issuance of additional stock other than those required for the two-for-one split but "the situation could change."

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.**
May 21 it was announced that the company is arranging to borrow $100,000,000 from institutional investors to finance its new major expansion program to involve approximately $113,000,000. **Underwriter**—The First Boston Corp., 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 21 it was reported company plans to sell publicly in June about $6,500,000 of debentures due 1971; 230,000 shares of convertible preferred stock (par $10); and 700,000 shares of common stock (in addition to private sale of about $7,000,000 of first mortgage bonds.) **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 17 it was announced 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.

National Steel Corp.
March 12 the company announced that it is estimated that total construction expenditures planned to start in the current year and to be completed in mid-1959 will amount to a minimum of $200,000,000. **Underwriters**—Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.; and The First Boston Corp.

Natural Gas Pipe Line Co. of America
Feb. 20 it was reported company plans to issue and sell late this Spring $35,000,000 of first mortgage bonds due 1976. **Underwriter**—If determined by competitive bidding, the following may bid: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly).

New England Electric System
Jan. 3 it was announced company plans to merge its subsidiaries, Essex County Electric Co., Lowell Electric Light Corp., Lawrence Electric Co., Haverhill Electric Co. and Amesbury Electric Light Co., into one company during 1956. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, the name of which has not as yet been determined. **Underwriter** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New England Power Co.
Jan. 3 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds during October of 1956. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

★ **New York Central RR. (6/5)**
Bids will be received by the company up to noon (EDT) on June 5 for the purchase from it of $6,600,000 equipment trust certificates, due annually from Dec. 15, 1956 to 1970, inclusive. [These certificates had been purchased by Despatch Shops, Inc., a subsidiary, on Dec. 28, 1955.] Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

Offshore Gathering Corp., Houston, Texas
Nov. 18 David C. Bintliff, President, announced company has filed an application with the Federal Power Commission for a certificate of necessity to build a 364-mile submarine gas pipeline off-shore the coast of Louisiana from the Sabine River to the Gulf Coast of the State of Mississippi. It is estimated that this gathering system will cost approximately $150,000,000. Type of financing has not yet been determined, but tentative plans call for private sale of first mortgage bonds and public offer of about $40,000,000 of securities (probably notes, convertible into preferred stock at maturity, and common stock). **Underwriter**—Salomon Bros. & Hutzler, New York.

Oklahoma Gas & Electric Co.
April 20 it was announced that stockholders were to 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).

Puget Sound Power & Light Co.
Feb. 15 the company announced that it estimates that its construction program for the years 1956-1959 will amount to $87,000,000, including $20,000,000 budgeted for 1956. This large expansion, the company says, can be financed wholly by debt and from internal sources. Underwriter—If determined by competitive bidding, may include Halsey, Stuart & Co. Inc.; The First Boston Corp.

(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.
May 16 stockholders approved 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., New York.

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 Electric Generating Co.
May 18, it was announced that this company, 50 owned by Alabama Power Co. and 50% by Georgia Power Co., subsidiaries of Southern Co., plans to issue debt securities. Proceeds—Together with other funds, to construct and operate a $150,000,000 steam electric generating plant on the Coosa River in Alabama. Underwriter—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.

Southern Pacific Co. (6/6)
Bids are expected to be received by this company up to noon (EDT) on June 6 for the purchase from it of $9,660,000 equipment trust certificates, series TT, to be dated May 1, 1956 and to mature annually from May 1, 1957 to 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Southern Union Gas Co.
April 19 it was announced company is considering issuance and sale to stockholders later this year of some additional common stock on a pro rata basis (with an oversubscription privilege). Underwriter—None.

Spencer Telefilm Corp., Beaumont, Texas
Jan. 16 it was announced company plans to offer publicly to Texas residents 75,000 shares of capital stock. Price—$1.50 per share. Business—To produce, sell and distribute syndicated films for television. Underwriter—Porter-Stacy Co., Houston, Tex.

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.

UM & M T-V Corp.
April 2 it was reported company may offer an issue of up to $7,000,000 of debentures. Underwriter—Hirsch & Co., New York.

Union Electric Co. (Missouri)
April 23 it was announced company plans to issue and sell prior to Sept. 14, 1956, $35,000,000 to $40,000,000 first mortgage and collateral trust bonds. Proceeds—To repay bank loans and for construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Blyth & Co., Inc. and Union Securities Corp. (jointly); The First Boston Corp.: White, Weld & Co. and Shields & Co. (jointly). Bids—Expected in July.

● United States Life Insurance Co. of N. Y. (6/20)
May 15 stockholders voted to approve certain proposals on changing the capital stock from 250,000 shares of $4 par value to 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 10 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 offering is expected late in May of 70,000 shares of common stock. Proceeds—To selling stockholders. Underwriter—Granbery, Marache & Co., New York.

Our Reporter's Report

The corporate new issue market has tended to bog down a bit after its recent show of strength. Institutional buyers who were fairly active a week or so back were inclined to be a little more cautious even though new material making its way to market afforded pretty much the same rate of return that had proved attractive earlier.

Presumably, potential buyers were disposed to take it easy and let the market settle down to something of a new base. They are, of course, always seeking the most for their money, like all other shoppers, and evidently do not figure that the market can go too much against them in a hurry.

At any rate the investment banking group which took down Consolidated Edison Co. of New York's $30 million of first and refunding bonds was reportedly finding inquiry a bit on the slow side. This was so even though several deals which had been laggard earlier appeared to have been pretty well cleaned up toward the end of last week.

Accordingly, dealers' shelves were not burdened with troublesome inventory and prospective investors had little to hope for from that direction.

Some observers taking a longer look ahead, thought that perhaps institutions were ready to do a little more "coasting" pending some insight into what the Treasury might have in mind for refinancing the $12.5 to $15 billion maturities for which it must provide through the early part of July.

Con. Edison Bids Close

The three banking syndicates which toed the line in the competition for Consolidated Edison's $30 million issue evidently were shooting for pretty much the same reoffering basis.

Certainly it is seldom that tenders range so close as in this particular case. The successful group paid the issuer a price of 100.7599 for a 3⅝% interest rate.

The runners-up submitted a bid of 100.7299 for the same rate, a difference of only 30 cents per $1,000 piece, and the third bidder came in at 100.6599 which worked out to a differential of only $1 per $1,000.

Lockheed Issue Moves

Investors evidently were in a mood to look over an industrial offering, particularly if the issuer was prominent in the aviation industry, as happens to be the case with Lockheed Aircraft Corp.

Bankers brought out $30 million of the plane builder's 20-year debentures, carrying a 4½% coupon and priced at 100. The issue is redeemable at regular prices ranging from 106 down to 100 in 1974, with a sinking fund designed to retire, at par, 6.25% of the maximum amount of the issue outstanding at any time until Oct. 31, 1961, through the years 1961 to 1975.

The debentures were sold for working capital to finance and equip new laboratories and a manufacturing plant for the missile systems and engineering divisions.

So. California Gas

Investment observers were keeping a close eye on today's offering of $40 million of first mortgage 25-year bonds of Southern California Gas Co., brought out to yield 3.75%.

Rated single A, this issue was reported to have attracted fair inquiry from investors with one of the major foundations said to have entered orders for a fair-sized block.

The feeling in most quarters seemed to be that if the So. Cal. Gas issue worked off with any degree of celerity, it would probably influence favorably the market for Consolidated Edison's Triple A-Double A 3⅝s which were a little slow in getting started yesterday at the retail level.

With Hamilton Managem't
(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Charles C. Boyer, Michael F. Campbell and Clifford A. Gau are now with Hamilton Management Corporation, 445 Grant Street.

Joins Securities Inc.
(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Dave N. Keys has become associated with Securities, Inc. He was formerly with J. W. Hicks & Co.

Two With Wayne Jewell
(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Richard L. Grah and Norman J. Neuhalfen are now with Wayne Jewell Co., 818 Seventeenth Street.

With Parrish & Co.

PHILADELPHIA, Pa.—Parrish & Co., 1421 Chestnut Street, members of the New York and other leading stock exchanges, announce that John F. O'Connell has become associated with them as a registered representative.

Joins Sutro Staff
(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Edwin P. Gaffney has become connected with Sutro & Co., 275 North Canon Drive. He was previously with Lester Ryons & Co.

With Daniel Reeves
(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Thomas C. Jones and Stanley B. West have become affiliated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York Stock Exchange.

Miller Secs. Adds
(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — James L. Welch is now associated with Miller Securities Corporation, 22 Marietta Street.

With Baldwin, White
(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Douglas C. Cutler is now associated with Baldwin, White & Co., 30 Federal Street.

With Townsend, Dabney
(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Daniel F. McKenna, Sr. is now with Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

I. F. Stillman Opens

I. F. Stillman & Co., Inc., has been formed with offices at 39 Broadway, New York City, to engage in a securities business. Irving F. Stillman is President of the new firm.

DIVIDEND NOTICES

74th Dividend Common Stock

AMERICAN EXPORT LINES, INC.

The Board of Directors of American Export Lines, Inc. at a meeting held May 16, declared a quarterly dividend of thirty-seven and one-half cents ($.37½) per share on the common stock payable June 15, 1956 to stockholders of record June 1, 1956.

C. L. NIELSEN, *Secretary*

May 16, 1956

E. I. DU PONT DE NEMOURS & COMPANY

DU PONT

REG. U.S. PAT. OFF

Wilmington, Del., May 21, 1956

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable July 25, 1956, to stockholders of record at the close of business on July 10, 1956; also $1.50 a share on the Common Stock as the second quarterly interim dividend for 1956, payable June 14, 1956, to stockholders of record at the close of business on May 28, 1956.

P. S. DU PONT, 3RD, *Secretary*

THE COLORADO FUEL AND IRON CORPORATION

Dividend Notice

At a meeting of the Board of Directors of The Colorado Fuel and Iron Corporation held in New York, New York, on May 21, 1956, a quarterly dividend on the common stock of the corporation in the amount of fifty cents per share was declared, payable July 6, 1956 to stockholders of record at the close of business on May 31, 1956. The regular quarterly dividend on the series A $50 par value preferred stock in the amount of sixty-two and one-half cents per share, and also the regular quarterly dividend on the series B $50 par value preferred stock, in the amount of sixty-eight and three-quarters cents per share, were declared, payable on June 30, 1956, to stockholders of record at the close of business on May 31, 1956.

D. C. McGREW, *Secretary.*

CHEMICALS FIBERS PLASTICS

CELANESE CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A

The regular quarterly dividend for the current quarter of $1.12½ per share, payable July 1, 1956, to holders of record at the close of business June 4, 1956.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable July 1, 1956, to holders of record at the close of business June 4, 1956.

COMMON STOCK

12½ cents per share payable June 22, 1956, to holders of record at the close of business June 4, 1956.

R. O. GILBERT, *Secretary*

May 22, 1956.

DIVIDEND NOTICES

DIXIE CUP COMPANY

The Board of Directors of Dixie Cup Company, makers of paper drinking cups and food containers, has declared the following dividends:

5% Convertible Preferred Stock, Series A—Dividend No. 11 (quarterly)—62½c per share—payable July 10, 1956 to stockholders of record June 8, 1956.

Common Stock—Dividend No. 94 (quarterly)—45c per share—payable June 25, 1956 to stockholders of record June 8, 1956.

H. R. WECKERLY, Secretary

Dated: May 21, 1956.

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION

590 Madison Ave., New York 22, N. Y.

The 165th Consecutive Quarterly Dividend

The Board of Directors of this Corporation has this day declared a Quarterly Cash Dividend of $1.00 per share, payable June 9, 1956, to stockholders of record at the close of business on May 22, 1956. Transfer books will not be closed. Checks prepared on IBM Accounting Machines will be mailed.

C. V. BOULTON, Treasurer

April 24, 1956

DIAMOND ALKALI CHEMICALS

Regular Quarterly Dividend on Common Stock

The Directors of Diamond Alkali Company have on May 17, 1956 declared a regular quarterly dividend of 37½ cents per share, payable June 11, 1956 to holders of common capital stock of record May 28, 1956.

DONALD S. CARMICHAEL, Secretary

Cleveland, Ohio · May 18, 1956

DIAMOND ALKALI COMPANY

Chemicals you live by

DIVIDEND NOTICE

FLORIDA POWER & LIGHT COMPANY

HELPING BUILD FLORIDA

A quarterly dividend of 30c per share has been declared on the Common Stock of the Company, payable June 26, to stockholders of record at the close of business on June 1, 1956.

R. H. Fite
PRESIDENT

...and for a vacation "dividend"—visit breeze-swept Florida. Play...and stay!

DIVIDEND NOTICES

CONSOL

The Board of Directors of **PITTSBURGH CONSOLIDATION COAL COMPANY** at a meeting held today, declared a quarterly dividend of 30 cents per share on the Common Stock of the Company, payable on June 12, 1956, to shareholders of record at the close of business on June 1, 1956. Checks will be mailed.

JOHN CORCORAN, *Vice-President & Secretary*

May 21, 1956.

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 165 of fifty cents (50¢) per share on the common stock payable July 16, 1956, to stockholders of record at the close of business on June 15, 1956.

GERARD J. EGER, Secretary

NATIONAL STEEL Corporation

NATIONAL STEEL

106th Consecutive Dividend

The Board of Directors at a meeting on May 15, 1956, declared a quarterly dividend of one dollar per share on the capital stock, which will be payable June 11, 1956, to stockholders of record May 25, 1956.

PAUL E. SHROADS, *Senior Vice President*

PACIFIC GAS and ELECTRIC Co.

DIVIDEND NOTICE

Common Stock Dividend No. 162

The Board of Directors on May 16, 1956, declared a cash dividend for the second quarter of the year of 60 cents per share upon the Company's common capital stock. This dividend will be paid by check on July 12, 1956, to common stockholders of record at the close of business on June 12, 1956. The Transfer Books will not be closed.

K. C. CHRISTENSEN, Treasurer

San Francisco, California

MERCK & CO., INC.

RAHWAY, N. J.

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, and $1.00 a share on the $4.00 convertible second preferred stock, have been declared, payable on July 2, 1956, to stockholders of record at the close of business June 11, 1956.

CARL M. ANDERSON, *Secretary*

May 22, 1956

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N. Y.

May 18, 1956

At the meeting of the Board of Directors of Kennecott Copper Corporation held today, a quarterly cash distribution of $1.50 per share, and a special cash distribution of $1.00 per share, were declared, payable on June 25, 1956, to stockholders of record at the close of business on June 1, 1956. The $1.50 quarterly distribution places the Corporation on a $6.00 per share annual dividend basis.

PAUL B. JESSUP, Secretary

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY
DIVIDEND NO. 900

The Board of Directors has declared Dividend No. 900 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable June 11, 1956, to stockholders of record June 1, 1956.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

May 8, 1956.

SOUTHERN PACIFIC LINES

Southern Pacific COMPANY

DIVIDEND NO. 154

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on June 18, 1956, to stockholders of record at the close of business May 28, 1956.

E. J. GOODWIN, Treasurer

New York, N. Y., May 17, 1956

UNITED FRUIT COMPANY

228th

Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable July 13, 1956, to shareholders of record June 8, 1956.

EMERY N. LEONARD, *Secretary and Treasurer*

Boston, Mass., May 21, 1956

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

PREFERRED DIVIDEND

The regular quarterly dividend of fifty-nine and three-eighths cents (59⅜¢) a share on the outstanding Cumulative Preferred Stock, 4¾% Series A, has been declared for the quarter ending July 31, 1956, payable August 1, 1956, to holders of record at the close of business July 23, 1956.

COMMON DIVIDEND

A dividend of twelve and one-half cents (12½¢) a share on the outstanding Common Stock has been declared, payable July 1, 1956, to holders of record at the close of business June 21, 1956.

The Transfer Books will not be closed in either case. Checks will be mailed by The Chase Manhattan Bank.

ALLYN DILLARD, *Secretary*

Dated, May 18, 1956

Pullman Incorporated

90th Consecutive Year of Quarterly Cash Dividends paid by Pullman Incorporated and predecessor companies

A regular quarterly dividend of seventy-five cents (75¢) per share will be paid on June 14, 1956, to stockholders of record May 31, 1956.

CHAMP CARRY, *President*

PULLMAN STANDARD CAR MANUFACTURING CO. — KELLOGG — TRAILMOBILE

DIVIDEND NOTICES

The UNITED Corporation

The Board of Directors has declared a semi-annual dividend of 10 cents per share on the COMMON STOCK, payable June 11, 1956 to stockholders of record at the close of business May 28, 1956.

WM. M. HICKEY, *President*

May 16, 1956

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 32 cents per share on the Common Stock of the Company, payable July 2, 1956 to stockholders of record at the close of business June 1, 1956.

D. W. JACK, *Secretary*

May 18, 1956.

TENNESSEE CORPORATION

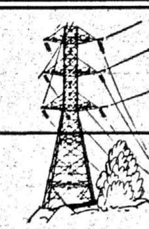
TENNESSEE CORPORATION

May 15, 1956

A dividend of fifty (50c) cents per share was declared payable June 28, 1956, to stockholders of record at the close of business June 14, 1956.

JOHN G. GREENBURGH, *Treasurer.*

61 Broadway
New York 6, N. Y.



Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

ORIGINAL PREFERRED STOCK
Dividend No. 188
60 cents per share.

CUMULATIVE PREFERRED STOCK, 4.32% SERIES
Dividend No. 37
27 cents per share.

The above dividends are payable June 30, 1956, to stockholders of record June 5. *Checks will be mailed from the Company's office in Los Angeles, June 30.*

P. C. HALE, *Treasurer*

May 18, 1956

Edison

DIVIDEND NOTICE

ALLIED PRODUCTS CORPORATION

PRECISION • EXPERIENCE • DEPENDABILITY

Detroit 23, Michigan

100% STOCK DIVIDEND ON COMMON SHARES AND COMMON STOCK DIVIDEND NO. 73

On May 10, 1956, the board of directors of Allied Products Corporation, a Michigan corporation, declared a 100% stock dividend on its Common shares as well as a quarterly dividend of 37½c, payable on both the presently outstanding shares and the shares to be issued for the stock dividend. Record date for the stock and cash dividends is June 15, 1956. Payment date for both is June 29, 1956. Shareholders shall hold their present certificates.

$10 Million Bonds of Baltimore County Offered to Investors

The First National City Bank of New York and associates were awarded on May 23 an issue of $10,000,000 Baltimore County, Maryland, Metropolitan District Water and Sewer Improvement Bonds, due June 1, 1959 to 1996, inclusive. The group bid 100.0557 for a combination of 5s, 2½s, 2¾s, 2.90s, 1s and ¼s, representing a net interest cost of 2.8185%.

Reoffering is being made of $9,205,000 of 5%, 2½%, 2¾% and 2.90% bonds due 1959 to 1993, inclusive, at prices to yield from 2.20% to 2.95%, according to maturity. The balance of $795,000 of 1% and ¼% bonds, due 1994 to 1996, are not being reoffered.

Participating in the offering are: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Mercantile-Safe Deposit and Trust Company; The Northern Trust Company; Chemical Corn Exchange Bank; Continental Illinois National Bank and Trust Company of Chicago.

The Philadelphia National Bank; Blair & Co. Incorporated; Equitable Securities Corporation; Baker, Watts & Co.; Stein Bros. & Boyce; W. E. Hutton & Co.; Francis I. duPont & Co.; Roosevelt & Cross Incorporated; Laidlaw & Co.; Andrews & Wells, Inc.; King, Quirk & Co. Incorporated; Robert Winthrop & Co.; F. W. Craigie & Co.; Commerce Trust Company; Kansas City, Mo.; Scott, Horner & Mason, Inc.; Folger, Nolan, Fleming-W. B. Hibbs & Co.; Anderson & Strudwick.

T. O. Wright Opens

TYLER, Tex.—T. O. Wright, Jr. is engaging in a securities business from offices at 141½ South Broadway.

Continued from page 4

The State of Trade and Industry

vide funds for expansion, "Steel" magazine stated on Monday of this week.

It observed that a substantial wage hike for steelworkers could raise steelmaking costs as much as $8 a ton.

Many steelmakers believe a price increase of 16 to 19% would cover higher costs and provide expansion funds. That would mean a price rise of $20 to $23 a ton. The publication doubts the price increase would be that large but predicts it will be substantial.

The crucial point in labor wage settlements is the premium pay demand, the magazine declared. The cost for workers on continuous jobs will range from 40 to 70 cents an hour. The across-the-board cost of premium pay will range from 33 to 40 cents per hour per worker. That spread occurs because steel companies have varying proportions of their operations set up continuously. This issue is the one which probably will determine whether there will be a steel strike, the metalworking authority added.

No matter what happens, buyers know they will have to pay more for steel delivered the last half of the year. Since November, price increases total about $2.75 a ton.

Latest upward revisions came last week. The increases in extras are not reflected in 'Steel's' composite, compiled from base prices. For the week ended May 16, the arithmetical price composite on finished steel remained at $128.98 a net ton. The composite on steelmaking scrap dropped to $51 a gross ton from the previous week's $53.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at the average of 96.6% of capacity for the week beginning May 21, 1956, equivalent to 2,379,000 tons of ingot and steel for castings as compared with 95.3% of capacity, and 2,345,000 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 100.5% and production 2,473,000 tons. A year ago the actual weekly production was placed at 2,326,000 tons or 96.4%. 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 Makes Further Gains in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 19, 1956, was estimated at 10,875,000,000 kwh., a gain above the week ended May 12, 1956, according to the Edison Electric Institute.

The week's output advanced 38,000,000 kwh. above that of the previous week; it increased 1,145,000,000 kwh. or 11.8% above the comparable 1955 week and 2,502,000,000 kwh. over the like week in 1954.

Car Loadings Moved Mildly Higher in Latest Week

Loadings of revenue freight for the week ended May 12, 1956, increased 7,048 cars or 0.9% above the preceding week the Association of American Railroads reports.

Loadings for the week ended May 12, 1956, totaled 777,606 cars, an increase of 24,961 cars, or 3.3% above the corresponding 1955 week, and an increase of 100,066 cars, or 14.8% above the corresponding week in 1954.

U. S. Automotive Output Registered a Decline for the Fifth Straight Week

Automotive output for the latest week ended May 18, 1956, according to "Ward's Automotive Reports," showed a cut in production for the fifth straight week.

Last week the industry assembled an estimated 106,178 cars, compared with 105,654 (revised) in the previous week. The past week's production total of cars and trucks amounted to 127,558 units, a decrease of 217 units below the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 524 cars, while truck output declined the past week by 741 vehicles. In the corresponding week last year 176,441 cars and 31,646 trucks were assembled.

Last week the agency reported there were 21,380 trucks made in the United States. This compared with 22,121 in the previous week and 31,646 a year ago.

Canadian output last week was placed at 10,990 cars and 2,701 trucks. In the previous week Dominion plants built 11,033 cars and 2,705 trucks, and for the comparable 1955 week, 11,058 cars and 2,791 trucks.

Business Failures Advanced in Latest Week

Commercial and industrial failures rose to 279 in the week ended May 17 from 258 in the preceding week, according to Dun & Bradstreet, Inc. At the highest level in nine weeks, the toll was considerably above the 226 a year ago and the 248 in the similar week of 1954. Failures remained below the pre-war level, but were only 3% under the 289 of the similar 1939 week.

Failures with liabilities of $5,000 or more climbed to 234 from 219 last week, and exceeded the 189 of this size recorded a year ago. The toll among small failures with liabilities under $5,000, increased to 45 from the 39 of the previous week and from the 37 in 1955. Failures with liabilities in excess of $100,000 numbered 27 as against 22 a week ago.

Wholesale Food Price Index in Past Week Registered Highest Level in Seven Months

In the sharpest weekly advance of the year, the Dun & Bradstreet wholesale food price index rose to $6.14 on May 15, from $6.03 the week before. This brought the current figure to the highest level since the $6.17 on Oct. 14, last, and whittled the decline from the corresponding year-ago index of $6.37 to 3.6%.

Moving higher in wholesale price last week were flour, wheat, oats, barley, hams, bellies, coffee, cottonseed oil, eggs, potatoes, hogs and lambs. Lower in price were corn, rye, lard, sugar, cocoa and steers.

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 Turned Mildly Upward in Latest Week

The general commodity price level, as measured by the Dun & Bradstreet daily wholesale commodity price index, registered a slight gain the past week. The index closed at 293.44 on May 15, comparing with 292.52 a week earlier and with 272.83 on the corresponding date last year.

Grain markets were irregular last week with general weakness in early trading followed by substantial recoveries later.

Wheat showed a moderate upturn for the week with buying stimulated by a rather bullish Government Winter wheat estimate. The May 1 report of the Department of Agriculture indicated a crop of 681,000,000 bushels, which compared with 705,000,000 last year, and a 10-year average of 872,000,000 bushels.

Corn prices developed considerable easiness in late sessions, influenced by increased producer marketings and the receipt of copious rains in most of the belt. Although planting of corn has been retarded by recent cold weather, the needed rains have put the soil in good condition for planting of the new crop. Activity in grain and soybean futures declined during the week. Daily average purchases on the Chicago Board of Trade totalled 65,900,000 bushels, against 87,700,000 the previous week and 39,800,000 a year ago.

Cocoa prices were fairly steady. Some dealer and commission house buying was noted but manufacturer demand remained routine. Warehouse stocks of cocoa increased to 338,350 bags, from 335,518 a week earlier and compared with 175,324 bags a year ago. Coffee prices were steady to firmer in relatively light trading.

Domestic raw sugar prices continued firm, aided by recent improvement in demand for the refined product.

Flour prices worked mildly lower as demand for most types of bakery flours remained dull and routine. Lard was irregular and lower in sympathy with declines in prices for vegetable oils. Cattle prices were down slightly for the week but hogs and lambs finished sharply higher. The top price for butcher hogs at Chicago reached $17 per cwt., the highest since September 1955. Behind the upturn were smaller market receipts and a sharp advance in the price of wholesale pork cuts.

Cotton prices declined early but developed considerable strength as the week progressed. Improved weather and soil conditions and a slowing down of mill operations in some areas caused some losses in early dealings. These were more than regained, however, toward the end of the period on buying attributed to reports that the CCC again had sold only a small amount of cotton for export under bids opened on May 8.

Purchases of cotton in the 14 spot markets remained relatively small and totalled 41,100 bales for the week, less than one-third the 137,300 bales for the corresponding week a year ago.

CCC loan entries reported in the week ended May 4 totalled 21,500 bales, and loan repayments in the same week were 22,300 bales.

Trade Volume Stimulated in Latest Week By Mother's Day Purchases

Mother's Day sales promotions noticeably stimulated consumer buying of women's fashion accessories, candy and glassware the past week.

Retail trade rose sharply above that of the similar period last year, the 1955 post Mother's Day week.

The later occurrence of Mother's Day this year boosted the total dollar volume of retail trade in the period ended on Wednesday of last week 9 to 19% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England +11 to +15; East +13 to +17; South +5 to +9; Middle West and Pacific Coast +7 to +11; Northwest +4 to +8 and Southwest +8 to +12%.

Apparel stores reported a considerable increase in the call for women's gloves, lingerie, handbags and cosmetics. Volume in blouses, sweaters and cotton dresses was moderately above that of the previous week with the buying of suits, coats and sportswear high and steady. There was a slight increase in the buying of men's lightweight suits and raincoats. Best-selling furnishings were straw hats, neckwear and hosiery.

There was a slight rise in wholesale orders a week ago, with noticeable increases in children's apparel, furniture and hardware. The total dollar volume equalled that of the corresponding 1955 week.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index of the week ended May 12, 1956, increased 19%* above those of the like period of last year. In the preceding week, May 5, 1956, a decrease of 7%* was reported. For the four weeks ended May 12, 1956, an increase of 3% was reported. For the period Jan. 1, 1956 to May 12, 1956 a gain of 3% was registered above that of 1955.

Retail trade in New York City the past week showed an increase in sales volume despite the continued cool weather. Trade observers estimated the week's gain over the like period of 1955 at about 6 to 8%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended May 12, 1956, increased 19%* above those of the like period last year. In the preceding week, May 5, 1956, a decrease of 5%* was recorded. For the four weeks ending May 12, 1956, a gain of 5% was recorded. For the period Jan. 1, 1956 to May 12, 1956 the index recorded a rise of 2% above that of the corresponding period in 1955.

*Comparisons are affected by the fact that Mother's Day was one week later this year than last.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — That the Federal Government has slipped back into the old Roosevelt-Truman groove of constantly and fairly rapidly rising expenditures is testified to by the cold, inexorable logic of two official documents released recently.

One of these is the revision of the fiscal 1956 budget estimates. The other is Treasury Secretary George Humphrey's candid exposure of the supposed "pay as you go" aspects of the multi-billion dollar highway construction program.

It now appears, according to the latest estimates, that during the year which ends June 30, the Federal Government will spend a total of $65,872 million.

Although it came into office on Jan. 20, 1953, five months and 11 days before the expiration of the fiscal year 1953, the present Administration disclaims responsibility for the level of spending during that year. The Administration considers it a "Truman year," although skeptics might not consider it an impossible task for some pruning to have been done by the new Administration that year. Presidents may impound parts of appropriations until convinced of their need.

However, taking the Administration's alibi at face value and counting fiscal 1953 as a "Truman year," total expenditures during that year amounted to $74,274 million.

Hence the absolute total of spending on all accounts has been pared from $74,274 million to $65,872 million, or by $8,402 million.

However, in 1953 the present Administration consented to a suspension of hostilities in Korea under terms substantially the same as those which were available to Messrs. Truman and Acheson, but which the latter were afraid to accept for fear of the cry of "surrender."

Hostilities Ending Saved Money

When the fighting ceased, it was only natural that military spending should drop. In the first place men and material were not being expended. In the second place the government did not have to project large reserves of weapons necessary when warfare is still on. It would have been natural to have expected even a President, without great interest in economy, to have curtailed national security spending.

This military cutting the Administration did make. Total national security spending in 1953, using the latest official figures, amounted to $52,065 million. During the present fiscal year their total is estimated at $41,639 million — a drop achieved in three years of $10,426 million.

Current Year Low

It thus appears that fiscal 1956 or the current year represents the probable low point in cutting back the military and national security spending. (The impression of a climb from lower points arises chiefly because the Administration has some three times underestimated totals in Defense Department military spending). Fiscal 1955 produced the low point for Defense Department military spending at an actual figure of $34,575 million versus the slight rise, by the latest estimate, to $35,600 million for 1956. However, other components of the all national security complex, atomic energy, foreign aid, and stockpiling, are all down a little from 1955 so as to make the total national security in 1956 the low point.

However, the ambitions of the Administration point to a rise, unless checked by Congress, in almost all categories of national security for 1957. A check appears possible only as to foreign aid.

Civilian Spending Rising

All expenses other than national security amounted to $22,209 million in fiscal 1953, "the last Truman year." In fiscal 1954 they were $19,615 million; in 1955, $22,017 million, and the latest estimate for 1956 is for $24,233 million.

In other words, the present Administration made a cut in civilian spending of $2,594 million, and then suddenly reversed the trend, boosting them by $2,492 million in fiscal 1955 and by an additional $2,216 million in fiscal 1956. The net increase in civilian spending over the three-year period is thus $2,024 billion for the three years, but at the rate of the last two years indicates a rise at the rate of more than $2 billion per year.

For the rise in civilian spending, the Administration has one major alibi. Net expenditures of Commodity Credit Corp., the price supporting agency, accounted for $1,607 million of the net rise of $2,024 billion in civilian spending for fiscal 1956 as compared with fiscal 1953.

On the other hand, the Administration has given the impression of deceiving at least itself grossly as to the savings it was allegedly going to achieve by its so-called "flexible" price supports, having as consistently underestimated their cost as it has underestimated the cost of military spending.

Supports High

The actual level of price supports was percentagewise reduced insignificantly, and while the Administration is still talking about them as a device making for economy, it has come forward to back the "soil bank" program, a new and additional subsidy which is expected to add to annual Federal expenditures by $1.2 billion. What its fiscal effect actually will work out to be, remains to be proved after the bill is passed. Some say the rates of compensation to farmers for not working their land is too small, and comparatively few farmers will take advantage of the scheme. In such a case it would not be surprising if Congress boosted ultimately the scale of benefits.

However, aside from price supports, every category of proposed civilian spending is larger in fiscal 1956 as compared with the low point. A curiosity is that the latest revision of estimates is that in fiscal 1957 only $740 millions will be spent for highway construction, whereas Secretary Humphrey, in his appearance before the Senate Finance Committee, estimated the Federal Government would spend in fiscal 1957, $1,020 millions on roads under the multi-billion dollar roads bill as passed by the House, and $1,045 millions under the bill as reported to the Senate.

Varying Estimates

In the latest budget revision, there is the sharpest variation from original projections. When the Administration first offered its 1956 budget, it projected expenditures of $62.4 billions, revenues of $60 billions, and a deficit of $2.4 billions. In the intervening months, prospective revenues, reflecting the boom, have zoomed to $67,700 millions, or a rise of $7.7 billions or a nice 12.5%.

In other words, if the Administration, which has relative control over spending but in fact perhaps relatively less control over economic conditions, had held expenditures to the original estimated level, the boom's revenues would have wiped out the then estimated deficit of $2.4 billions and left a surplus of $5.3 billions, instead of the surplus of $1,828 millions now estimated.

Even the revised estimate of spending a year later, with one-half of the year already gone, in the light of the May estimates, looks ridiculous. For example, in mid-January the President underestimated Commodity Credit Corp. expenditures $1,339 millions below what the Budget now estimates them.

Highway "Trust Fund"

Secretary Humphrey pointed out to the Senate Finance Committee in effect that several billions of funds now collected on trucks, fuel, or various excises will be diverted to "trust funds," for highway construction. In other words, funds now used for general expenditures purposes will be allocated for highway use, which means that other revenues will be found, or the Treasury will on that account be poorer off. In any case, alleged "highway revenues" during several years will not match prospective highway expenses under either House or Senate bill.

Ike May Lose Congress

Unless a clearer political trend develops between now and November — and such can happen if any of a number of possibilities turn up—it is a serious possibility in the view of many observers that President Eisenhower might be re-elected, but again with a Democratic-controlled Congress.

The best of the soothsayers in the political business are chary of predicting at this time any fundamental change in the political line-up from the present. They expect that President Eisenhower will be re-elected, but without the popular surge which swept Republicans into a small control of Congress in November 1952.

If President Eisenhower should win the Presidency without control of Congress, it would break something of a precedent. Only once in history has a President failed to come up with a majority of members of Congress in the Senate. That was Grover Cleveland's first term in 1884. In 1912 Wilson saw more Republicans than Democrats elected to the House, but independents voted with the Democrats to give the latter control of the House in Wilson's first term.

[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

"I hate to cast aspersions but do you think Figbar may possibly be in cahoots with the robber?"

Forms Fidelity Inv.

EAST MEADOW, L. I., N. Y.—William L. Cantwell is engaging in a securities business from offices at 2242 Third Street under the firm name of Fidelity Investors Service.

Form Funds For Business

Funds For Business, Inc. has been formed with offices at 120 East 41st Street, New York City, to engage in a securities business.

With First Secs. of Denver

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Flora Kean has been added to the staff of First Securities of Denver, 910 Sixteenth Street. Mrs. Kean was formerly with Robert Connell Inc.