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EDITORIAL

## As We See It

We have of late been passing through one of those internecine military conflicts, in which the services and sometimes individuals are pitted against one another in sharp, almost bitter, debate about matters of basic importance to all of us. As is so often the case, there has been a regrettable tendency on the part of some individuals or groups to take the issues to "the people" by means of "leaks" and other familiar propaganda devices. Similar tactics in the past have rendered it impossible, politically speaking, to organize the armed forces in the most business-like way, and unless experience is no guide the current maneuvering, particularly in an election year, may do serious harm to the country.

As the President well said the other day, we are undergoing revolutionary transformations in an effort to keep our military establishment and our military strategy abreast of the radical changes that incredible scientific and technical advances have brought into being. And, as the President further observed, it is both natural and wholesome that differences of opinion should arise in such circumstances and equally good that in the proper places and in proper manner these opinions should find the most vigorous expression. But again as the President so well pointed out, it is essential that basic decisions be reached which in the very nature of the case can not possibly be pleasing to all who take part in current policy debates, and if we are to have a military establishment at all, these decisions must be accepted and loyally supported once they are properly reached. Of course, it is the old, old rivalry among the services which causes the real trouble.

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## How Good Is the Dollar?

By MELCHIOR PALYI

**Internationally known Economist sees dollar stability undermined by: (1) extent of foreign-owned short-term dollar balances; (2) reversal of the economy drive; (3) 3% annual money volume growth and slipping gold reserve; (4) incredible growth of net public, corporate and private debts, and (5) existence of free gold market even in Canada. Dr. Palyi relates American short-term debt and foreign-owned salable American securities to the run on pound sterling in 1931 when Britain was a creditor nation possessing "a paltry $1.6 billion short-term debt." Advocates ending U. S. foreign aid used to cover dollar deficits and to build up foreign reserves.**

The Canadian Government surprised the world by a sudden change in the gold policy it has pursued since the devaluation in September, 1931. Presently, the private ownership of the yellow metal has been freed of all shackles. To be sure, the Bank of Canada did not resume the conversion of its notes into gold. But otherwise a free market in gold has been established with full freedom to buy, sell, hoard and — most important — to export it in any shape or form.

Dr. Melchior Palyi

There was no reason given for the puzzling, if only partial, reversal to normalcy. Just what was the motive behind it? To prepare for returning to the full-fledged gold standard? To demonstrate the strength of the Canadian dollar? To enhance the public's confidence in it. A few years back, when gold was commanding a substantial premium over the dollar, such liberalization would have been a bonanza to the gold miners. Now, the free market price is not appreciably higher than the official one at which the Bank of Canada buys gold. At that, the measure is taken at a time when the Dominion's monetary position is not at its best. Its deficit in foreign trade has reached last year an all-time high, while the influx of American capital seems to be heading downward. Canada's international balance has been weakening accordingly. This may have prompted the government's action, paradoxical as it may sound. The move may imply a subtle appeal

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## Inflation, Depreciation And the Steel Industry

By BENJAMIN FAIRLESS*

President, American Iron and Steel Institute

**Appealing for liberalized, realistic depreciation laws, Mr. Fairless points out that the nation's steel industry in the next five years will be about $3 billion short in meeting replacement costs—assuming a stable construction and price level. Referring to past 15 years of "continuous cost inflation," and its compounded effect upon long-life steel producing facilities, author discusses the two roots of inflation—industry-wide labor unions, and a national policy which demands the Federal Reserve Board to create what might easily prove to be inflationary monetary conditions to prevent unemployment—and believes we cannot assume that the underlying cost inflation will be halted. Critiques the various means of financing capital expenditures and concludes prompt action is mandatory.**

The past year has been notable for steel in many ways. It has been a year of new accomplishments, new records and continuing expansion. Historically, it has marked a great milestone in the life of our industry. As we meet here today, we have just completed the first century of the steel age. We are at the 100th anniversary of the Bessemer Process and the Kelly Process—the first having been patented in 1856 and the latter in 1857.

Benjamin F. Fairless

When William Kelly first proposed his theory, we are told, his father-in-law concluded he was crazy and wanted a doctor to treat him as a mental patient. We can be happy that his father-in-law failed, because we might otherwise be laboring under a very troublesome precedent. If, for example, every one in this industry who dreams in terms of new processes and better techniques were being

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*An address by Mr. Fairless before the 64th General Meeting of American Iron and Steel Institute, New York City, May 24, 1956.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 36.

# The Security I Like Best

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

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

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

**Interntaional Harvester Co.**—August Huber, Manager Stock Dept., Spencer Trask & Co., New York City. (Page 2)

**Keystone Portland Cement Co.**—Charles A. Taggart, President, Charles A. Taggart & Co., Inc., Philadelphia, Pa. (Page 2)

**AUGUST HUBER**

Manager Stock Department
Spencer Trask & Co.
Members: New York Stock Exchange and American Stock Exchange

**International Harvester**

In a general market which has shown highly divergent trends, some "quality" stocks with distinctly favorable prospects have advanced to where they are selling at 20-25 times earnings and yield 2% to 3% or less. Contrarywise, there have been other good grade shares which have been declining under selling pressure due to interim factors which have tended to generate an adverse investment psychology toward them.

August Huber

International Harvester falls into the latter category, having declined from a high of 41⅛ last year to 34, the lowest price of the past two years. Behind this market performance has been the effects of declining farm income and reduced buying of farm equipment. The company has cut back production recently in its farm implement divisions.

While International Harvester is the dominant manufacturer of farm machinery, its over-all operations are well diversified. While net farm income in the United States last year declined to $10.9 billion from $12.3 billion in 1954 (a steady decline from $16 billion in 1951), Harvester's sales in the 1955 fiscal year were $1,165,000,000 compared with $994,100,000 the year before (and not too far under the all-time peak of $1.2 billion in 1951). Net earnings in the fiscal year ended October, 1955, rose to $3.60 per share from $2.24 the year before.

Indicative of Harvester's diversification, of last year's total sales, farm equipment represented 33%, trucks and parts 39%, and the balance in industrial equipment, steel and iron, twine, and military products.

Over-all truck production is running ahead of 1955 and for the year the industry should equal last year's output of about 1,200,000 units. Harvester's first quarter truck output was 26% over a year ago. Industrial power equipment sales (13% of 1955 total volume) should be appreciably higher than in 1955.

On the whole, the Harvester management expects gains in its other lines to offset the dip in farm equipment this year. Hence, 1956 sales are expected to be around last year's level of $1.1 billion, with net earnings of about $3.50 per share.

The company is fully integrated from the production of raw materials to the manufacture and distribution of its finished products. Harvester operates its own coal mines, steel mills, coke ovens and sisal plantations. The company has the most complete dealer organization, both at home and abroad, in the industry.

Finances are characteristically strong. Total current assets of $573 million are 3.3 times total current liabilities of $174 million and cash items of $193 million alone exceed the latter figure.

The regular $2.00 dividend rate is amply covered by earnings and at 35 yield a much better than average return of 5.7%.

Dividends have been paid without interruption since 1918.

In summary, the shares may continue sluggish marketwise under the influence of present farm conditions. By the same token the stock is rather well deflated and a policy of acquiring sound values during periods of unpopularity is usually rewarding. I believe the shares have attraction for conservative accounts considering (1) good investment quality; (2) excellent name and diversification of products; (3) strong finances; (4) selling at only 10 times earnings, which are likely to hold up better than generally expected; (5) secure $2.00 dividend, and (6) attractive 5.7% yield. Moreover, viewed in longer term perspective, both major political parties are committed to policies designed to improve the nation's farm economy.

**CHARLES A. TAGGART**

President, Charles A. Taggart & Co., Inc., Philadelphia, Pa.
Member Philadelphia-Baltimore Stock Exchange

**Keystone Portland Cement Company**

About ten months ago, when I was perfectly willing to rest my laurels, I was encouraged to write another story for this column. I do not regret it because the stock about which I wrote has appreciated about 46% in market value, while affording a nice dividend yield to anyone who invested in the shares.

Charles A. Taggart

Most of my stories have been about companies, the stocks of which have been traded over-the-counter for years and with long dividend records. Keystone Portland Cement Company is an exception as far as dividends are concerned. It's continuous dividend record dates back to 1950 only, but it is my opinion that the company can look forward to several years of prosperous operations.

Building construction, both private and public, is expected to continue at a high level this year, even though the residential completions may not be as great as in 1955. Plans for industrial expansion still loom large. Then there is the National Highway Program which has had set-backs because of controversies over methods of financing but nevertheless is well on its way to becoming a reality. While Keystone Portland Cement Company's marketing area is not national, an ever increasing amount of cement should be used in the territory it serves embracing Eastern Pennsylvania, New Jersey, New York, Delaware, Maryland and the New England States.

The cement business is not without competition, but Keystone Portland Cement has recently completed an expansion program, increasing its capacity from approximately 2,500,000 barrels annually to somewhere between 3,000,000 and 3,100,000 barrels. Since the modern design of the additional equipment is expected to reduce the thru-put cost, the company should experience increased earnings because of the greater capacity and more efficient operations.

Keystone experienced increased earnings in 1955, even though no benefit was received from the increased capacity, not put into full operation until after the close of 1955. The expansion was done without stock dilution or additional financing.

Public ownership of the stock was considerably broadened in the early part of 1954 when the authorized common was changed from 136,434 shares to 545,736 $3 par shares and 330,296 shares from an estate were offered to the public.

Keystone's capitalization is extremely conservative with no funded debt, nor preferred stock. This, in spite of the expansion program costing in excess of the original estimate of $1,750,000. As of Dec. 31, 1955, the capital and surplus figures were as follows:

| | |
|---|---|
| Common Stock Par Value $3 (545,736 shares) | $1,637,208 |
| Capital Surplus | 68,217 |
| Earned Surplus | 2,927,790 |
| Total | $4,633,215 |

Total assets of the company stood at $6,057,575 on Dec. 31, 1955, up $1,545,618 over Dec. 31, 1955. At the end of 1955, there remained about $500,000 in commitments for plant construction. Land, buildings, machinery, and equipment costing $7,467,097 is carried at $3,810,882.

Since the expansion program was undertaken without recourse to additional financing, working capital was lower at the end of 1955 than it was a year earlier. As it was, it stood at a healthy $822,333 compared with a very high $2,019,403 on Dec. 31, 1954.

The following is a tabulation of sales (000 omitted), per share earnings and dividends adjusted for the 4-for-1 split in 1954:

| | Net Sales | Earn. per Share | Dividends |
|---|---|---|---|
| 1955 | $7,481 | $2.44 | $1.45 |
| 1954 | 7,064 | 2.16 | 1.33 |
| 1953 | 6,770 | 1.48 | .87½ |
| 1952 | 5,950 | 1.37 | .87½ |
| 1951 | 6,130 | 1.52 | .75 |

The total of $1.45 in dividends paid in 1955 took the form of 30c quarterly plus 25c extra in December. The first quarterly, paid in March this year, was increased to 35c. The dividend pay-out in the last five years has averaged about 59%.

According to the letter of Charles E. Shearer, president, included in the annual report, additional quarry land was purchased in 1955 and leases on other land extended. This has added many years to the life of the raw material supply of the plant. The following is quoted from the letter of Mr. Shearer.

"All of our studies and surveys indicate another good construction year in 1956. To cite only a few of the predictions—the Commerce and Labor Departments in Washington jointly forecast that new construction may attain a record breaking total of 44 billion dollars. If that figure is reached, even with an expected slackening of home building, the

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# A Commentary on Questions Confronting the Treasury

By HON. GEORGE M. HUMPHREY*
Secretary of the Treasury

**Treasury Secretary Humphrey, in giving his views on the economy's outlook, possibility of budgetary and tax cuts, recent Federal Reserve policy, opines: (1) it is going to be very difficult to continually reduce non-military expenditures; (2) real savings will not come from reducing some normal government functions but from reduced world tensions; (3) taxes are too high, and an adequate surplus will achieve a start in debt and tax reduction; (4) military security has not been weakened to balance the budget; and (5) no further credit tightening was needed. Anticipates small adjustments, stresses confidence in the outlook, and answers questions pertaining to suggested abolition of income tax and just when a tax reduction is justified.**

Knowing the Press Club's habit of thinking up the most embarrassing questions they can to present, I thought maybe I would feel that I would ask myself some questions first, taking my own questions that I would ask and perhaps by the time I got through answering them you would either be so tired listening, or it would be so late, the Chairman would adjourn the meeting and it would be all over.


George M. Humphrey

With your permission, I will just ask myself a few questions. Then, if there is time left, I will do the best I can.

### Budgetary Surplus

The first question I have here is this:

How close can we come to the new estimate for a budget surplus of $1 billion, 800 million?

The answer to that is that we hope we will be pretty close. In trying to say how close we can come, I just want you to have in mind a few things as to how difficult it is to make these estimates.

A billion dollars is an awful lot of money. I do not know how much it is, and I do not believe there is anybody in this audience who knows how much it is. It is a terrific amount of money in the things it will buy and the things it will do. However, a billion dollars in national finances is a relatively small amount of money, when you are collecting and spending 65, 66 or 67 billion a year.

You would think that anybody who could not estimate within $1 billion, that there was something the matter with him. But if you stop and think for just a moment, we spend $1 billion every five days. Just think of it, every five days.

In other words, we collect it, of course, and spend it. It is not literally true, but figuratively true, that if our mail is delayed from Thursday to Tuesday morning we are out a billion. If you say you can estimate $100 million, or $1 billion, of where you are going to be on a given day, why it is a very difficult thing to do.

About all we can hope for, to be perfectly frank with you about it, is that in making up our estimates we will make so many mistakes on both sides that they will kind of cancel each other off.

By and large it works about that way. With the efforts that we put out, I have reason to believe that we will come pretty close to the $1 billion, 800 million that we have estimated.

We have about three-quarters of it behind us in the income side, and about ten months of it on the defense side. But we will have the income for the last quarter of the fiscal year, which are the June tax payments to come in and we can very easily have $1 billion variation from our estimate.

On the other hand, we have the expenditures coming in for the end of the year and, as you all know, there is a great tendency toward the end of the year when there is money not spent to at least commit it so there is no chance of having an appropriation lapse. The last quarter of the year is a difficult time on both the expense and income side to estimate, but I still believe we will be fairly close to a budget surplus of $1 billion, 800 million. I am just delighted to be able to have the assurance, and to tell you that I think I can give you positive assurance that we will have a budget surplus this year.

### Question of a Tax Cut

The next question:

On the basis of this estimated surplus, will you recommend a tax cut?

The answer to that one is no. I will not. For one thing, it is high time to start reducing our huge debt. Another reason is this: As I said a minute ago $1 billion, 800 million is a lot of money, but again it is a very small percentage of our total collections and our total disbursements. We have nearly 80 million taxpayers in this country. We have over 50 million tax returns. Some of them are made for husbands and wives jointly, so that we have more ac-

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*Transcript of Secretary Humphrey's remarks at the National Press Club Luncheon, Washington, D. C., May 24, 1956.

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# Testing Steel

By IRA U. COBLEIGH

*Enterprise Economist*

**Some topical notes about one of our most important industries, its position and prospects today, and the relative attractiveness of certain steel equities in the fluttering markets of the moment.**

Almost everybody and everything is being tested these days. Millions of youngsters in schools and colleges are starting final tests and examinations; the hydrogen bomb was just tested in the far Pacific; the Nike Army type guided missile for metropolitan defense was tested last week (and incidentally it scored very high marks); the stock market has been daily testing resistance points on the down side; the motor industry is being tested on how to sell off a 900,000 unit inventory; Russia is testing a "Dale Carnegie" type of diplomacy on, we hope, a non-gullible world; and to get specific the steel industry is in for a series of tests.

Ira U. Cobleigh

So with this off-beat sort of introduction, let's get down to cases in steel; let's see what the tests this industry must meet and in what manner its problems may be solved. The most imminent test, of course, is in labor. On June 30 (midnight) the union contract expires; and in the interval between now and then a new agreement with United Steelworkers must be hammered out. This won't be easy. Preliminary demands including overtime for Saturday and Sunday work (steel furnaces must be kept going seven days a week, and, currently, those working weekends get two days off midweek) could run to a 60c an hour increase. Nobody thinks the outcome will be that high, but somewhere between 15c and 20c an hour up, is a distinct possibility. And, of course, if no agreement, a strike. Whatever settlement is finally reached, the result will be inflationary. A new fillip will be given to the price of labor not only in steel, but pervasively to all heavy industry, and, almost a certainty, is a higher price for steel.

Another item impelling higher prices for steel is the depreciation allowance. The government usually allows a 25-year span—depreciation at the rate of 4% a year. This would not be too bad if, at the end of the quarter century, you could duplicate the plant at level prices—but you can't. Far from it. Mr. Roger M. Blough, Chairman of U. S. Steel, says that an open hearth plant costing $10 million in 1930 could not be built today for less than $64 million. True, some accelerated (5-year) depreciation was granted to hop up steel production at the time of the Korean war. But what is needed is not stop gap relief, but legislation revising the depreciation rate. A ten-year plant life would be far more realistic than twenty-five. Of course, a new plant today would be 35% to 50% more efficient than the old depreciated plant; but the rapid obsolescence of today in the steel industry simply must be given updated tax treatment along the lines above outlined.

Of more immediate impact is the heavy recent buying of steel, mainly stockpiling in anticipation of a possible strike. This gave a lusty hue of prosperity to the steel industry in the first quarter, which may fade perceptibly by the time the year end reports come out. For steel demand has indeed slackened. The auto cutback is well known and widely discussed; the production level of farm implements and appliances is down; building starts are lower; railway and marine demands are far less insistent than a year ago. The brightest sections are in steel for structures, construction and the oil trade. Once again the historically cyclical nature of the steel industry is being kicked around not only by economists, labor, and business leaders, but by investors in the board rooms. Is steel in for a dip, a decline, a dive or a turn-around? Let us temper our judgment by a look at some company operations.

For the first quarter of 1956, U. S. Steel looked magnificent. Operations were at 98% of capacity, quarterly sales up a fancy 26% to $1,100,000,000 and net per share on the common from $1.25 for the same period in 1955, to $1.83 this year. This sort of earning power coupled with a $3.50 indicated dividend on Steel common rather encourages investors to a favorable view of this renowned equity at around 55 yielding 6.36%. The year as a whole, however, may not look this good as reduction to 90% operation is quite possible; and no one can at the moment predict the impact on earning power which the forthcoming "labor bite" may create.

Bethlehem Steel Corporation has been quite an amazing performer. More perhaps than any other steel company, Bethlehem has documented a theory that steel is a "growth" rather than a cyclical industry. In the 10 years from March 1, 1946 to March 1, 1956 Bethlehem actually racked up a higher percentage gain in market price of its common than did Dow Chemical in the same interval. (Steel ingot total capacity has doubled since 1929.) Today Bethlehem at 146 is a resplendent equity. It earned $18.09 in 1955, pays a current indicated dividend of $7.25 and its common is and has been a high favorite among the investment trusts. Bethlehem is our second largest steel producer and the leading factor in the repair and construction of ships of all sorts from sand and coal barges to tugs, auxiliary craft, ocean going vessels and tankers. It has been broadening its activities and has been hammering away at a merger with Youngstown. This is highly logical, and in due course, after a suitable furore about the antitrust factor, should come about.

Bethlehem has increased its capacity more than 50% since 1946 and in particular has been aggressive in the search for future ore supply. It has a 45% interest in Erie Mining Co. (taconite) and a 49% interest in a large manganese development in Brazil. Some slippage in sales and net for Bethlehem may materialize in 1956. Meanwhile, the common should be watched. If it is not a solid buy now, it may soon become one, and its longer range prospects are excellent. If you want a particularly fine hedge look at the 3¼% "converts" at 115 which are convertible at a very nearby price—$140.

Republic common at 44 is attractive by virtue of its good dividend, and aggressive management. Republic is number three steel producer. The management does not look forward to any drop in production this year, below 85% in capacity, even during the summer vacation period.

Armco earned around $6 a share last year and has been humming along at near capacity so far this year. The Armco dividend of $2.40 translates into a current yield of around $4.75% at 52.

Lone Star Steel, which is a specialist in oil industry items, is perhaps the only company quite certain to maintain or increase current production levels. Management here predicts year end operations at 112% of capacity.

Among the specialists, some kind words are being said about Carpenter Steel, currently selling around 47½ with a dividend potential for 1956 between $2.50 and $3. (Carpenter has paid dividends without a miss since 1907 which is pretty good for a steel company.) Carpenter is a producer of stainless, tool, and special alloy steels and its operations are in line with the trend toward steel that can stand high temperatures and pressures, and resist corrosion. Earnings for fiscal year ending June 30, 1956 are estimated at around $6.70 a share. There are 854,496 common shares outstanding, sole capitalization.

While there are evidences of some down turn in steel, and there is historically some record that simultaneous backspins in the steel and motor trade lead to recession, the long range trend of steel appears up and capacity is being increased. Indeed quite a few men in the industry expect the 1955 output figure of 117 million tons to be either equalled or exceeded this year. Whether or not this is an over optimistic view remains to be seen—and to be tested.

## City of Ashland, Ky., Plans Public Sale of $2,600,000 Rev. Bds.

Pursuant to the official announcement appearing on page 15, the City of Ashland, Ky., is offering for sale via competitive bids on June 12 a new issue of $2,600,000 utilities revenue bonds. The bonds will be dated April 1, 1956 and mature on April 1 from 1957 to 1996 inclusive. Provision is made for prior redemption of bonds maturing April 1, 1967 and thereafter. The city will furnish the prepared bonds and the approving legal opinion of Chapman & Cutler, of Chicago.

## New Firm Name to Be Sanders & Company

DALLAS, Tex.—Effective June 1st the firm name of Sanders & Newsom will be changed to Sanders & Company and the firm's offices will be removed to the Republic National Bank Building. Partners in the firm are Jesse A. Sanders, Robert R. Gilbert, Jr., and Allen L. Oliver, Jr.

## With Continental Secs.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Roland J. Zainer is now with Continental Securities Corporation, 207 East Michigan Street.

## Chicago Analysts to Hear

CHICAGO, Ill.—The Investment Analysts Society of Chicago at their luncheon meeting scheduled for April 26 in the Adams Room of the Midland Hotel will have as speaker L. E. Pettit, Manager of investor relations of General Electric Company.

## Reynolds Adds

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—Mildred M. Carver has been added to the staff of Reynolds & Co., 120 South Salisbury Street.

# The State of Trade and Industry

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

Some slight improvement was noted in total industrial production for the country-at-large in the period ended on Wednesday of last week. Gains were recorded in the output of steel, electric power, automobiles and petroleum. Compared with the comparable period a year ago, total output was mildly higher.

In the auto industry, according to the United States Department of Labor's Bureau of Employment Security, joblessness among workers rose by 8,000 to 167,000 in the week ended May 19.

This was an increase of 30,000 over the number of auto workers that were unemployed three weeks earlier, indicating that roughly 20% of the industry's total work force was idle at the time of the Labor Department's most recent survey.

The Bureau said there were 12,000 new layoffs during the week ended May 19 but that these were partially offset by recalls of nearly 4,000 workers. Michigan accounted for 7,700 of the new layoffs during the survey week while New York and Ohio each reported 1,600. More than 75% of the recalls—3,150—took place in Ohio, with Michigan and New York accounting for the rest.

The Bureau also added that first claims for state unemployment compensation dropped by 13,900 to 207,200 in the week ended May 19. It said 33 states reported reductions in the filing of initial claims, which reflect layoffs. First claims a year ago totaled 192,900.

In the week ended May 12, the Bureau reported, the total of workers drawing state jobless pay declined by 14,500 to 1,241,600. This was the fourth straight weekly drop in the number of workers drawing jobless pay and reflected seasonal upturns in construction and other outdoor activities. The total in the corresponding week a year ago was 1,297,600.

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Steel inventories in consumers' hands are expected to reach an all-time high by end of second quarter. But the situation is not as comfortable as it looks on the surface, states the "Iron Age," this week.

Imbalance in critical products, such as plates, structurals, and oil country goods would put some consumers in a tight spot relatively soon should labor trouble close down the steel industry.

Some steel users are literally living hand-to-mouth while others are sitting pretty with better-than-normal stocks. The reason for this is the ready availability of some steel shapes, particularly cold-rolled sheets, and the scarcity of other products whose production is limited by finishing facilities even though raw steel is available.

Another qualifying factor on steel inventories is that the nation's productive capacity has been expanding and stocks in terms of days' supply are lower than a similar inventory would have been several years ago, this trade paper points out.

Assuming that labor negotiations are settled peacefully, steel is heading into a seasonal slump that will push steel production to a 1956 low point in the third quarter. But the decline will be due mostly to easier demand for flat-rolled products, summer vacation and heat problems, and repair shutdowns, it notes.

But there will be a comeback in fourth quarter, since present heavy inventories of automobiles will have been cleaned up and steel ordering for 1957 models will be underway. The money and credit situation should be better by September and capital equipment spending is rising and should reach a peak in fourth quarter. Further, the psychology of elections and defense spending will have taken hold, this trade authority declares.

United States automotive activity the past week continued at a checked pace which is aimed at reducing car inventories noticeably by June 30, possibly by some 100,000 units.

Domestic vehicle manufacture last week was estimated by "Ward's Automotive Reports" at 131,186 units as against 126,771 units in the previous week. The corresponding week in 1955 yielded 198,282 cars and trucks.

"Ward's" said that such current cellar-level programming is expected to furnish May with production of 469,100 cars, a daily rate of 21,350 units for the month. This is the lowest count in 19 months—since October, 1954, when 236,520 automobiles were built, it pointed out.

April, 1956, volume was 547,766 cars, or a daily rate of 26,100 units. This coming June, per-day turnout of cars is expected by the statistical publication to run at 21,250 units.

Activity a week ago remained spotted with four-day work sessions. Ford Division idled several of its plants on Friday last, just as it did the previous Friday; Continental Division did not operate on Tuesday and Wednesday.

At Chrysler Corp., DeSoto worked only four days, as did the Los Angeles facilities of Chrysler Division and Plymouth. Packard scheduled four days for the second straight week.

At American Motors, Rambler lines rolled five days. The company will cease output of Ramblers on Monday of this week, however, for two weeks. The company's "big" car assembly has been halted since April 23.

Although all General Motors divisions scheduled five days last week, production at Buick, Oldsmobile and Pontiac was reduced from the week before.

Seasonally higher food prices raised the cost of living 0.2% between mid-March and mid-April, the United States Department of Labor's Bureau of Labor Statistics reported.

As a result, about a million workers in the auto, aircraft and farm equipment industries will get a one-cent hourly wage hike, based on contracts in which pay rates are geared to the cost of living. They thus won back the penny they lost when the Bureau's consumer price index declined in January.

As of mid-April, the index stood at 114.9 on 1947-49 base of

*Continued on page 33*

# Common Stock Investment Policy

By WALTER MAYNARD*
Senior Partner, Shearson, Hammill & Co.
Governor of the New York Stock Exchange and of the Investment Bankers Association of America

**Well-known investment expert foresees general level of economic activity and of stock prices continuing to push slowly and irregularly forward, and refers to the German half-century experience of steadily rising economic development, in holding out for the United States the similar capacity to "continue to enjoy rising business indices for a long time ahead." Mr. Maynard bases the foregoing on such factors as our: growing population; "have-not" raw material position; anti-deflationary potency of tax reduction, and ability to exercise individual restraint and to support political leadership capable of doing the unpopular thing of credit restraint. Offers 16 firms, dispersed in six areas, which appear "to offer good hunting ground for investment opportunities."**

On two previous occasions, in 1951 and 1953, I found the task of defining an investment policy relatively easy, mainly because, by almost any statistical measure, stock prices in general were low. On those occasions, as now, the outlook in various directions was clouded, but the dominant factor of sound value in a statistical sense was sufficient to offset an extremely large part of the risks to stock prices that always exist in the general economic and political environment.


Walter Maynard

Today we find a situation in which stock prices have been strongly propelled upward for several years. Price-earnings ratios are high, yields are relatively low, and the task of defining a sound policy isn't at all easy.

### Two Assumptions

For our purposes, I am going to outline two basic assumptions on which it seems logical to operate, then discuss what appears to be the most powerful of the economic and political forces at work, suggest the direction in which they may influence the several sectors of the equity market, and finally make some specific suggestions as to means of profiting from these trends.

My first basic assumption concerns what has probably been the most important single price-making factor in the past 2½ years—confidence in our present Administration and in the successful practical working out of the Administration's policies. It now seems logical to assume that the Republicans will be in power for another four years, and, as a consequence, we need not take into account the risk of a return of either the atmosphere of economic unwisdom or the punitive Marxist-biased attitude toward business that prevailed in government until 1953.

Secondly, I think we must assume that there will be no general war in the predictable future. This assumption seems logical in spite of continuing unrest in the Middle East and the probability that the Communists will continue subversion and all sorts of pressure short of war in every part of the world where trouble-making might embarrass us.

### Population Growth

If we are satisfied with these two basic assumptions—a continuation of sound government at home, and peace abroad—we can then proceed to examine the several trends which are now operating to shape our economy. First, we will undoubtedly continue to experience a steady and rapid growth in population, with everything that this implies in terms of increasing demand for goods and services. A corollary of soaring population is a relative manpower shortage, which offers a favorable background for constantly rising wage demands from an aggressive labor leadership. This factor not only imparts a mild inflationary bias to our economy as a whole, but also is a constant prod to the managers of our business structure to avail themselves of our extraordinarily high rate of invention and our national enthusiasm for novelty and progress.

Another important trend is that we are slowly becoming a "have-not" nation in terms of many types of raw materials; thus raw material scarcity is adding a further inflationary lift to the bias mentioned above resulting from labor scarcity. The requirement that we increase our purchases of raw materials from abroad in turn is an important factor in still another trend—the favorable influence on our economy, and on the profits of many corporations, of rising prosperity and standards of living in the free world outside the U. S.

### Upward Interest Rate Trend

Operating in some respects in a direction opposed to the foregoing forces is the monetary authorities' present policy of credit restraint. However, in the very long run, this probably should be regarded as an element of safety rather than as a basic adverse influence. Bearing upon longer range projections are fairly persuasive indications that we are in a period of gradually shifting supply-demand relationships in the capital markets which will extend the slow upward trend in interest rates which began in 1950.

In considering the risks or threats to a continuance of our present near-record rate of business activity that are presented not only by credit stringency, but by such other widely publicized factors as lower automobile sales or chronic textile difficulties, it should not be forgotten that the Administration has at hand a potent anti-deflation weapon which it can use at any time. This weapon is tax reduction, which has been used twice in the post-war years, in 1946 and 1949. On each occasion tax reduction was undoubtedly the most important factor in limiting a threatened severe recession to minor proportions. The continuous availability of this powerful stabilizing force provides a safety factor which in uncertain times like the present should clearly play an important part in investment decisions.

It seems that, in the absence of reckless speculation in the security markets, most of the foregoing factors combine to suggest that the general level of economic activity and of stock prices

Continued on page 34

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

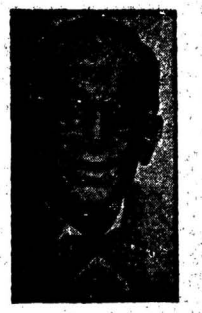
# Observations . . .

By A. WILFRED MAY

## ECONOMICS SPOON-FED

Here is a unique volume indeed! *(GETTING AND SPENDING: An Informal Guide to National Economics. By Burton Crane. 303 pp. New York: Harcourt Brace & Co. $4.95.)*

Away from the usual morass of complex discussion, we have here a racy romp along the road of economics and finance, with careful notation of the politics overhead — all reported with humor that is genuine, original and unflagging. For it is a story of living events, not the customary re-do of abstract principles, told by a reporter who is immensely enjoying himself.


A. Wilfred May

No economic academician or even a specialist in the subject, Mr. Crane, now a financial writer with the New York "Times," has over the last quarter century roamed to Japan and back extending his facile pen from financial doings to the theatre — a Crane musical comedy now being about ready to follow this "Economics Guide." We hope the present humor is maintained equally with his next cast of characters!

The vast topics of inflation, banking, saving, employment, the gold standard, foreign exchange, productivity, taxation, planning, the Keynesian Revolution, waste and thrift, the debt burden (and accompanying "yapping"), and even the stock market, are all covered in these 294 pages. And the space is sufficient for the liberal inclusion of humor along with understanding—the humor of an author who is still very fresh on his subject.

### Shifting "Inflation" Definitions

On Inflation: — "Definitions of inflation have taken quite a beating in the last 20 or 30 years. They have been battered into strange shapes to fit the needs of those who used them. The intention seemed to be to work out a definition that would indicate that inflation was always bad, preferably something engineered by the opposite political party."

On the 'New Economics': — Two economists since the world began have virtually monopolized the obloquy of businessmen. The first was Karl Marx, London correspondent of the New York 'Tribune.' The second was John Maynard Keynes. Both have been cursed with great vigor and imagination. . . . Keynes' crime was that, after Washington had been forced into debt to meet depression problems, he, a Britisher, came along with a book that gave deficit spending the blessing of economic theory. Millions of sober businessmen who imagined they knew something about economics acted as if motherhood had just been abolished."

As a preface to his chapter on speculation and the stock market: "Industrialists and businessmen can use their knowledge of economic forces as a sailor uses weather reports. They can break out the spinnaker or come in under staysail. The rest of us can use it in barroom arguments or in speculation."

### Underlying Significance

But the Crane humor does not obscure his underlying wisdom about the important problems tackled. In fact, it enhances the book's purpose to make a direct coupling between the issues of the day and the principles of economics that bear upon them. In so doing it helps resolve the situation depicted in the author's opening paragraph: "Ninety-three percent of the American people, if one may believe a Brookings Institution survey, are unsullied by classroom instruction in economics. Even if we add those who have learned something since leaving school, we must subtract those who have forgotten what little they once knew. It is an impressive body of ignorance. Since most political issues involve economics, it is also a dangerous body of ignorance for a republic."

More specifically, for example, the need for an over-all official study of the nation's monetary system, as proposed last week by Mr. Sproul, is strongly confirmed.

### Looking at the Taxation Problem

The bewildering problem of taxation our author manages to capsule thus: With full employment and inflation in the wind, we cannot cut taxes. To do so would be wildly inflationary, for tax cuts would increase purchasing power without increasing the supply of goods to be bought. Up would go prices. Therefore it seems necessary for our Washington managers to cultivate a slump in order to be able to cut taxes. Obviously, this is the reverse of our time-honored policy of trying to keep the budget in balance. Do you favor 'managing' the country into slight recessions so that taxes — and government revenue—can be reduced as business falls away?

"If so, would you favor cutting the taxes in the upper brackets? You could use the excuse that upper-bracket people do most of the investing and that the economy needs new investments. Or would you favor cutting the taxes of low-bracket taxpayers, because what they save in taxes immediately turns into purchasing power and thus bolsters the economy? If a slump must be arranged to make any tax reduction possible, isn't either excuse slightly dishonest?" All of which is resolved into the key question, "Doesn't the answer actually depend on your political power"?

Again on the politically paradoxical — or evolutionary — approach, this naive query: "Were the Republicans right to start the Hoover Dam (which you may remember as Boulder Dam) and to lay plans for the Tennessee Valley development? Or are they right now to call it Creeping Socialism"?

### That Difficult Stock Market

Interestingly, the topic of speculation, investment, and the stock market seems to offer the author more difficulty, or at least controversial deductions, than the supposedly more complex other areas of his economics coverage.

He cites various elements allegedly operating to push stock prices higher than they might otherwise be. Among these are accelerated depreciation allowances. But with the average investor concentrating so much on the "scorekeeping" of earnings-to-price, aren't the earlier period reductions in indicated earnings likely to hurt, rather than to help, the stock's market action during those early periods of lowered reported net earnings?

And our author's demonstration of growing institutional buying with the mopping-up of stock *supply*, seems to embody the custo- material omission on the offsetting *demand* side; namely, emasculation of erstwhile buying power, by progressive personal income taxation. And the psychological elements remain as the inscrutable X factor, here as well as viz-a-viz several other market conclusions of the author.

It seems unfortunate that to this field of speculation, in which he himself specializes in his profession, Mr. Crane devotes only a 10-page chapter. We do hope that his next work will embody a full-length expansion of this. And that he will treat such meaty topics as growth stocks a bit less superficially than the following (along with their characterization as a "fad"): "There are two reasons for a 'growth stock.' The first is that it is in an industry that has been expanding rapidly. The second is that the company is paying too little in dividends to make its shares worth owning. We all know that dividends give stocks what 'value' they have. But with 'growth stocks' the failure to pay adequate dividends is turned into a virtue. . . . A stock is a 'growth stock' only as long as somebody is actively selling it. When it goes so high that a sales effort is no longer worth while it stops being a 'growth stock.' And when it stops being a 'growth stock,' it goes down, regardless of the growth it is having in real, rather than investment, life."

In any event, the book, in large measure provides a convenient and stimulating springboard for discussion for the expert, as well as a factual primer for the layman.

# Greater Availability of Funds Without Easing Interest Rates

By HENRY C. ALEXANDER*
Chairman, J. P. Morgan & Co., Incorporated

**In pointing out that total bank credit demand will continue pressing for some time to come, and in endorsing the rediscount rate raise, Mr. Alexander recommends two-fold policy of greater money availability and no easing of existing firm rates, in order to accommodate, under good and prudent banking standards, credit-worthy forces of production, distribution and consumption. Suggests: (1) keeping Federal Reserve discount window fully open; (2) use of open market operations; (3) reduction in member banks' required reserves; and (4) over the long term, capital formation for economic growth must not be financed by debt inflation nor by money inflation.**

How is business today? Here I think we can summarize quickly and get on to the question of how it is likely to be during the months ahead and what should be done about it. For, after all, as Mr. Charles Kettering says, it is the future that we should concern ourselves with because from here on that is where we are all going to live.


Henry C. Alexander

Business, in the aggregate, is at a high level, down slightly from the peak of the fourth quarter of 1955 and currently moving rather sidewise, perhaps with some slight easing. This condition is reflected by most of the many indices that we all follow so closely. And I think it shows up in the way most businessmen and bankers feel and talk—and their feelings and their talk are terribly important at any given moment—not as to the past but as to the present and as to the future.

### Strengths and Weaknesses

But it is worthwhile taking a look inside this aggregate picture. Within the over-all figures, there are divergencies of movement. There is a mixture of "hard spots" and "soft spots." Strengths and weaknesses exist together. Demand for automobiles, farm implements, synthetic fibers, home building, household appliances and some other consumer products has declined—rather sharply in some instances but in most only mildly. In many of them the volume is still large but margins and profits have shrunk.

While these "soft spots" exist in certain segments, many industries such as steel, non-ferrous metals and machinery and equipment are faced with a greater demand than they can supply, even though operating at the ceiling of their capacity. No doubt the strongest forward force in the economy is business investment in new construction and equipment. Expenditures for this purpose in the current year are now estimated at $39 billion, or 30% more than in 1955, when an all-time record was established. Demands for materials for this program fall most heavily on the short supplies and accentuate the bottlenecks.

Is this the kind of economy we want? Is it the kind that is safe to have? The aggregate is excellent, but the divergencies existing within do not represent a perfect balance—something we shall never attain but should always seek. Bottlenecks bring higher costs and higher prices. In these areas wage patterns are being boosted quite sharply already, and bottleneck employers do not seem inclined to resist very strongly. They have open to them an escape through a price increase — maybe several of them. Prices of industrial products are rising and have been doing so since last June at a rate of about 6% per annum. The over-all wholesale price index, including farm products, has risen also in the same period, but at about half that rate. In some segments of the economy we still have to watch out for spiraling prices—inflation, the deadly destroyer of stability and of money.

But, as I have said, there are those segments that have softened from the levels of 1955 and are experiencing some contraction, some unemployment, some lower prices, some smaller profits, and even some losses. How far will they go? Is this a short "morning after" a gay 1955, or is it a rolling readjustment, or is it the beginning of a recession or something worse? Will the extraordinarily great and rising volume of spending for plant and equipment, for public works and the like, and probably for defense, generate such a torrent of consumer income as to lift all segments of the economy to new and unprecedented heights? Or will the downward forces prevail?

### Money Situation

In trying to find answers to these questions I would like to turn to the money situation. Not that the whole answer lies there —it does not by any means. The political climate at home and the international climate will be powerful influences. But I will assume no drastic changes in them, for we can't travel all the trails in all the wildernesses in the course of a brief discussion. Let us concentrate on the monetary climate.

Last fall bankers were talking about tight money, but hardly anybody else was. Today businessmen are talking about it; and so, it seems, is just about everyone else. To read about monetary policy nowadays, you do not have to turn to page 52 of your newspaper. You can often find it on the front page. Notwithstanding the subject's long reputation for intricacy and dryness, it ranks currently in public discussion along with love and crime, war and weddings, foreign aid and agricultural surpluses.

Everyone seems to have views on money and credit and business and their interrelationships. Our politicians, our industrialists, our home builders, our merchants, our automobile dealers, all are issuing statements and propounding views on monetary and fiscal policy. My young son comes home from boarding school and asks: "What is the Federal Reserve anyway, and is it good or bad?" I wish all questions were so sharply put and so easy to answer with the word "good."

Our monetary authorities are conscientious men, devoted to public service. In my judgment they perform their difficult task well—unusually well, judged by most other periods of history. Not always right in the light of hindsight, but close to the mark all the way during these last few years. Maybe they know exactly what shot to shoot next and when to shoot it—and maybe they don't. But on the record they deserve no scolding from anyone. I sometimes think that some of our observers are undertaking to play the role of the grain of sand that will irritate the oyster to produce the pearl that will be the perfect monetary policy.

The money authorities were mindful of the boom in 1955 and of the pressures in many segments of our economy that have so far been present during 1956. The Federal Reserve pursued a policy of restraint, a tight money policy. Tight money, like any kind of scarcity, is never very popular. It can be explained, but the explanation never goes down very well, and it isn't very filling after it's down. People will accept, with some grumbling, a situation where they can't buy all the steel they'd like to have, or all the butter, or all the platinum. But they find it hard to accept a situation where they can't borrow all the money they want, especially when they're perfectly willing and able to pay the going price.

### Endorses Federal Reserve Policy

Popular or not, I think the Federal Reserve was right in its policy. It probably was wrong only in not being more vigorous a little sooner when the 1955 boom was building up steam.

In the face of such restraint as was applied, bank credit expanded rapidly in 1955 and has continued to rise during 1956. The Federal has held firm to its policy. Should it now change? Mr. Harlow Curtice of General Motors says that its policy lowers confidence, is not warranted and should be reversed—and promptly. Secretary Humphrey says that if it had been his responsibility he would not have made the last move in increasing discount rates. The Comptroller of the State of New York says that our children may be deprived of adequate school rooms because of Federal Reserve policy. I disagree. I think the Federal has been right in its policy up to this time—even including the most recent discount rate increase. In fact, at the time I favored a 3% rate rather than a 2¾%.

I have no quarrel with the present level of rates. They are, with possible minor exceptions, the lowest in the free world; they are low in historical perspective and are not significantly discouraging loan demand.

Certainly, interest rates are a part of cost and, as some very persuasive commentators point out, could affect prices as do wages and other costs and could correspondingly contribute to inflation—the very thing that dear money is supposed to discourage. Yes, but certainly not present rates. Present rates are very mild medicine. There is a theory that says, "the lower the rate the better"; but that kind of logic could lead to no rate at all, which would mean no savings, no private capital, and no American system as we now know it. There is no danger in present rates.

### Availability, Not Cost

The difficulty is not in the cost of money but in the degree of its availability. Money should always be available to worthy borrowers, large and small, at a price. The fear of unavailability is about as bad as the thing itself. It brings on contraction and retrenchment and liquidation, even when there may be no good cause for it. This aspect of money is the more crucial one. Too much money leads to boom and then to bust, too little leads straightaway to bust.

No one can ever know precisely the perfect money position. It is a matter of judgment and "feel"; not a science — more of an art. There is money available for lending today; many loans are being made. But some are being declined, not for lack of credit-worthiness or propriety, but because of the tightness of funds. Bankers have funds, of course, but they are under pressure of heavy demand, particularly from those segments of the economy operating at peak levels and from those that are increasing in a major way their investment in plant and equipment. Likewise, the funds of the banker that are invested in securities stand on his books in rather bold red figures. His loan ratio is fairly high, particularly in the money centers, in relation to the past 20 or more years. He is borrowing, at least from time to time, to meet loan demands.

Under pressure of all these constricting influences, the banker performs the best way he knows how his essential job of lending funds to his clients. Like any businessman forced in effect to ration his goods, he serves his best customers first. This means that, in tight money periods, the borrower who is less well established, who has not been able to build up strong banking relationships, inevitably suffers. He suffers even though he may be eminently credit-worthy. He is the one to whom the banker says no —because in such conditions the banker must say no to someone. Other customers who have been only potential borrowers attempt to become actual borrowers just to make certain of having funds which they may possibly need, while still others cutback their expansion plans to make certain of having no possible need for funds. When this starts happening with too many borrowers, then money is getting too close to the non-availability point.

I come, therefore, to the recommendation that restraints on availability should be eased somewhat so that founds will be available, under standards of good and prudent banking, for the credit-worthy forces of production, distribution and consumption. True, some easing factors are already at work or in prospect. The demand for consumer credit has slackened somewhat from the pace of 1955; credit for carrying inventories may be relieved by production cutbacks, as in automobiles, or by wage settlements in steel and other industries where accumulation has been spurred by anxiety over possible production stoppages. But corporate demand for credit for construction and equipment and probably for tax payments will be heavy, and in my judgment the total demand for bank credit will continue to be pressing for some time to come.

### No Easing of Rates

While I recommend some easing of restraints on availability, I recommend with equal emphasis no easing of rates. As I have said, rates at anything like current levels are only the mildest sort of restraint, and even at somewhat higher levels would be far from drastic anti-inflation medicine.

These two recommendations—for greater availability and for firm rates—may sound inconsistent, and perhaps in pure theory they are; but in practical affairs they are not. In theory, supply and demand should determine price or rate of interest for money, but they have not been allowed to do so by the money authorities. Money was made cheap to fight the depression of the early 30s, to finance World War II, and after the war until March 1951 to peg the price of government bonds at par or better. Thus for 20 years we became accustomed to artificially low rates of interest. Now that they are seeking a more normal level, we hear complaints that they are high. Tight shoes pinch harder if you've become used to wearing loose ones.

Artificially depressed interest rates, with which we sought to cure a depression, are ill adapted to the needs of the economy we have today. They discourage savings and stimulate inflation. We should not try to counteract the ill effects of artificially cheap money by making money too scarce. Let the rate respond to demand.

### Sources of Funds

Now, if more money is needed, where is it coming from? The immediate need can be properly met by the Federal Reserve authorities. The discount window should be kept open for all legitimate purposes, the Federal retaining as always its right to deny the privilege to those who its examiners feel are abusing the privilege and engaging in unsound and imprudent banking. The extension of credit to member banks at the discount window can be supplemented by or coordinated with securities operations in the open market as the need arises from week to week or month to month. Finally, member bank reserve requirements can be lowered modestly, thereby returning for use by the banks some of their funds now immobilized in the Federal Reserve—an alternative worthy of consideration. Reserve requirements, particularly in the money centers, are too high. At their present levels they exert a continuing restrictive force. The right opportunity for lowering them should not be passed. I realize that such a move must be carefully timed and executed, but the present tight money situation may soon develop into the proper occasion for action along that line.

I do not think the economy is in major difficulty. On the contrary, it has great strength—more strength than weakness. I only offer what I hope would be a cure for some of the divergencies that now exist and appear to be developing. I do so because I think trouble spots should be attended to—early rather than late. Strong spots and weak spots do not often go on very long side by side. Weak spots become stronger or strong spots become weaker. I believe our problems are manageable and that mild medicine, applied during the next few months when our general health may be subject to some further stresses, will keep the economy sound and strong.

Of course, over the long term, the continued healthy growth of our economy must be financed by capital formation, not by inflation or debt nor by inflation of money. Savings should increase, and fair interest rates should encourage this. More borrowers should seek the long market rather than the short market, and more enterprises should turn to equity funds rather than bank financing. A solid and balanced financial foundation must be built if we are to have over the long term the solid and balanced economy that we seek.

And, now, to conclude, I might say that we in this country have been engaged for some time in a great test — trying to find out whether we can sustain prosperity without exhausting it, whether we can control it without getting in its way. There have been halts and hesitations, and there will be more of them in the future. But there has also been demonstration of tremendous vitality in our economic institutions. Our physical resources are the envy of the world. Our people are confident, busy, prosperous and, above all, free. With these factors in our favor, we certainly face a future full of opportunities, which shall be realized in exact proportion as we show ourselves worthy of them.

*An address by Mr. Alexander at the Annual President's Dinner of the Buffalo Chamber of Commerce, May 25, 1956.

# A Real Look at Credit Policy and The Federal Reserve System

By ALLAN SPROUL*
Former President, Federal Reserve Bank of New York

**Retiring N. Y. Federal Reserve President calls for a broad national Randall Commission-type of monetary and banking inquiry, and in defending Federal Reserve policy states: (1) the economy has thus far given evidence of maintaining its strength, while working out the "misuse, or abuse" of easy credit approach to 1955 record sales volume, although a sterner test may be in the making; (2) small business criticisms of Federal Reserve policies may have some validity; and (3) rejects as a "sort of cosmic jest" the recent claim that Federal Reserve's policy contributed in part to the automobile industry's difficulties. Discusses the three barometers of prices, capital markets and bank credit, and indicates funds will be supplied to meet necessary demands for bank credit.**

Recently the Federal Reserve System has been criticized because of its continued policy of credit restraint, emphasized during April by an increase in the discount rates of the Federal Reserve Banks. This is no surprise. Criticism is the normal lot of a central bank or a central banking system. Nevertheless I would like to comment on some of this criticism. Let me make it clear, right at the beginning, that I have no quarrel with those in high or low places who have said that they would not have increased discount rates in April. It is always possible, as in this case, for reasonable men working with the same set of facts to come to different conclusions in the still imprecise field of economic analysis. This is particularly so when the economy is moving along a high plateau, and when there is no clearly apparent and dominating force which is likely to cause it to resume its upward journey or to send it down into one of the valleys of recession that lie along the way. Our more exact measures of economic progress relate to the past, and even they are subject to inbred errors which are greater than their recent minor moves in either direction. Our glimpses into the future are still those of men with imperfect foresight and with imperfect knowledge of how millions of human beings will react to various economic stimuli and deterrents.

Allan Sproul

For my own part, in trying to assess the existing situation and to pierce the haze which conceals the exact course of the road ahead, I would say we had to look closely at the behavior of prices, of the capital markets, and of bank credit, recognizing that in the whole range of economic forces which determine the level and trend of employment and production, these are but three factors, albeit important ones. Certainly they are factors which are close to the responsibilities of the Federal Reserve System. It must always be repeated and remembered that the monetary authorities are not economic dictators, for which we can all be thankful. If they do their job well, and if the fiscal authorities and other branches of Government do their jobs well, and if management and labor conduct themselves with some degree of economic intelligence or enlightened self interest, and if the consumer exercises his sovereign rights with some degree of steadiness, we can hope to achieve sustainable economic growth. But the Federal Reserve System can only contribute to or subtract from the over-all result.

### Three Economic Forces

In the area of prices, capital markets, and bank credit, to which I have directed particular attention some things seem reasonably clear. Despite the generally level trend of broad measures of aggregate production, income and employment during recent months, wholesale prices generally and industrial prices particularly have moved up appreciably. There have been some sharp downward movements within the whole complex of prices, but the predominant trend of prices has been upward for the past year or longer. This may have reflected strains upon existing capacity in some instances, and the upward push of costs on prices in others, but it was not something to be facilitated and encouraged by too easy access to reserve funds at too little cost. In time, rising productivity, expanding capacity, and keen competition should bring their own relief from such a situation but, in the short run, here was a pressure to be resisted.

In the capital markets there has been recurring evidence of a tendency for capital demands to outrun the currently available supply of savings, with consequent temporary congestion and some seepage of bank credit into capital uses. We have been in transition from a period in which consumer investment in houses and durable consumer goods was the dominant expansive force in the economy to a period in which business investment in plant and equipment is the dominant force. Such periods of transition, which are natural in a dynamic economy free of most central planning, are likely to be periods of delicate balance. If the changeover takes place gradually and smoothly, the economy prepares itself for new growth without too much loss of momentum. If the changeover takes place abruptly and roughly, a downward movement may begin which feeds on itself for a time. Thus far we seem to have escaped this danger. Aggregate production and employment have continued at high levels, and fright and fear have not spread out from centers of temporary curtailment of production and employment to chill consumer demand. For the continuance of this model changeover it is most important that the capital markets continue to function properly, and it is not without significance, perhaps, that since the increase in discount rates at the Federal Reserve Banks these markets, which prior to the increases were nervous and uncertain, seem to have found a new trading base which is more to their liking. This has presumably involved some screening out of less necessitous projects, but that was inherent in a situation in which plans and projects were outrunning capacity in the capital goods industries.

When it comes to bank credit, it is hard to find evidence of too great restraint on business borrowing. The use of bank credit by business has been larger during the present year than can easily be explained by a business situation which, in the aggregate, has been moving sidewise except possibly in terms of inventory accumulation and reduced business liquidity. After a less than seasonal decline in business loans during the first two months of the year, there was a sharp upward thrust in March, which has since been confirmed, and the prospective demands of coming weeks, which include the June 15 tax payment date, are heavy. There has been no shying away by the Federal Reserve System from its responsibility to supply the reserve funds needed to meet necessary demands for bank credit, whether temporary or continuing. And I would expect that there would be no shying away from that responsibility in the future, whether over the next month or later when seasonal needs for credit are supposed to make their appearance. But with this responsibility goes the equal responsibility of trying to see to it that bank reserves are not so readily and cheaply available as to foster and promote expansive efforts which are temporarily beyond our physical capacity for balanced growth. It seemed to me at least that, rather than run this risk, it would be better to give public notice, by way of an increase in the discount rate, of the pressure being exerted on the commercial banking system by business demands for credit. In this way the banks would be further encouraged to make adjustments within their own loan and investment portfolios to meet these credit needs, and to screen more carefully the necessary demands for credit from the speculative or fringe demands.

There are those who would discard or discount the evidence of the figures of bank credit if it does not jibe with certain formulae concerning the optimum relationship between the "money supply" and the growth of the economy. They are inclined to believe that the money supply has been lagging during the past year or more in which the Federal Reserve System has been following a policy of credit restraint, and that this may be slowly strangling business. I must confess that I have little confidence in these mechanical formulae. I think this one, to the extent that it is applicable, is only applicable over long periods of time. It produces pretty effective charts of the past 50 years, but doesn't tell you much about the next 50 days or even weeks. There are inherent difficulties in defining the "money supply," in measuring it, and in allowing for its changing distribution and for the changing intensity of its use, which rob it of much of its short-term validity as a guide to credit policy. It cannot be disregarded as a component of our economic well being, but it is only one factor in the complex of monetary and credit phenomena which must be viewed together.

### Big and Small Business Complaints

Quite apart from the differences which can arise and have arisen recently in the interpretation of economic signs and their meaning for credit policy, are the attacks which have been made on credit policy from two widely different sources. On the one hand we have had big business blaming credit policy for what it would term unnecessary declines in the production and sales of consumer durable goods. And on the other hand we have had those who claim to speak for "small business" charging that too much of the credit pressure which monetary policy has helped to create is falling on those least able to bear it, and that it is therefore inimical to American concepts and social progress.

To be specific in the one case, it has recently been claimed that the difficulties which have beset the automobile business are due in large part to the credit restraint policy of the Federal Reserve System. There can be no argument that the difficulties of the automobile business, with its ramifications throughout the economy, are of the greatest importance. I would say that some of us have been concerned for the past year about the possibility of such difficulties. But to ascribe these difficulties to a policy of credit restraint is a sort of cosmic jest. Rather, it seems to me, that so far as credit is involved, the difficulties have arisen out of a misuse, or abuse, of one form of credit during the lush days of 1955, and that we are paying for it in 1956.

I do not want to be misunderstood. I appreciate the great utility of consumer instalment credit for large numbers of people; and I recognize its great contributions to the development of some of our mass production and mass consumption industries. But it can be misused individually and in the mass. The present situation in the automobile industry seems to me to support the belief that a too rapid growth of consumer instalment credit, stimulated by relaxation of payment terms, can accentuate swings in production, consumption, and employment. The rapidity of last year's increase in this easy approach to record sales volume has come home to roost. We must hope that the rest of the economy will maintain its vigor and strength until this error in calculations has been corrected. Fortunately the economy has thus

Continued on page 35

*An address by Mr. Sproul before the 53rd Annual Convention of the N. J. Bankers Association, Atlantic City, May 24, 1956.

# Dealer-Broker Investment Recommendations & Literature

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

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

**Cement Industry**—Analysis of outlook—Reynolds & Co., 120 Broadway, New York 5, N. Y.

**Commercial Bank Stocks**—Seventh annual edition of analytical brochure with data on 39 banks and holding companies—First Boston Corporation, 100 Broadway, New York 5, N. Y.

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

**Construction Industry in Canada** with particular reference to **Canada Cement Company, Ltd., Dominion Tar & Chemical Co., Foundation Co. of Canada, Ltd.,** and **Gypsum, Lime & Alabastine Canada Ltd.** Also in the same bulletin are data on **Canada Iron Foundries Limited.**

**Fire and Casualty Insurance Stocks**—Tabulation as of Dec. 31, 1955—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

**Guided Missiles**—Data on manufacturers—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin is a discussion of **Sears, Roebuck.**

**Japanese Industry**—Discussion of shipping, shipbuilding, pulp, chemical fiber industries in current issue of "Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. and 1-chome, Tori, Nihonbashi, Chuo-ku, Tokyo, Japan. Also in the same issue are discussions of the Japanese bond market and foreign investments in Japanese Stocks.

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

**Municipal Securities**—Guide for investors—booklet—Johnson, Lane, Space & Co., Incorporated, Citizens & Southern National Bank Building, Atlanta, Ga.

**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.

**Relationship of Stock and Band Markets**—Discussion—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

**Steel**—Analysis—Calvin Bullock Limited, 1 Wall Street, New York 5, N. Y.

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**Atlas Consolidated Mining and Development Corporation**—Comprehensive analysis — Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

**Bangor and Aroostook Railroad Co.** — Analysis — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

**Bird & Son, Inc.**—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y

**Chesapeake & Ohio Railway**—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

**Citizens Utilities Company**—Analysis—Blair & Co. Incorporated, 44 Wall Street, New York 5, N. Y.

**Compo Shoe Machinery Corporation**—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Eastern Industries.**

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

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

**Eastern States Corporation**—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Oxford Paper Company.**

**Erie Resistor Corporation**—Analysis—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y.

**Fairchild Camera & Instrument Corp.**—Bulletin—Dunscombe & Co., 111 Broadway, New York 6, N. Y.

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

**Harshaw Chemical Co.**—Memorandum—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

**I. B. M. Corp.** — Memorandum — Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

**Interprovincial Pipe Line Co.**—Memorandum—Goodwin Harris & Co., 149 Broadway, New York 6, N. Y.

**Kellett Aircraft Corporation**—Analysis—A. Trent & Co., 39 Broadway, New York 6, N. Y.

**Lundberg Explorations, Ltd.** — Analysis — L. H. Rothchild & Co., 52 Wall Street, New York 5, N. Y.

**Mackey Air Lines Inc.**—Memorandum—Louis C. McClure & Co., 617 Madison Street, Tampa 2, Fla.

**Missouri Pacific Railroad Co.**—Memorandum—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

**National Distillers Products Corp.**—Analysis—Gruntal & Co., 25 Broad Street, New York 4, N. Y.

**J. J. Newberry Co.**—Analytical brochure—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

**Norwalk Truck Line**—Bulletin—The Ohio Company, 51 North High Street, Columbus 15, Ohio.

**Philadelphia & Reading Corp.** — Memorandum — Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

**Richardson Company** — Circular — Price, McNeal & Co., 165 Broadway, New York 6, N. Y. Also available is a report on **Gum Products, Inc.**

**Riegel Paper Corp.**—Memorandum—Newburger & Co., 1401 Walnut Street, Philadelphia 2, Pa.

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

**Union Oil Co. of California**—Memorandum—Dean Witter & Co., 632 South Spring Street, Los Angeles 14, Calif.

**U. S. Igniter Corporation of Philadelphia**—Report—Allen E. Beers Company, Western Saving Fund Building, Philadelphia 7, Pa.

**Voss Oil Company**—Report—John R. Lewis, Inc., 1000 Second Avenue, Seattle 4, Wash.

**Warner Lambert**—Progress report—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.



## Reading Equipment Certificates Offered

Halsey, Stuart & Co. Inc., and associates on May 25 offered $6,600,000 of Reading Co., series Y, 3⅝% equipment trust certificates, maturing semi-annually Nov. 15, 1956, to May 15, 1971, inclusive.

The certificates, first instalment of a proposed issue of $12,000,000, are priced to yield from 3.50% to 3.625%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The entire issue of the certificates is to be secured by 1,000 all-steel hopper cars and 400 all-steel box cars and 500 all-steel gondola cars, estimated to cost $16,020,000.

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

## Wall St. Anchor Club Day of Recollection

The Wall Street Anchor Club's annual Day of Recollection will take place on Saturday, June 16 at Maryknoll Seminary. John Boyen of L. F. Rothschild & Company is in charge of arrangements.

## Wilkes Heads Ass'n Of Financial Analysts

BOSTON, Mass. — Robert J. Wilkes, an associate of the firm of Scudder, Stevens & Clark, has been elected President of the National Federation of Financial Analysts Societies.

He was chosen at a directors' meeting on the eve of the ninth annual convention.





## COMING EVENTS

In Investment Field

**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 22, 1956 (New York City)**
Municipal Bond Women's Club of New York annual outing at Morris County Golf Club, Convent Station, New Jersey

**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.

**Nov. 25-30, 1956 (Hollywood Beach, Fla.)**
Investment Bankers Association of America annual convention at the Hollywood Hotel.

**April 21-23, 1957 (Dallas, Tex.)**
Texas Group of Investment Bankers Association annual meeting at the Statler Hilton Hotel.

**Nov. 3-6, 1957 (Hot Springs, Va.)**
National Security Traders Association Annual Convention.

# The Flow of Funds to "The Dynamic West"

By D. C. SUTHERLAND*
Vice-President, Bank of America, NT&SA
San Francisco, Calif.

**Bank of America official, referring to the West's substantially faster growth rate than that of the country, emphasizes the need to induce a money flow from other parts of the country to meet growing capital needs. Mr. Sutherland shows how Western financial institutions have stabilized orderly channels which permit excess investment funds throughout the nation to flow west and cites the growing importance of insurance company participation in the West's mortgage market as one promising example.**

As a native-born westerner, and perhaps a provincial one, I have observed the spectacular—or maybe a better word would be fabulous—development in the western part of the United States and seem to sense a vibrant quality to this region which is only approached by that of Texas. For my evidence I cite the progress made in the west. In just a few years we have moved from an agricultural-based area toward a well-balanced economy. More and more the economy of the west and that of the United States are moving closer together. The age distribution of our people, our employment structure, markets, and basic income-generating activities are approximating those of the nation as a whole. Then, you may ask, what makes this area unique? In a nutshell, the answer is **growth.**


D. C. Sutherland

### Faster Growth

I need not belabor this point as we all know that the west is the most rapidly growing section of the United States. Let me point out, however, that the growth pattern is not the same for all parts of the west. Some sections of our region are registering almost unbelievable rates of growth while others are falling below the national average. But I do not see, in this diversity, an indication of weakness. On the contrary, I am inclined to see this as providing a reservoir of strength.

In gathering together the material for this meeting I thought that, as we approached midyear 1956, we might take a look at our current economic prospects and then attempt to read our crystal ball, cloudy though it may be, in an effort to determine the outlook for residential construction within the framework of our over-all economic forecast.

Let me acknowledge my awareness of the pitfalls inherently contained in such forecasting. Time has a way of proving almost all forecasters wrong. This has been especially true of those who attempted to predict the future of our western country years ago.

It was, for example, approximately 100 years ago that Daniel Webster arose in the United States Senate to discuss an appropriation bill which provided for improved communications between the east and west. Mr. Webster opposed the bill and said, in part:

"What do we want with this region of savages and wild beast, of deserts of shifting sands and whirlwinds of dust, of cactus and prairie dogs? To what use could we ever put those endless mountain ranges? What could we do with the west coast of 3,000 miles, rockbound, cheerless, and uninviting? Improve communications with the West? No, gentlemen—I, for one, will not vote one penny for such an enterprise—the whole western country is not worth it."

A forecaster can gain some comfort from Webster's margin of error—if for no other reason than it would be impossible to go further wrong. As a matter of fact, it seems to me that the margin of error in short-run economic predictions should be fairly narrow. I believe that each day's economic activity largely determines that of the next day, and that changes of rate and direction are seldom, if ever, abrupt. It is my belief that the economic outlook for the rest of this year has, for the most part, been determined by that which has occurred thus far in 1956. So I turn now to an examination of this economic activity.

It is true, of course, that in many respects the economic future of the west is formed by what happens in the United States at large. But whether the west is in the forefront of economic development of our nation, or lags behind rates of growth elsewhere, will be determined largely by the economic factors exerting special force on the western economy. It is at this point that our unique factors of growth and change come into play. Let me illustrate my point for you.

I have here a chart which points up both the **growth** and the **change** in the western economy during the past 15 years. This chart shows the total nonagricultural employment for the years 1940 and 1955, as well as the sources of these jobs. I think both of these points are significant. The **growth** factor is illustrated when we note that nonagricultural employment in the 11 western states rose from approximately 3½ million in 1940 to over 6.7 million in 1955. This growth factor is emphasized when we observe that the west's rate of increase during these 15 years was almost double that for the nation at large. Ninety-three percent for the west compared with 54% for the nation.

### Changes in Growth

The factor of **change** is illustrated by looking at the sources of these nonagricultural jobs. Notice the growing importance of manufacturing. This gives us a key to understanding the change which has come over most of our western economy. It is the expanding industrial program which has figured so prominently in our western development. This industrialization has helped widen the job opportunities for our people, at the same time acting as a magnet to attract more people to the west.

I need not speak long concerning our success in attracting people, because this story is well known to each of you. I would, however, like to illustrate it to you briefly through the medium of my next chart.

Here we trace the west's population growth both in absolute terms and as a percentage of the nation. In 1940 the population was over 13 million and now it is over 24 million. Perhaps I can quickly illustrate the magnitude of this absolute growth. Our population **increase** during the past 15 years has been over 10 million persons. This is greater than the **total** population of the state of Pennsylvania. If, for example, some time during the past 15 years every man, woman and child in the state of Pennsylvania had moved to our western region, this increase would almost equal our growth from 1940 to 1955. We all know what this growth has meant to the businessmen of our region. Incidentally, I cannot help but note that over 60% of this growth occurred in California alone.

Perhaps of greater significance to our future prospects is the fact that our rate of growth is substantially ahead of that of the nation at large. Illustrative of this is the fact that in 1940 the 11 western states contained 10.5% of the nation's people, whereas by 1955 our share of the nation had increased to 14%. Our population growth both absolutely and relatively, continues to make the west a more attractive area for business and thereby provides the foundation for my belief that continued development is still in the offing.

### Business Expansion

Businessmen who attempted to develop the potential opportunities which population growth provides are, and have been, expanding their physical facilities for service. In the process, they have made the west the nation's most important construction area, as measured by dollar value set in place. Total construction, public as well as private, has boomed in the west far beyond that of any other region in the entire nation.

The three factors I have thus far mentioned: jobs, population, and construction operate somewhat interdependently. As the western market becomes more attractive, additional physical facilities are developed here, and in the process jobs are created. As job opportunities expand, they tend toward encouraging a further increase in population, and the growth spiral winds upwards. I see this trichotomy continuing to interact for a long, long time to come.

### Role of Government

Another factor exerting special force on the western economy, perhaps more important historically than it will be in the future, is governmental activity, particularly that of the Federal Government. Defense procurement, military installations, atomic energy plants and reclamation projects have all made significant contributions to the west's development. The role of the Federal Government has been so important in some sections of our western area that an observer was led to describe the formula for economic success as, and I quote: "Dropping an infinite quantity of Federal money into an area of finite dimensions. The size of the splash, as measured by rate of population growth, will be related directly to the amount of money expended and inversely to the size of the area in which it is dropped."

Looking ahead to the future, I see governmental activities playing a relatively smaller role in western development, nonetheless, still acting as a bolster to our economy.

The last of the special factors which I wish to mention is agriculture. A substantial part of our western economic activity is still closely tied to agriculture or agricultural related activities. From an economic point of view, we observe here a weakness which our region shares with the entire nation. For a series of complex reasons, partially political and partially economic, this sector of our economy has shown neither the strength nor the health that we would like to see. While it is true that western agriculture has demonstrated a healthier condition than has agriculture of the nation at large, this seems to me to be small consolation either to the farmer or to those vitally concerned with the over-all economic health of our region. Inasmuch as the whole problem seems to be in the forefront of the thinking of our national leaders, I am hopeful that action will be taken before too long which will result in the strengthening in this sector of our economy. In the short run, however, I see no substantial change.

If we re-examine the western economy within the framework which I have tried to create, I think we see that the strength which has been created thus far, irrespective of any possible slowdown during the remainder of 1956, will mean that we will exceed the record levels of 1955 and thereby establish 1956 as our best year to date.

### Demand for Construction

Now, what would the "best year to date" mean to those of us interested in **residential construction** and the attendant opportunities for mortgage lending?

We are told by many people that despite this favorable economic climate, 1956 will not be a banner year, as measured by residential construction. I believe it is appropriate that we examine the extent to which such predictions apply to the west.

As we know, four major factors influence the demand for new residential construction in our part of the country. They are:

(1) Population
(2) Income
(3) Vacancies
(4) Mortgage money

Let us look briefly at each of these factors.

Clearly, population growth, as it manifests itself in household formation, is of paramount importance in determining the demand for new construction. In the west, as in the United States as a whole, new household formation resulting from marriages and from the undoubling of individuals or families is currently on the decline. The west, however, has the advantage of gaining from net migration. The demand resulting from the net addition to the resident population from this latter source is immediate. For example, if there is a net addition to the resident population of three persons resulting from each of three fam-

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*An address by Mr. Sutherland before the Mortgage Bankers Association of America, San Francisco, May 14, 1956.

# The Anti-Depression Value of Advertising

By ROGER W. BABSON

**Massachusetts' analyst attributes to advertising the ability to prevent depressions. Hopes national advertisers will offer something new. Suggests: new style or packaging; local newspapers initiate changed advertising copy; and national advertisers not forego local newspaper advertising.**

I am not saying that advertising is the most important factor in business. The location and attitude of every local merchant and each of his clerks are also great factors. This is due to the fact that consumer buying really determines the future of business and employment.

Roger W. Babson

If economic history had run true to form, we would have had a business depression and unemployment after World War II. But the adventure in radio advertising saved the day. It provided the greatly needed "shot-in-the-arm" to the general welfare.

In the last part of the Truman Administration, color advertising was another "shot-in-the-arm" which was then greatly needed. Again, after Mr. Eisenhower became President, we were threatened with declining retail sales. This caused manufacturers to lay off employees. Increased unemployment follows declining sales as night follows day. This time it was television advertising which corrected the situation and kept a million readers of this column on their jobs.

### What About Colored Sausages?

Unless the national advertisers have something new to offer, we are again likely to see declining sales, whoever may be elected President on Nov. 6 of this year. Clouds are already in the sky. Every merchant should be on his toes and tend to business. Whatever ticket he votes, every manufacturer, merchant, or wageworker wants good business. Certainly, it will not come by voting any ticket antagonistic to business. The first principle of holding your job and being promoted is to stick by and uphold foundations already built.

I hope the advertising agencies can pull some new rabbit out of their hats to make good times continue considerably longer. Consumers, however, become immune to the same old advertisements presented in the same old way. If I were forced to guess as to the next incentive to business, I would pick new style or packaging. This is best illustrated in the supermarkets and in the "five-and-ten" variety stores now being put on a self-service basis. I forecast that the cheapest form, and one of the most effective forms, of advertising during the next few years will be the attractiveness of the package. The Massachusetts Legislature is already being asked to permit the sale of colored sausages. Here is a great opportunity for young people with both imagination and artistic sense. For a modern pulling package there must be a combination of the old trade mark, upon which millions of dollars have already been spent, and a new feature which will catch the eye.

### Local Newspaper Advertising

I fear that most newspapers are not helping their local merchants in the preparation of their advertisements. While the national advertisers are employing the best psychologists and artists to provide the copy for their advertising in local newspapers, the local merchant is content to use the canned advertising sent to him, without adding a personal or local touch. This is due partly to laziness on the part of the merchant and partly to the fact that it costs the local newspaper to make a change in the advertising copy.

Yet statistics will show that the local newspapers—especially those of smaller cities—are the real determining factors as to future business. My advice to national advertisers is to spend more money. Of course, it is much less work for the national advertiser to get his income from expensive copy in a few magazines of big circulation than to bother with a lot of little daily or weekly newspapers. Let me say, however, that this is a dangerous policy for advertising agencies and also for the national advertisers whom they represent. Remember that the weekly newspaper not only is published once a week but also is being read by someone every day.

## Mannheimer-Egan—You Watch 'Em Grow

ST. PAUL, Minn. — Mannheimer-Egan, Inc. have announced the removal of their offices to new and larger quarters in the First National Bank Building. As a demonstration of their expansion the firm is distributing what looks like a small blotter but when placed in water it grows—and grows and grows — into a good-sized (and quite serviceable) sponge.

## Davis, Knoch Join Simpson, Emery Co.

PITTSBURGH, Pa. — Winthrop N. Davis has joined Simpson, Emery & Company, Inc., Plaza Building, members of the Pittsburgh Stock Exchange, as Vice-President. Mr. Davis was formerly President of W. N. Davis, Inc.

Cyril W. Knoch is also now associated with Simpson, Emery & Company in the trading department. He previously was with W. N. Davis Incorporated in a similar capacity.

Fred Bosworth and David Hadburg also have joined Simpson, Emery & Company, Inc. in a sales capacity.

## Opens Office in Utica

UTICA, N. Y. — Gertrude W. Proctor is conducting an investment business from offices at 1544 Kemble Street. She was formerly associated with Proctor & Company.

## H. L. Howard Opens

BALTIMORE, Md. — Henry L. Howard is engaging in a securities business from offices at 411 East 25th Street. He was formerly with W. A. Benkert & Co., Inc.

# *From Washington Ahead of the News*

By CARLISLE BARGERON

President Eisenhower is again up against the problem of sticking to his guns or backtracking on a major policy. And as was the case of the hodge podge farm bill which Congress originally passed, he is being pressured within his official family to play politics, this being an election year.

In the matter of the farm bill he vetoed it but softened the political impact of the veto by directing the Secretary of Agriculture to announce support prices for farm products not much under the high rigid 90% of parity from which the Secretary is trying to get away.

Carlisle Bargeron

This time it concerns the successor to Douglas McKay who resigned several weeks ago to run for the Senate from Oregon against Wayne Morse. Ordinarily the post would have gone to the Under-Secretary, Clarence A. Davis and, indeed, he was slated for it.

An outcry, however, has been raised in Congress from the so-called liberal, public power crowd. Davis has been dubbed the "give-away" man of our natural resources a term which the Liberals have built up in the public mind as something scandalous and in the category of the Dixon-Yates "steal." Shunting Davis aside won't stop this demagoguery; it is to be a Democratic rallying cry.

The question before Mr. Eisenhower is whether he should give in to it or whether he should hold his ground. Davis, of course, has done nothing but carry out the policy of McKay who, in turn, was carrying out the policy of Eisenhower as repeatedly enunciated in his 1952 campaign.

The first effect of the passing over of Davis would be a repudiation of McKay who entered the Senatorial race at the behest of the White House.

You can imagine what Morse would make of it. Why the President of his own party admits he was wrong, Morse would chirp. As it is, McKay had to work hard to ge the nomination in the Oregon primary just about 10 days ago. His chief primary opponent was pretty much of the Wayne Morse stripe. There would have been no issue between him and Morse in November. However, McKay won but he won't have much to go on in November in claiming White House support if the policy he followed as Secretary of the Interior is, in effect, repudiated.

There is some question, of course, whether the President could get Davis confirmed by the Senate. But at least he could make the fight and the effort would show that no backtracking of his policy was involved. Some timid souls in Congress and in the Administration are urging against even appointing Davis because it would give the so-called liberals an opportunity to make the welkins ring with their charges of "give-away." But they don't need such an opportunity. "Give-away" and "Dixon-Yates" is even now being shouted in practically every piece of campaign material the Democratic National Committee puts out and by their speakers out on the hustings.

Amazingly enough, serious consideration as McKay's successor is being given to no other than Val Peterson, former Governor of Nebraska. Peterson has the sinecure of Civil Defense Administrator and the fact that he has had little to do but go around making speeches and putting up highway signs that this highway will be closed in the event of enemy attack, and spending a good $100,000,000 a year, is not altogether his fault. There is really nothing to do unless we are all to go underground for the duration of the attack.

His only claim to the Interior Post is that he is from Nebraska and the job calls for a Western man. He wouldn't get into any controversy with the public power crowd, either. His state was weaned on the public power bottle of that daddy of the public power crusade, George W. Norris.



## NY Municipal Bond Women to Hold Outing

The Municipal Bond Women's Club of New York will hold its Sixth Annual Outing on Friday, June 22, at the Morris County Golf Club in Convent Station, New Jersey.

Most of the members will go by chartered bus, leaving New York at 9:00 a.m. It will, of course, be an all-day affair, and there will be the usual golf, tennis, swimming, putting or "just a settin' and a sunnin'."

*Members of the "Outing Committee"*

Josephine Rodd, Goldman Sachs & Co.; Ola Smith, The Marine Trust Co. of Western New York; Helen Potts, Dean Witter & Co.; Jean Davies, Wainwright & Ramsey; Doris Kurtzmann, Robert Winthrop & Co.; Marie Dolan, J. J. Kenny Co.; Emma Brehm, R. W. Pressprich & Co., Chairman.

## Phila. Inv. Women Elect New Officers

PHILADELPHIA, Pa. — At the Annual Election Dinner of the Investment Women's Club of Philadelphia, the following officers for the 1956-57 year were elected:

President, Daisy M. Larson, National Assn. of Securities Dealers, Inc.; Vice-President, Helen H. Holzman, Associated Advisors Management Corporation; Secretary, Dolores A. Dougherty, Paul & Lynch; Treasurer, Catherine V. Mais, E. W. Clark & Co.

Committee Chairmen:

Entertainment, Margaret McKnight, Stroud & Co., Inc.; Educational, Joanna R. Wajda, Penn Mutual Life Insurance Co.; Membership, Grace M. Rhoads, Stroud & Co., Inc. and Publicity, Janet Scholes, Goldman, Sachs & Co.

## Frank Edenfield Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Newell Nissenbaum has been added to the staff of Frank L. Edenfield & Co., 8340 Northeast Second Avenue.

# Responsibility of Accountants In a Balanced Economic Growth

By HARRY A. BULLIS*

Chairman of the Board, General Mills, Inc.

**Mr. Bullis emphasizes the importance of a balanced economy and the responsibility of cost accountants. Discusses the relationship between maximizing output and minimizing costs; factors to be considered in preparing for future growth; and role of costs, prices, and income.**

Under our economic system, costs and prices have the central governing role. The accounting profession respects the relationship between the two. It properly insists that price policies should be directly related to costs.

Harry A. Bullis

We want prices to be as high as they properly can be so that enterprise will get its reward. In free competition, producers must clear their goods in the market place. That means that prices must be at levels which will equate the supply of goods with the total amount of consumer purchasing power. This is our old friend, the law of supply and demand.

If prices are set too high, some goods will be left unsold because consumers will be unable to buy them all. If prices are set too low, the demand for goods will be greater than production. That is why prices must be wholly respectful of both costs and the law of supply and demand.

### Costs and Income

When we consider the fact that our national income is probably three times that of any other country we realize the importance of income. But all income to one person is cost to another. That simple little word "costs" is so extremely important because it embraces the entire process of generating income in America.

On an operating statement, the aggregate of prices is measured on the first line in the item called "Sales." Beneath it are marshalled all the costs in appropriate order. Those costs, for all industry collectively, become the income of our society.

Manufacturing costs consist of purchased materials and wages. The wages are the direct incomes of the workers. If the raw material happens to be coal, as in a steam-electric generating plant, the coal is evidence that the miners earned wages, and the burning of the coal becomes a cost in the production of electricity.

Another cost is the general administrative expense. This includes salaries of officers who direct and manage our large corporations. The total of administrative and managerial salaries, when distributed over the total product, becomes a relatively small item. Yet the services of managers and executives are extraordinarily productive of increases in the general welfare.

Next, there are costs of distribution. These are becoming more and more important. During the first years of the postwar period the pressure was to produce all we could sell. But now the emphasis has changed. Today the pressure is on selling all we can produce. The costs of our selling drive become income to salesmen, to warehousemen, to truck drivers and railroad workers, etc.

Taxes, too, are costs. They run through any consideration of costs. But these taxes which we all pay ultimately find their way back to consumers as income—income used to pay for goods and services.

Interest on borrowed operating funds is another cost. But this interest cost to a business is income to the many individual lenders needed to keep an enterprise going.

Also when individuals are willing to risk their savings and invest in equities, they receive income, too. This income is a proportionate share of what is left of the price after all costs are paid.

### Economic Balance

The concept that production finances consumption is not new. More than a hundred years ago, a Frenchman by the name of Say stated this economic theorem.

It means that the total consumption of goods is financed by the total costs, which are incurred in the total process of production. These costs become the incomes which cover the total purchase price of production. Today we recognize Say's law that "Production will finance consumption" is sound, and that it visualizes a balanced economy.

I would like to stress right here that a clear understanding of this basic theory is a definite responsibility of every citizen of this land of free enterprise—every citizen—workers and executives, alike. It is the economic and political duty of every one of us to help keep our economy reasonably in balance.

If we permit our economy to get out of balance, there is trouble in the land. So let's see what factors can cause an imbalance.

If we price our goods too high, they will not be sold. Therefore, we have upset the balance. If we do not generate, through our total costs, income sufficiently large to buy all goods all industry wants to sell, then production schedules will have to be lowered to the amount we can sell. But in lowering production schedules we are creating unemployment.

I think we will all agree that a large share of that responsibility for keeping balance in the economy rests upon cost accountants. It is the job of cost accountants to think of efficiency—getting maximized output for minimized cost. "Maximized Output" is just the production man's words for "promoting general welfare." Minimizing cost means that we are ever attempting to avoid higher cost and to encourage the use of production factors which have lower costs.

It works like this. When labor succeeds in getting a higher wage, the higher wages inevitably raise costs. That provides an incentive to the businessman to use more or better machinery and equipment in order to reduce the cost of wages per unit of output. But the greater use of machinery expands the total productivity in per hour terms. This increase in productivity becomes the source of the higher wage which enables workers to buy a higher standard of living.

It is axiomatic that good use must be made of every dollar in our sales total. Each single dollar should be put to work to generate income for someone. Large profits should not be hoarded in the form of cash. That stops the flow of dollars which otherwise would generate income.

All earnings should be put to work. That's why planned capital budgets are important. They allocate for plant investment all of the funds retained each year.

### Looking Ahead

To keep the economy in balance we must plan into the future. Industry must provide for the pressures of a growing population and the changes which are continually taking place in our dynamic society. These changes, let us always keep in mind, will affect our relationships with other countries. Only a decade from now we can expect a population of about 190 million. That means 25 million more consumers who will demand houses, food, clothing, automobiles and the other necessities and luxuries which go with our American standards of living. That is why industry is spending and will continue to spend huge amounts of capital to enlarge and modernize its plants and equipment. In 1956 alone it will spend nearly $35 billion of new capital this way—about 20% more than in 1955. Only by such huge expenditures can industry discharge its economic and social responsibility. It must supply the products which the increasing population will demand, and it must provide the added jobs and incomes which the increasing [illegible] will need to purchase those products.

It is probably safe to assume that if technological improvements continue so that output per man hour increases only 2½% per year, our total outturn of goods and services will exceed $500 billion by the end of the next decade. That will be so even allowing for a reduction of two or three hours in the work week. This means that wages will continue to increase and the economic status of the average family will rise. That will be so because as productivity and total output increase there will be more product to be shared. Even with the expected growth of population, our standard of living will continue to improve.

The expansion of industry and the improvements in technology will put more demands on supervisory and management skills. I am sure that the demands upon accountants and statisticians will be multiplied many times. It could not be otherwise, because new standards for return on capital will have to fit the changing times. New practices of calculating obsolescence and depreciation will develop. New methods of measuring market potentials, new yardsticks to evaluate advertising and promotion, and new ways to reduce distribution costs will be sought for and will be needed. Cost accounting will be a large factor in these developments.

As a result there will be great incentive for the alert accountant and statistician to explore the executive uses of accounting and statistical records. Top management will need information which can be supplied through simple reports, and will welcome constructive thinking in the field of advanced policy.

*From an address by Mr. Bullis before the Twin Cities Chapter of the National Association of Cost Accountants, Minneapolis, Minn., May 16, 1956.

*Continued from page 2*

# The Security I Like Best

total will be 5% above the 42 billion peak indicated for 1955.

"The United States Chamber of Commerce issued an opinion that home building in 1956 will equal the new home starts of 1955; in other words there will not be even the slight lessening of home construction anticipated by some. Outlays for new industrial buildings are expected to rise about 15% above the 1955 level of 2.4 billions.

"Production, shipments and profits for your Company in 1956 should exceed any previous year."

The stock of Keystone Portland Cement is traded in the over-the-counter market and would currently cost about $31 a share to buy. I consider it a businessman's risk. It should appeal to residents of Pennsylvania since it is free of that State's personal property tax.

## N. Y. Inv. Ass'n to Hear J. D. Lockton

John D. Lockton, Treasurer of the General Electric Company will speak before the Investment Association of New York luncheon on Tuesday, June 5, at 12 noon at Schwartz' Restaurant, 54 Broad St.

Mr. Lockton will discuss the problems involved in the recent General Electric financing and the company's prospects over the longer term.

## John Finch Opens

LATHAM, N. Y.—John H. Finch is engaging in a securities business from offices on Saratoga Road, under the firm name of John H. Finch & Co.

## Slayton Adds To Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Clarence Bach has been added to the staff of Slayton & Company, Inc., 408 Olive Street.

## With Smith, Polian

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — Raymond C. Swan has joined the staff of Smith, Polian & Co., Omaha National Bank Building.

## Joins J. B. Hanauer

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Milton B. Miller has joined the staff of J. B. Hanauer & Co., 140 South Beverly Drive.

# What Steel Means to the South And the South Means to Steel

By ROBERT S. LYNCH*
President, Atlantic Steel Company, Atlanta, Ga.

**In depicting the growing market for locally produced steel, Mr. Lynch states Southern steel capacity increased 70%, in past decade, twice the national average, and two smaller firms increased capacity by about 200% in the same period. Describes the forces underwriting the South's surge and points out "our workers get exactly the same rates as in the North."**

Any witness of events over the last 25 years would be bold indeed, to think he knows clearly all that they mean and imply. What, for instance, has been the real cause of the great renaissance of the South in this period — and of an economic expansion that is making up for a whole half century's lag? Was it launched by the impact of unprecedented government expenditures — as in the Tennessee Valley Authority? Was it sparked by free enterprise — as when northern corporations looked South for a more favorable operating climate? Was it touched off by the human shake-ups of war—as when the South's young men brought home, from two world conflicts, new outlooks and ideas they had gained in their uprooting?


R. S. Lynch

All these things, perhaps. It is hard to know. And though my talk here concerns the one thing that a steel man in the South ought to know about—what steel means to the South, and the South means to steel—you are to hear no revelation, please be sure.

Rather, it will be a simple report of the kind a represenative might make when called in to account for his stewardship. The state to which he went, as one of this industry's ambassadors, seemed still an outlying industrial area only a few years ago.

I had not been long in Atlanta before awaking to a very simple fact. It would come up time and again, in some brief question concerning labor, or wages, or prices, or levels of operation and employment. And that fact was this: while the questions seemed to be directed at a local company—they were really being directed to the whole steel industry. It just happened that, to the people in Georgia and thereabouts, their own local company was the steel industry.

However small a company may be, in comparison with great companies elsewhere, it still looms big in the eyes of its own community. Its work, furthermore, is visible from every angle. Everybody can see it making steel, making labor relations, working for economic progress. The community has a close-up view of its effect — for better or worse — on practically every life it touches. Is it not natural, then, that it stands before the community as the entire steel industry, in all its ramifications?

We can all agree, perhaps, that here is no small responsibility for any small company to realize: This knowledge that its neighbors' views of a whole $10 billion industry, reaching from coast to coast, start right with its own performance. This means, above all, that this local company can't hope to borrow a good reputation from the rest of the industry.

It must try, instead, to contribute to that reputation itself—if it wants to win friends, and secure the confidence of helpful people.

### Growth Factors

As we've managed to do that in Atlanta, we've grown. For what success we've had, three factors should receive most credit:

First comes, of course, the postwar industrial growth of the entire South, which I have already mentioned. This has supported our increase of steelmaking capacity of around 70% since 1946, in the three states of Georgia, Alabama and Texas. This is nearly twice the national rate, even though the resulting total is still only seven million tons.

Second comes the character of the Southerner himself. His attitude toward the steel industry as a good place to work is just as important as his view of it as a good place to invest capital.

No less important is the help that an independent company like mine may receive virtually for the asking, from the great companies in the industry.

Long before I became President, I found I could enter the door of a company like U. S. Steel or Republic or Bethlehem, and get expert counsel on practically any problem one can lay on a top executive's desk. Nor does the thing stop with freely given advice. Republic, for instance, trained our men for us in setting up and operating electric furnaces. And Republic, mind you, is one of our stiff competitors, right in our own back yard.

This, of course, is not a one-way street. I also know of cases where smaller steel companies have made developments and introduced techniques which have proved quite valuable to the entire industry.

In the steel industry, our spirit of free competition is obviously carried with an enormous sense of human responsibility. The big companies in the industry clearly seek expansion not only for themselves, but for the whole American economy. They encourage the growth of smaller enterprise, inside and outside the industry, in every legitimate way.

It seems no accident, therefore, that the number of steel producers has been growing—and that smaller companies, in many instances, have been expanding more rapidly than the major corporations.

Responsible management today knows the difference between fair competition and destructive competition. It knows that the American way is the fair way—that when small enterprise can no longer step out and battle on its own ground for its own share of our growing markets, then the end of the American way is sure. And that would be the end of *all* free enterprise—including the biggest.

### Southern Pride in Steel

Now this spirit of fair play, which is very obvious in the steel industry for any interested observer to see, has particular meaning for the Southerner. His older traditions reach back to a preindustrial time. He is quick to note, in another, those attitudes which denote an inner sense of responsibility, and a feeling for human obligation. And he recognizes these attitudes, interestingly enough in the work of the steel industry.

That is the best way I can account for an even more interesting fact. I can tell you that in the South today, as in many other communities, the steel industry has come to be respected as an institution — in exactly the same sense that banking and education and the church are regarded as institutions.

A banker said to me not long ago: "Your industry now enjoys a reputation in the South that you steel people yourselves hardly seem to realize. When you tell your facts—as in your recent series of public relations advertisements—people believe what you say, because you have won their confidence far more than you are aware."

I have said that steel has been earning the esteem of the Southern community. The good will of the worker is equally important, and we have been earning that, too. We can't measure its value in dollars, but it's equally useful to have on record at the bank.

One of the first principles we put in operation in Atlanta, back in the 'forties, was advancement of all our people from within the ranks. There seemed general expectation that a new manager would start firing people right and left. So a meeting of the department heads was called, and two points were made. First, no one was going to fire anybody. For how are you going to get to know somebody, if you fire him? Second, we would never bring in an outside man to fill a vacancy or take an advanced job, so long as we have a man on the payroll who could be trained for it. And in all the last 11 years we brought in just two men—a metallurgist on stainless steel, and a melter with electric furnace experience.

These obviously sound operating principles were viewed as something still more basic — an expression of loyalty to the South and belief in its people.

The Southerner has great regional pride. He long felt hurt, if not resentful, over the often-heard statements that he wasn't as good a worker as his northern brother. This meant, of course, that he shouldn't expect the same wage levels. Today our workers get exactly the same rates as in the North, and they are showing themselves to be just as efficient as any in Pittsburgh or Cleveland. They *have* to—to justify a wage that has risen so rapidly.

You will recall, of course, that our expanding steel industry in the South is in a different position from the mills in an area like Pittsburgh, when it looks for workers. In older steel centers you have people with generation after generation of steel mill background. In today's South, we must attract new workers into our mills and train them as we go along.

And we have found that the fellow who takes our training will gladly accept it, will work hard at it—when he knows he can count on our loyalty to him in return. He wants to know that when he has qualified himself for a better job, he'll get it . . . and won't be shoved aside by somebody new coming in.

In the past, the South has been losing many of its best people to the North. You undoubtedly know of instances right at Atlantic Steel. T. M. Girdler, for example, was at Atlantic longer than anywhere else, until he went to Jones and Laughlin, and on to Republic.

The South could hardly complain about such losses. It is traditional in this country that men in smaller industry often get the training that later makes them so valuable in large enterprise. Included is that over-all view of operations one gets more readily in the small organization.

When you reverse this situation—and a man leaves the great corporation to enter a small one —what transfer of useful outlooks could exist then?

There is one possible answer that does credit to great corporate enterprise. It starts with the fact that most of today's large and prosperous corporations have learned how to live and operate happily in a goldfish bowl. While a billion dollar corporation is private enterprise, it lives as a public institution. Its management men have learned what living up to public responsibility really means. It means doing the right thing because you want to.

The small businessman and the small enterprise — working unnoticed — can sometimes live a somewhat opportunistic life, and get by. You and I know that today's responsibly managed corporation does not, and cannot.

And most of what I have been telling you today adds up to how I took whatever I myself had learned in a big steel company—about practical application of sound principle as all of us in this Institute understand it—and applied it to help a smaller steel company grow.

I might add that principle in corporate policy is not far different from what we call tradition in the lives of people. This helps explain, perhaps, why responsible corporate industry finds itself at home and prospers in a Southern region where traditions are important. Its prosperity there means, in turn, that Southern boys no longer have to go North, or even want to, to find rewarding careers. They now see too many remarkable opportunities lying right around them, in the South.

### Smaller Company's Advantage

In at least one way, perhaps, the smaller company may have an advantage over the larger one. There can be closer personal contacts between top management and the company personnel.

Recently we were subject to a survey by people from Georgia Tech, working under the auspices of the National Planning Association. They wanted to find out why we enjoy pretty good labor relations. Oh, we have some upset now and then; we had a six-day strike only two months ago. But our record is hopeful, like our safety record—where our accident frequency was down to a rate of 1.92 last year.

The survey people talked freely to any workers they wanted to approach, and took 98 printed pages to tell what they found. A conversation that seemed to impress them concerned our use of the word, "employee."

"We don't think of ourselves as employees of Atlantic Steel," said one of our workers to an interviewer. "We're the people of Atlantic Steel. . . . Employees are interchangeable, but people aren't."

That last sentence in the report struck me. It showed how ordinary people can know just as much—instinctively— about human motivations as some highly trained industrial relations executive. "Employees are interchangeable, *but people aren't.*" That is 100% true. For "employee" means a man viewed in terms of a common denominator of function—the aspect that makes him like everybody else. But every human being feels in his heart that he's also a little different. It's this difference which puts quality in a man, and makes him an individual.

In the South, where industrial tradition is only now being made, management may wisely seek all possible ways to show its regard for the something special in every human being.

### Community Support

Now I have no wish to sound pious—so I shall go on to assert what one might *not* always say to the boys in his Sunday school class. Human virtue *can* have a cash value.

Throughout the South, every industry which is measuring up to the community's best ideals of sound human relations is receiving extraordinary community support.

Let me give you an example from immediate experience. As you perhaps know, our own company had an expansion program that started in the late 1940's—$6 million worth—and last year we had to start another—an added $10 million expansion, this time. For a company of our size, you can realize that $10 million can look bigger than a billion does to the management of a great enterprise. We certainly could not hope to ring the doorbell of a great banking house, and just announce we wanted more capital. There had to be negotiations.

We found that the small company which is not nationally known may be faced with a very stiff contract, when it seeks funds in the big national money market. Money offers were plentiful enough; but so were the clauses in the contracts offered.

That's when we learned about all the friends we had, among the people who had come to know us. We got the money right in our own back yard, through a stock-offering by Southern underwriters. When our new stock issue was put on the market, it was taken right up—mostly by people in the southeast, with the large majority of them Georgians. On today's list of 2,500 shareholders you will find schools, churches and some 18 universities—along with banks which hold the stock for their estate accounts. Our neighbors had come to know what their steel company stands for—and to trust it to do the right thing in their behalf.

What happened among the people in the company might also be worth telling. Somebody suggested offering them some shares directly, so they wouldn't feel ignored. This was done mostly as a courtesy, without expecting anything important to come of it. But on the morning of the offering at the plant, there was a line-up of people almost two blocks long. Around 20% of our 2,200 people on the payroll became investors that day. One of them in overalls —he was a Negro—walked in, handed back the installment purchase slips we had available, and laid down some $2,000 cash on the counter.

This show of confidence in a steel company's future is based on more, I think, than the prosperity which either this company, or industry in general, is bringing into the Southern community.

Prosperity is just as important to the Southerner as to anyone else. But good wages and dividends alone do not, and will not, make for loyalty to the industrial management. People aren't prone to attach deep loyalties to something they view purely as a money making machine.

The Southerner, especially, views himself as more of a human being than the economic man described in the older textbooks. And what people in the South believe in is leadership which not only shares their own larger views of purpose, but expresses in action their own traditional feeling that organized industry exists for people, and not the other way around.

### South's Outlook

What lies ahead? The South has its problems, but so has all America, for that matter, and I might point out that any problem that seems to loom big in our South today is in large part only the direct result of all the progress to date.

More and more progress, in ways probably too diverse to foresee, seems to me inevitable—if

*An address by Mr. Lynch at the 64th General Meeting of American Iron and Steel Institute, New York City, May 24, 1956.

only because of the momentum now built up.

Last year, for each working day of the year, there was a multi-million dollar expansion of some industry south of the old Mason-Dixon line. The Southern Association of Science and Industry counted up 300 such expansions in 1955.

Backing this industrial expansion is a supply of raw materials of great national importance. Production of synthetic fibers, for instance, has become almost entirely a Southern industry. Today about 50% of the nation's minerals are produced in the South—including sulphur, magnesium and titanium, along with petroleum and coal. Here, also, are located a majority of the nation's petrochemical plants—over 50% of its ammonia production—a large amount of its timber output—a steadily increasing share of its wood pulp and paper production. Everyone knows, of course, how atomic power production has been largely centered in the South.

With industrialization goes a whole new spirit of research. In the next decade, the South will build another 1,000 new research laboratories, and add 10,000 more scientific workers—according to estimates of the Southern Association of Science and Industry.

When we look for the economic impact of these changes on the lives of people, the economists show us what they call "Sensitive Indicators." The Southeastern states are showing twice to three times the national rate of increase in telephones installed, in electric power produced, in automobiles registered. We find a faster increase in total income. We find a faster increase in the value added to goods by manufacture. We find, wherever we turn, momentum.

Steel capacity will certainly continue expanding all over the South, because:

(1) The growing market is there;

(2) New capital is now being generated and put to work there—along with the rising consumption that makes rising living standards; and

(3) This capital is being made available to well-managed industry on favorable terms.

(4) Increasing competition for a share of the growing Southern market is certain to spur continued industrial expansion—and this investment, in turn, creates still more markets. It is a "built-in" expansion process.

Back of the rise in Southern steelmaking capacity of around 70%, for the last decade, are even more remarkable increases for some individual companies. Today's largest producer showed an increase of approximately 50%. Two smaller companies showed increases approaching or exceeding 200%, and three producers were not even in operation 10 years ago.

The growing steel demands that are reflected here result in ever more changes in living patterns—which stimulate still more demands in turn.

Such is the New South of today—which now faces new problems, as the inevitable result of its economic progress, but has also a new faith that these, too, can be solved.

The growing market that wants our locally produced steel is going to be also just as hungry for steel made by northern mills. In pricing, you are our competitors. But in helping the South grow, you can only be our allies. There is increasingly important business for all. The Southerner now knows what steel can do for him.

Better yet, he has now learned what *he* can do with steel.

It is, gentlemen, a most promising picture.

## James C. Hunter Opens

CHEYENNE, Wyo. — James C. Hunter has opened offices in the Hynds Building to engage in a securities business.

# The Joint Responsibility of Labor and Management

By JOSEPH L. BLOCK*

President, Inland Steel Company

**To prevent annual crisis of a dubious choice between nation-wide strike or an inflationary dose, Mr. Block urges industry to seek out labor contracts which will be firm for a period of years and still be equitable to both parties. Asserts labor and steel have a "true identity" in their objectives and hopes they will take positions enabling workers to share in future benefits of increased productivity without contributing to inflation through wage increases not justified by production. Asks industry to accept extra costs of technological unemployment, and unions to cooperate with fair contract provisions.**

I shall not speak on the specific issues which will be involved in this year's bargaining. Although they are important, they are secondary to the broader, basic questions I would like to discuss with you this morning. Furthermore, the details of a labor contract cannot be negoiated from a speaker's rostrum, whether it be located at an industrial gathering such as this or at a union meeting.

Joseph L. Block

In the area of industrial relations the last 20 years has been a hectic period for the steel industry. It has been featured by a multitude of work stoppages — authorized and unauthorized — ranging from the departmental or plant variety to industry-wide strikes. Although in the past three years we have been relatively free of industry-wide strikes, previously in this period there were four of major duration lasting from 28 days to 58 days, the last being the total of several shutdowns in 1952.

In addition we have had an annual crisis, because every year either the whole contract, or portions of it, have been up for renegotiation. This has been a very disturbing factor in the industry and far beyond its confines. These crises have had a serious impact on steelworkers, steel management, steel stockholders, steel buyers, including small business establishments, and upon millions of citizens of the United States who have no direct connection with our industry. It should be possible to negotiate contracts which will be firm for a period of years and still be equitable to both parties. Such an arrangement would add strength and stability to the economy of our country. Other industries have done this. Surely steel can do likewise.

Even though we plead innocent—and I think with some justification—we are blamed for wage and price advances in other industries whenever there are increases in our own. And if we resist the demands and there is a strike, we are usually berated by government, the press, our customers and many other "good friends" for throwing sand in the gearbox of the nation's economy.

### Dubious Choice

So we seem to be faced annually with the dubious choice of a nation-wide strike or a dose of inflation—not an enviable plight. Neither alternative can possibly aid the industry, its workers or the general public.

There must be a better answer. However, it can only be found if both labor and management are fully conscious of the dire results of both strikes and inflation, and seriously try to avoid these twin devils. The amazing truth is that the real objectives of labor and management are not antagonistic but actually identical. Strikes and inflation are not harmful merely to one side or the other, but to both and to many others besides.

These thoughts are not unique. Indeed, they have been stated, and stated well, by such prominent labor leaders as Mr. George Meany, President of the AFL-CIO and Mr. David J. McDonald, President of the United Steelworkers of America. I shall, later on, quote their words.

But first, let us consider strikes, particularly industry-wide strikes in basic industries such as steel. Does anyone really want them? Does anyone really profit from them? I cannot believe it.

Yet, in years gone by, I have heard men, in both labor and management, say "Let us have a strike! It's the only way to settle the issue!" What an absurdity! If a strong union defeats a weak corporation or if a wealthy industry outlasts its impoverished workers—what does that prove? That might makes right? Since when is that a part of the philosophy of the great God-fearing, freedom-loving American people? Surely the strong are not always the just.

### Cost of a Strike

All too seldom in the heat of a long strike does any labor leader consider the cost to the striker. But, at times the worker's loss of wages is severe, and he and his family are deprived of the very essentials of basic living requirements. And since the final settlement is usually very close to the pre-strike offer, it takes the worker many months, sometimes years, just to break even and regain the wages he lost during the work stoppage.

The stockholders or owners, of course, lose considerable income as a result of a lengthy strike, but they get very little sympathy. However, this loss also impairs their ability to use the distributed or retained profits for new and better facilities, and this, in turn, harms the entire economy.

And the public is bound to be affected. The reduction of buying power caused by a long work stoppage in a great industry is felt throughout all commercial activity—retail, wholesale, manufacturing. Like a plague, it is contagious, and the longer it lasts, the more widespread and devastating are its results.

These, then, are some of the dire results which can flow from long drawn-out strikes. But, serious as they are, they are not the worst. Of far greater import is the fact that a continuation of prolonged work stoppages in basic industries can be a threat to our entire free system—imperiling our political, economic and personal freedoms, all of which are completely interdependent. You cannot take certain liberties from the people without jeopardizing all liberty.

Over the past two decades—in peace and in war—you have seen our government interyene in labor disputes. In one form or another the Federal authorities stepped in—in steel, in coal, in the railroads and elsewhere. It so happened that most of these actions took place under Democratic administrations, but I believe it would also be true under a Republican administration. The timing might be different, but in the end the pressure from the public would oblige any government to take action. The collateral effects of a lengthy strike in a basic industry are simply too widespread and too harmful for government to ignore.

### Keep Government Out

Let there be a continuation of these affairs and the hue and cry would go up for a permanent method of settling industrial relations problems by compulsory arbitration and possibly government control of wages and related matters. This is the primrose path. Once a nation elects to follow it, no one can foresee where it will end. Generally, however, there is no turning back, and the road usually leads to dictatorship and tyranny.

In this connection I recall an incident which happened while I was in the Steel Division of the War Production Board during World War II. We were at the time hamstrung by a strike in one of the important fabricating plants, and this was interfering with deliveries of essential war materiel to Russia. The Soviet representative was complaining bitterly. I said to him, "Don't you ever have a strike in Russia?" "Never!" he replied proudly. "How do you avoid them?" I asked. Setting his jaw and looking sternly and squarely at me, he answered immediately, "We shoot anyone involved in a strike!" This, perhaps, is the true end of the road when government really takes over.

Although we have at times in the past had cause to doubt, most of the labor leaders of today seem well aware of this threat to freedom, and have been outspoken in stating their positions on the subject.

Writing for "Fortune" magazine in February, 1955, Mr. Meany said "The heavy hand of government in the past has throttled freedom for private collective bargaining perhaps more than it throttled freedom for private enterprise." And here is what Mr. McDonald said, speaking before the American Management Association in San Francisco last January: "We have but to look at what happened to the trade-union movement under Mussolini in Italy — there it was called Fascism—or in Germany under Hitler. There it was called Nazism, but in both places it was Marxism. The despotic rulers of the Soviet Union call it Communism. What happened to labor organizations there? They vanished, their leaders murdered, and turned with millions into slave labor and concentration camps."

These are sound and true statements. Nevertheless, many labor leaders seem to favor political action aimed at increased governmental controls — of prices — of distribution—of almost everything except wages. This I have never understood. It was this very practice — government takeover — which caused these other countries to lose their liberties. Although businessmen are usually aligned in opposition to such practices, this is not always the case. From time to time they are found advocating controls which appear to be to their momentary advantage, unmindful of the long-range potential hazard to our economic system involved in any tampering with our free, competitive methods of production and distribution.

If it is true that recurring widespread strikes pose the threat of governmental action, and if such action can imperil our freedoms, then surely labor and management have a great joint responsibility to the American people to prevent these work stoppages. But how can we do this?

### Right Way

There is, I believe, a right way and a wrong way. Surely, the wrong way is to invite the very same governmental interference we should seek to avoid by suggesting some method of outlawing strikes in basic industries. The right of an individual to refuse work under conditions which are not acceptable to him is a basic part of our free system and must be preserved. And similarly, the right of an employer to deny work to employees under conditions he deems unacceptable is just as basic and just as necessary to preserve. But while these rights must never be abridged by law—they should not be exercised by either party lightly or until all avenues of possible agreement have been explored intensively.

The right way to avoid strikes is, of course, by negotiating, in a spirit of mutual trust and understanding, agreements which are fair to both sides and to the general public as well—a very simple statement, but a very difficult task. Some strikes result from

*Continued on page 32*

*An address by Mr. Block before the 64th General Meeting of the American Iron and Steel Institute, New York City, May 24, 1956.

# Capitalism Redefined

By JOHN HAY WHITNEY*
Senior Partner, J. H. Whitney & Company

**Proud to be a capitalist, Mr. Whitney clarifies misconceptions of American enlightened capitalism by reviewing the difference in outlook between the European and American businessman; the basic job performed in producing goods and fostering a mass market based on high quality and low prices; and business policies geared to respect human dignity. Referring to the heart of our future security and prosperity, Mr. Whitney urges business to aid education and to stop "taking many of the best scientists out of university faculties."**

In a world in which economic theories can be as explosive as bombs, the kind of research conducted by the National Industrial Conference Board is an essential element in our national policy. It is comparatively easy to get excited about research on intercontinental guided missiles; it is far harder to appreciate the need for research to improve the operation of our free economic system and to spread knowledge of how it works. Every twist of the new Soviet line makes it increasingly clear that the decisive battles in the cold war are to be fought on the economic front. The more widespread the understanding of American capitalism becomes, the more welcome our leadership will be in the world community. We have no stronger asset.


John Hay Whitney

I am particularly pleased that The Conference Board is putting emphasis in this fortieth anniversary meeting on a redefinition of capitalism. We can well afford to redouble our efforts to spell out for ourselves and for the world exactly what this system of ours is.

### Misconception

Unfortunately, there is no area in which we must overcome more entrenched misconceptions. I had one unique and somewhat painful personal experience in this regard when I had the bad luck to become, with two young American officers, a prisoner of the Germans in World War II. The interrogating officer wanted to know my civilian occupation. Now for many years I had suffered from "description trouble." Although my business is venture capital investment, my passport application has variously referred to me as banker or financier or has used some such evasion as "private business." However, when the interrogator put the question to me, my almost automatic reply was "capitalist." The man could not have been more startled—almost aggrieved. He appeared to think that I was either crazy or meant to be deliberately insulting.

Eventually he decided to let me live, apparently on the theory that I was more to be pitied than blamed. But the most striking aspect of the whole episode was not the German's horrified reaction to "capitalist" but the fact that his attitude was duplicated by the two young American boys who were captured with me. The best they could give me was that I was "showing off."

The duty of clarifying the real meaning of modern capitalism rests with particular appropriateness on us as businessmen, since the country has been living for the past four years under what has often been described as a businessman's government.

I wish we could in conscience accept that description as an accurate one because it would be nice to think that businessmen were entitled to all the credit for the progress the nation has made since President Eisenhower took office. However, honesty compels me to admit that no group—business, labor, farmers or even Government itself — can rightly claim as its own the actions and policies that have brought us to our present high state of economic well-being.

### Sources of Prosperity

Our prosperity is a product of the interplay of all the free forces that make up our economy. It flourishes in an atmosphere of freedom; it withers whenever individual incentive and individual decision are suffocated by artificial controls. The most fruitful periods are those in which Government rejects a punitive or restrictive attitude toward any group and, instead, establishes a climate hospitable to all.

A capitalist economy needs growth to be healthy. It thrives on abundance, not scarcity. That is something American businessmen understand, yet it is something that critics of our economy stubbornly refuse to recognize. Even here in the United States, people who should and often do know better, pay lip service to the theory that businessmen artificially foster scarcity in order to keep prices up. This may happen sometimes but 99% of the time the reverse is true. The modern capitalist wants more and more production because production is the key to mass purchasing power and mass purchasing power is the key to profits, and both are essential to a healthy economy.

### Industry Has Changed

Most of capitalism's critics continue to speak about it in terms of slogans that gained popularity in the depression years of the 'Thirties. These critics will not accept the fact that industry today recognizes that its own health and strength stem from and grow with that of the whole community.

That is why the history of modern capitalism shows a steady growth in concern on the part of businessmen with ways to strengthen the basic economy—which, put in most direct terms, simply means a concern with making life better for everybody. And that, it seems to me is the essential difference between our dynamic brand of capitalism and the sluggish imitation that gave collectivist philosophies their opportunity to undermine capitalism in Europe.

Too many European businessmen proceeded on the theory that business existed only for what they could get out of it. They rejected the American axiom that continued profit depended on plowing back part of their earnings into improved productive facilities and on raising the living standards of the employee. In this country, businessmen know that the prosperity of industry is indissolubly linked with the prosperity of the community, and that industry cannot prosper if the consumer cannot buy in large quantities the goods which industry produces. Indeed, it is the very fact that our industry is constantly expanding its production to meet the constantly increasing demands of our consumers for more goods and services that gives us the right to describe our system of capitalism as "dynamic."

### Business Supports Education

Moreover, here in America we have adopted an industrial way of life based on corporate good citizenship—the recognition that business does not live apart from the rest of the community. Industry shuns the view that because it pays taxes and creates jobs and pumps money into trade channels, it has no further obligation to the community. For example, during the last year corporations gave nearly $100,000,000 to extend educational opportunities in colleges and universities. Corporate giving for other philanthropic purposes brought the total close to the half-billion dollar mark. And I am convinced that, large as this sum is, it represents only a start along the road industry will follow with greater vigor in the years ahead.

This is an aspect of corporate good citizenship which appears to me to be particularly urgent today. As the requirements of improved technology confront us with increasingly complex problems, we grow each day in our dependence on institutions of higher learning for men and women with the scientific skills and the breadth of general development needed in the management of our business society.

Our search for adequate brainpower is made more important by the announced determination of the Russians to outstrip us in this field, in which we have so long considered ourselves invincible. Their technical schools are turning out 70,000 engineers and scientists a year, as against our 40,000. They are pressing the research programs that mean better weapons and better goods. We must meet their challenge through a partnership of industry and education if we are to avoid meeting it in atomic war.

Now, of course, one way we meet the problem is by upgrading human talent within our own factories. We have never felt the need in military manpower to match the Russians numerically. We have relied on superior training, superior equipment and superior organization, rather than on superior numbers, to keep us out in front. We are using this same technique with marked effectiveness in many of our industrial laboratories and research centers. Increasingly we are recognizing the need of freeing our research scientists so that they may devote themselves to basic research and to the swift application of the knowledge they acquire.

### Professional Skills

But no feats of ingenuity in laboratory management can overcome the deficit of professional skills of the kind that now confronts us. What is worse, industry's need is so immediate and so great that we are taking many of the best scientists out of university faculties. That is bound to reduce their effectiveness in providing training of a high order to the scientists of tomorrow and day after tomorrow. We must be on guard lest our desire to get the best talent now, destroys the intellectual quality of our graduate schools. This is no ivory tower issue. It goes to the heart of our future security and our future prosperity.

One way we can help keep the balance is by sharply increasing the contributions that we in industry make to the support of higher education. Our total gifts could be brought up to something over $2 billion a year without exceeding permissible deductions allowable under our tax laws. Giving on even a fraction of such a scale would not only help the colleges endow new chairs in physics, chemistry, mathematics, engineering and other fields of instruction; what is no less important is that it would enable the colleges to increase the rewards of teaching. It is to our shame that what is perhaps our most important single profession is at the same time one of the most poorly paid. An increase in the current funds of our colleges would help to correct this situation and would at least diminish the number of cases in which people of the highest competency who have dedicated their lives to teaching have felt obliged to leave their chosen life's work for financial reasons. Finally, corporate giving of this character would also enable the Government to concentrate its share of aid to education on bricks and mortar—the building of new and improved facilities. In this way Government could participate in the strengthening of our educational system without any danger of political influence over what is taught.

I have dwelt on this aspect of industry's responsibility because it seems to me a matter of considerable importance in understanding the broadened role business has cheerfully accepted in our capitalist economy. But industry's basic job remains the production of goods and the fostering of a mass market based on high quality and low prices. Today more than 64,000,000 Americans are at work, a figure we considered fantastic only ten years ago. The average factory wage is nearly $2 an hour, double the minimum rate established by law. With wages going up and consumer prices stable, the buying power of the average worker has risen 12% since 1952. Welfare funds, designed to protect workers and their families against the hazards of sickness, old age and unemployment, have piled up $28 billion in reserves.

### Human Dignity

Staggering investments by industry in new plants and machinery are pushing the Gross National Product past the $400 billion level, and there is every prospect it will exceed $550 billion in ten years. Dealing with such figures, industry might be excused if it lost sight of the individual. Yet typical personnel policies of business today are geared to respect for human dignity. In a real sense, the regard for the importance of the individual is the essence of the new capitalism.

Although none of us would pretend that we have achieved the millenium in our system of industrial organization, there is ample evidence that times have never been less fruitful for the peddlers of conflict whose role it is to kindle the fires of class antagonism and create suspicions which would undermine free enterprise. We still have our problems, of course, and as long as we have progress we will continue to have them. We could not hope to assimilate the great new developments in atomic energy, automation and so many other areas of scientific and industrial progress without advances in managerial statesmanship of the same order. With the proper governmental climate, however, there is no reason to doubt the ability of business to continue to meet this challenge.

We are now engaged in the greatest industrial expansion in history. No one can foresee its ultimate extent. This is not because we are afraid of the Russian threat, but because it is the heart and spirit of our capitalist economy to grow—to grow in size, in productive efficiency, and in the ability to satisfy the needs of hundreds of millions of men, women and children. None of us is complacent about the dangers of Soviet imperialism, but we would be working just as hard at improving American industry if Khrushchev and his gang were not blustering around the world. That is what freedom of business choice does in a system of enlightened capitalism, and that, above all, is the thing our critics do not understand. It is the thing that makes our free enterprise system the most constructive and most successful the world has ever known.

It is the essence of our system to continue its growth in human service so long as it remains free. I am still proud to describe myself as a "capitalist."

*An address by Mr. Whitney before the National Industrial Conference Board's 40th Annual Meeting, New York City, May 17, 1956.

## Los Angeles Cashiers Elect New Officers

Newly elected officers of the Association of Investment House Cashiers for the 1956-1957 term are as follows:

President: Joe Pyles, Lester, Ryons & Co.

Vice-President: Walter Ciejka, Hill Richards & Co.

Treasurer: Jim Ward, Los Angeles Stock Exchange.

Secretary: Miss Virginia Boynton, Wagenseller & Durst, Inc.

Election was held on May 15. A tie vote for President resulted in a special ballot poll by mail and Joe Pyles won out over his opponent, Dick Parker of Neary, Purcell & Co., by a very close margin.

## W. G. Paul Weds

W. G. Paul, Los Angeles Stock Exchange President, and Ora Crary Pearson were married in San Marino, Calif., May 26.


W. G. Paul

The bride, widow of Roy A. Pearson—Los Angeles Office Manager of E. F. Hutton & Co. prior to his death in 1950—is the sister of Gordon B. Crary, E. F. Hutton partner.

Mr. Paul, a widower since 1942, has been associated with the Los Angeles Stock Exchange since 1925 and is widely known throughout the securities industry.

## Joins John Kaplan

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Samuel B. Dubrow has become affiliated with John H. Kaplan & Co., Hotel Fontainebleau.

## With Intermountain Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — John D. Leslie, Jr. is now connected with Intermountain Securities, Inc., 1712 South Broadway.

## Shaiman & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Harvey S. Friedland has been added to the staff of Shaiman and Company, First National Bank Building.

## With Johnston E. Bell

(Special to THE FINANCIAL CHRONICLE)

BRADENTON, Fla. — Charles W. Gettys is now with Johnston E. Bell & Co., 811 Manatee Avenue West.

## Fahnestock Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Helen W. Seelig has been added to the staff of Fahnestock & Co., 1750 East Sunrise Boulevard.

# Essentiality of Foreign Trade And Greater Market Research

By S. J. RUNDT*
S. J. Rundt & Associates

**A picture of accelerated dependence upon exports and imports, and the growing importance of commercial intelligence to prevent the crumbling of our standard of living is drawn by Mr. Rundt, in pointing out that our 7% of the world's population now consumes 50% of the world's total raw material output, and, in order to maintain our growth rate, exports will have to quadruple in the next two decades to pay for our increasing imports. Outlines the domestic and foreign sources for foreign marketing research and analysis required in order to achieve this export gain.**

In the years immediately following World War II, our goods and aid were so sorely needed by other countries, that it was said: "When the United States sneezes, Europe catches pneumonia." To bring this sobriquet up to date by paraphrase, we may say today: "When President Rojas Pinilla of Colombia coughs, many of us here get the chills."


S. J. Rundt

And in less than a generation from now, it will be valid to say: "When the raw material producing areas of the world halt their shipments to this country, the plants in Detroit will stop operations and the fires will go out in the furnaces of Pittsburgh." As has been pointed out in "Harper's" by Peter F. Drucker, one of our best informed economists, we are a great deal more dependent upon the outside world, than the outside world is upon us. And our dependence upon the outside world, especially with regard to basic materials, is daily increasing. The unpleasant truth is that, in our international economic relations, our fundamental long-range position is **not** one of strength, but one of great potential weakness. As Dr. Drucker says, this is the Achilles heel of the American economy.

### Essential Imports

Already we have used up our national wealth to such an extent that we must import iron ore, oil, bauxite, copper, nickel, lead, zinc, lumber and wood pulp. As for asbestos, chromite, graphite, manganese, mercury, jute and mica, we have always depended upon imports.

By 1975, the United States will be importing 37% of its total iron ore requirements, according to the Bureau of Mines. By 1960, we will have to import more than one-third of our copper needs. And we will never regain our former self-sufficiency in supplies of lead.

At present this country produces almost 7½ million barrels of oil a day, but must import more than 1¼ million barrels per day to satisfy its own needs. The Chase Manhattan Bank estimates that by 1965 our production will have risen to 9,870,000 barrels a day, but that we will have to import more than 3.2 million barrels. In other words, we must now import 14% of our oil requirements, and within 10 years will have to import 33%. Such figures are predicated upon the generally accepted assumption that this country will double its income by 1976. As was recently pointed out by Mr. Eugene Black, the President of the World Bank, the current rate of growth of the United States economy is in excess of 2.5% per annum and will soon reach 3% a year. It is on this premise that most economists base their forecasts and most corporations their capital investments. And on that basis, we will have to import within 20 years, or less, the equivalent of at least 25% of our total industrial production.

Already today, if imports were to stop, television and radio would be luxuries. Few of us could afford a telephone, which is composed of 48 different materials from 18 countries. Automobiles would become high-priced rarities, accessible only to millionaires, because it takes 56 foreign areas to supply the more than 300 items that go into a modern car. (Admittedly, we will for many years to come be able to produce at home our most basic requirements in food, clothing and shelter.)

At this time we constitute around 7% of the world's population, but our economy is using up about 50% of the world's total output in raw materials. Our exports in 1955 have been above $15 billion a year, although they account for only 4% of our GNP. At that, they represent 20% of over-all world exports.

For the time being, our foreign sales are far in excess of our imports, and our manufacturing capacity, know-how, direct private investments abroad, overseas aid spending and gold reserves will insure that our exports continue to climb at a rate of perhaps 5% to 15% a year. In this connection it is noteworthy, that the annual rate of our foreign sales in March reached $18.6 billion, while, for the first quarter of this year, it still topped an unexpected and most impressive $16.7 billion.

### Exports Have to Quadruple

But, if we hope to maintain the rate of growth of our country's economy, our exports will have to quadruple and perhaps even quintuple within the next two decades or so, in order to pay for the increasing imports that will be needed to maintain the American standard of living, let alone to facilitate continued U. S. economic expansion. In other words, by, say, 1976, our foreign sales may have to reach $60 to $75 billion a year. This presupposes an annual increase which, at best, must be double and, at worst, will have to be triple the rate of our present increase in exports.

Thus, we of the export community, who not long ago were a mere nuisance in the framework of domestic production and distribution, and who now, in some cases, are only a tolerated adjunct, are destined to become, in our time, the American business sector which will make possible the continued growth of the United States. In plain English, **in years to come we shall have to sell abroad or our unique American living standard may crumble.** And we shall have to sell abroad on a scale **manifold** the present.

And our growing need for exports will come simultaneously with a steady rise of global competition, not only in quest of sales, but also for access to raw materials.

Moreover, our exports, of which almost two-thirds now consist of industrial products, will themselves have to pay for the importations upon which at least one-third of our exportable goods are based. And, as you know, in such fields as textile machinery, machine tools and tractors, more than one-fifth of our output is already going abroad. One out of every seven workers in Detroit now owes his livelihood to foreign sales. In less than one generation, our export drive will have to meet and to beat that of the nations of whom we now say that they must export or perish. And to do so, we will have to plan. And to plan, we will have to analyze the markets of the world a great deal more thoroughly than most of us do at present.

### Foreign Marketing Research

"Foreign Marketing Research is now at about the same stage that domestic marketing research reached a quarter of a century ago."

So states the National Industrial Conference Board of New York in a recent study. The 72-page summary by the Board's Division of Business Practices, moreover, indicates that our export efforts are weak, reflect poor planning, unclear objectives, and half-hearted action.

In other words, in preparation for the times when our public funds and our gold will be insufficient to compensate for all we need from abroad, and when our exports will have to pay for our imports, our study and scrutiny of foreign markets will have to be greatly stepped up, both in intensity and in quality.

As a result of inadequate commercial intelligence and *ad hoc* planning, or no planning at all, we here are, for instance, inclined to concentrate too much on some markets — usually in Latin America — even when they are contracting. Thus, we are foregoing opportunities in other, now smaller, but rapidly growing foreign sales territories. Generally neglected by us are, for instance, at this time, the Belgian Congo, Liberia, Singapore, the Rhodesias, but also—believe it or not — nearby, hard-money Panama.

Market Research and Analysis or commercial intelligence, as, indeed, all intelligence, is for the most part a matter of plowing through masses of overtly obtainable material. Ninety-five per cent of all facts required by General Eisenhower for the Normandy landing came out of freely available publications, such as telephone directories, periodicals and tourist guides. Only 5% originated from clandestine sources. This is also true of business intelligence.

### Sources of Information

To gain insight in the basic goings-on and the fundamental prospects in other lands we, in this city, are blessed by a unique source of information, The New York "Times." As the list of suggestions for speakers before the Export Managers Club, kindly prepared by your headquarters, has admonished me to express my own intimate experiences, let me explain that a complete reading, underscoring in different colors for better exploitation, cross-indexing, digestion and filing of the differing editions and re-makes of the "Times" takes at least seven man-hours a day. And I am referring to experienced, highly specialized analysts. The multiude of facts provided by the "Journal of Commerce" is outstanding by all standards of economic coverage. The "Herald Tribune" often carries items and interpretive thoughts on foreign markets not to be found elsewhere. Such periodicals as the "United States News and World Report"; "Export Trade & Shipper"; "Exporters' Digest"; the "American Exporter" and the many specialized trade, technical and scientific publications, printed here, for home or overseas consumption, furnish excellent material when thoroughly and expertly digested.

Under no circumstances let us make light of the services rendered by the press. At least the more outstanding newspapers have on their overseas staffs keen and mature observers and excellent interpreters of foreign events and developments. And the communications speed of the press can rarely be beaten. In fact, in the eternal struggle between speed and accuracy, the press achieves, as a rule, an exceptionally high standard in both terms. Moreover, the press is generally also underscoring important sociological factors, political risks and interlocking developments, bearing upon trade, investments and international finance. Let us not say "it was only a newspaper dispatch."

The United States Department of Commerce, while presently suffering from inadequate appropriations, and although it had to curtail its services to exporters here, is still providing facts and statistics of enormous value. Especially those who search for specific material are likely to be rewarded. There is a great deal more to be found in Commerce Department files than is generally known by the casual observer. And Commerce Department rep-

*Continued on page 29*

*An address by Mr. Rundt before the Export Managers Club of New York, May 8, 1956.

# THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks bumped bottom at least temporarily this week and it was the year's low that provided the support rather than the highly regarded 480-90 level in the industrial average that only made the decline pause briefly on the way down. Once the industrial average approached its year's low, 462, which was posted in January, the bargain hunters moved in and the list had one of its best rallies staged so far this year.

The decline, underway for about a month, had dropped the average from 522 to 463, or better than 58 points. This comprises a correction of about 11% which, considering the high level of the index, is still a moderate decline.

By comparison, when the President's heart attack jolted the market last September, the list dropped from 487 to 433, or a loss of 54 points. But it was far more hectic and the drop was accomplished in a dozen sessions against the three dozen sessions this time during which the market has been either irregular or downright disappointing. It took three months to repair the damage last time despite glowing economic reports. The big difference now is that there are several rather obvious soft spots in the economy. It all suggests that it will take some time before the next market pattern unfolds clearly with a rather general expectation that ultimately the lows will be tested even if the summer rally sets in shortly to give the market a better appearance for awhile.

### Ominous Technical Factors

Some of the technical factors were at least ominous. For one, the 200-day moving average, which has rather widespread popularity, was able to block effectively the decline last fall. In fact, it hasn't been violated since October of 1953. However, the decline that started off this week plunged through the line rather decisively which is not being taken lightly in the Street.

Street sentiment turned rather diverse because of this technical setback. Some schools held flatly that the advance had ended. There were other school, however, that held that a consolidation, such as that from 1951 to 1953 at a relatively high level, was indicated for an indeterminate period.

That there were few speculative excesses calling for drastic correction was one of the favorable implications. There was little in the way of margin calls to put that much more pressure on the market. That there were investors around willing to buy when individual stocks reached various levels on the decline was also pretty well established. In fact all that the turndown on the "market" had done to constructive sentiment was to heighten interest in individual issues that were able to show contrary action despite the immediate course of the stock averages.

### Oils Preferred

Oils were still something of a preferred group when the going was good, largely because their operations this year have been showing good gains over last year and partly anticipating higher prices that have been straggling along. Against a demand expected to increase around 4% this year, some of the companies, like Amerada, have been able so far to report gains of around 20% in earnings.

Chemicals haven't been overly popular, principally the top outfits in the field that have receded rather sharply from their recent highs. Some of the neglected outfits, like Monsanto, however, have been able to spark a bit of a following since they hadn't outrun the market to the extent that the top companies had. Monsanto is one of the more diversified of the chemicals, largely due to its merger with Lion Oil last fall. It now ranks about sixth in the industry with sales running over the half billion line. The obvious benefits, still to be realized, from the Lion merger were important supplies for both the petrochemical and ammonia operations of Monsanto.

Monsanto wasn't in much favor when its Chemstrand Corp., owned jointly with American Viscose, turned in a dour record from its formation in 1949. In fact, it wasn't until last year that Chemstrand, producer of synthetic fibers, was able to turn to the black ink side of the ledger. The benefit to Monsanto of its participation in Chemstrand obviously hasn't yet had much of a chance to show any favorable side.

Tennessee Corp., once generally classified among the smelters, is looming more importantly in the chemical field with products important to the synthetic detergent and fertilizer markets. The company is building a plant to extract uranium from phosphate rock which, although uranium issues have lost most of their popularity recently, could open a new vista for Tennessee. Earnings and sales last year reached record highs which helped prompt a boost in the dividend earlier this year.

### A Budding "Chemical"

Cities Service could also be regarded as something of a budding chemical entity. The company jointly with Continental Oil owns Petroleum Chemicals, Inc., which has been enlarging its interest in synthetic rubber and ammonia fields plus working toward ever larger participation in the petrochemical lines. Cities Service is no infant in the oil business itself, ranking among the top dozen oil companies in the nation. In the views of some market students, Cities Service hasn't yet had the chance to show how well it can do in the oil business since the past decade was complicated by its chore of divesting its utility companies. This distracting task has now been completed and important additions to reserves are increasing as it now concentrates on a single mission.

Rails have been somewhat unobtrusive ever since the average posted new highs while the industrial average dawdled through most of April and early May. However, there were still some followers of the northwestern lines who could cull out much of merit in their activities in hauling grains, lumber and mine products plus a growing industrialization of the area. Several switch suggestions were made to swing holders from the eastern lines to such lines as St. Paul. The stock has been anything but a market wonder since a proposed merger with Chicago & North Western was called off. There is no reason why the merger, considered attractive until new interests took over North Western and had to turn to rehabilitation as the first task, couldn't be revived once the affairs of the line are put in order.

North Western, conversely, wasn't in much favor since important earnings would appear to be postponed by the new management's determination to rehabilitate the road. In addition there was heavy buying in the proxy fight that carried the stock to levels not warranted by basic considerations.

*[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.]*

## Robert E. Morton With William R. Staats Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert E. Morton has become associated with William R. Staats & Co., 111 Sutter Street. Mr. Morton was formerly with Davidson & Co. and prior thereto was a partner in Bailey & Davidson.

## Governor Dedicates New Wellington Fund Building at Claymont, Delaware

CLAYMONT, Del.—Governor J. Caleb Boggs of Delaware on May 25, officially dedicated the new general office building of Wellington Fund. The dedication was attended by other state officials, and by officers and directors of Wellington and by the personnel of the new Claymont office.

Walter L. Morgan, President of Wellington Fund, who presided at the dedication ceremonies, stated that the former office space which had been maintained for a number of years at Claymont had become inadequate by reason of the continued rapid growth of the Fund. Mr. Morgan said that Wellington now has total assets in excess of $500,000,000, with more than 165,000 shareholders in every state of the union and in 36 foreign countries.

The new two-story, air-conditioned building of Delaware colonial design was constructed on the former Worth Estate on Philadelphia Pike, about six miles north of Wilmington. Wellington Fund is one of a number of nationally-known business firms that have located or are expected to locate their Delaware headquarters at Claymont.

The Wellington Company, sponsors and distributors of Wellington Fund, continues to maintain its headquarters at 1630 Locust Street in Philadelphia, Pa.

# NSTA Notes

### INVESTMENT BANKERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia, will hold its Summer Outing, Friday, June 8, 1956, at the Whitemarsh Country Club, Whitemarsh, Pa. Will Rice, Eastman, Dillon & Co. and Ed Knob, Drexel & Co., are Co-Chairmen for the outing.

Committee Chairmen are: Golf—Harry Green, Merrill Lynch, Pierce, Fenner & Beane; Softball—Bob Greene, Stroud & Company Incorporated; Putting Contest—Jack Klingler, First Boston Corporation; Quoits; Bob Naylor, H. N. Nash & Co.; Darts—Larry Nowlan, C. C. Collings & Co.

Transportation: Cliff Remington, Woodcock, Hess & Co.

Ticket Reservations: Rick Sanders, Butcher & Sherrerd.

### AD LIBBING

I have made many mistakes since entering the financial field many years ago so that this one will be excused, I am sure, by two grand fellows, Joe and Les. In my reporting last week, I neglected informing our membership that executive members

Joseph E. Smith

Lester J. Thorsen

Joseph Smith of Newburger & Co., Philadelphia, and Lester Thorsen, Glore, Forgan & Co., Chicago, were also Vice-Chairmen of the 1956 Advertising Committee.

I was really embarrassed to have Lex Jolley, Robinson-Humphrey Company, Inc., Atlanta, our President, check my error. So now that all is forgiven we will get down to work.

As a group may we express best wishes to Ed Beck of the "Chronicle" who has just returned from his Western trip.

HAROLD B. SMITH, Chairman
National Advertising Committee
c/o Pershing & Co.,
120 Broadway, New York 5, N. Y.


# How our world would look from 5000 miles

This immense globe shows the troubled planet on which we live about as it would appear to a traveler in space who saw it from a distance of 5000 miles. The globe stands in a neat, walled courtyard on the campus of Babson Institute of Business Administration at Wellesley, Mass.

There, right before him, the visitor can see continents, oceans, mountain ranges, all set forth in vivid colors. One inch on the globe equals a distance of twenty-four miles on the whirling earth itself.

More than merely depicting the world, the Babson globe also shows its two kinds of motion. It can revolve to simulate the daily rotation of the earth on its axis, and it moves on a carriage around a circular track to simulate the earth's movement around the sun.

Bethlehem Steel engineers assisted in developing the intricate machinery to move and revolve the globe, and Bethlehem supplied the mounting and carriage on which the globe turns, together with the forged shaft of tough molybdenum steel which holds it in position. The angle at which the globe tilts, 23 degrees 27 minutes from the vertical, represents the actual angle of the world in space.

Nothing of the kind comparable to the Babson globe has ever existed before. It lets the onlooker step back and see the earth from a remote vantage point. It helps him to visualize it as one world, and to acquire a fresh perspective on geography and a more immediate grasp of such matters as world economics and problems of global defense.

**BETHLEHEM STEEL**

BETHLEHEM STEEL

# Respect and Foreign Aid

By HON. SPRUILLE BRADEN*
Former Ambassador and Assistant Secretary of State

**Distinguished diplomat maintains that respect, which is indispensable for world trade and prosperity, cannot be bought; and U. S. enormous give-away has only bred disdain and irritation, with castigation from all sides. Cites examples to show that "almost anywhere we look, our foreign aid programs have been extravagant, wasteful and inefficient." Declares it is dangerous to concentrate on countering Soviet rivalry, which is "dancing to Moscow's tune." Concludes that in the end our continuing dole to other countries will put them in the almshouse along with us.**

I hope to engage your attention with a broad subject which affects all our foreign business, and our domestic affairs as well—*your business and mine.* This vital subject is that we must both merit and demand respect if we are successfully to conduct our diplomatic and other foreign relations.

Spruille Braden

Time permits me to discuss only a single aspect of this topic—i.e., foreign aid. In this way, perhaps, I may be able to direct your thinking towards the urgency of our seeing to it that these United States are respected by everyone. Without such respect, none, or at the best, scant benefits will accrue to any of us. Both world trade and prosperity will decline for all of us.

A distinguished and experienced diplomat who preceded me by some years in one of my Ambassadorial posts, used to say: "It is all to the good if the American Ambassador is liked; but it is much more important that he be respected."

I agree with him completely.

While respect, according to the circumstances may sometimes have a connotation of fear, it far oftener evidences friendship. Also, as respect engenders friendship, so its absence will, in the end, destroy both confidence and friendship.

Before going any further, I should make my meaning clear by quoting Noah Webster's definition of respect:

"to consider worthy of esteem, to regard or treat with honor, deference or the like; value . . .; to refrain from intruding upon or interfering with, as to respect a person's privacy."

So we see that respect may range from the less important amenities or courtesies with which we salute and treat with honor a person of high rank, to that much more important aspect of respect which is the esteem or value which is due character, virtue and natural greatness.

I do not underrate the importance of a proper deference. For instance, as an individual, I do not care whether I am seated above or below the salt. But, when I served as Ambassador, I represented the United States and, therefore, demanded that I be seated according to protocol.

### Respect Cannot Be Bought

Of one thing we may be sure; respect never can be bought. The mere attempt to do so can only breed disdain and irritation. Yet, that is precisely what we have been trying to do for many years.

Against the 275 to 280 billion dollar direct Federal debt, excluding many more billions of contingent or governmentally guaranteed indebtedness, it has been estimated that since 1939 the United States has given away abroad about $100 billion. Despite the extravagance and waste involved, some of this vast sum must be charged off as a war necessity and so, for the purposes of this discussing may be eliminated.

Nevertheless, it is important to call your attention to the fact that this country has a greater debt than the combined debts of all of the other nations in the world.

What mainly concerns me today is that since 1946, after the end of World War II, we have given away upwards of $41 billion in outright grants to foreign nations, and disbursed almost $14 billion in credits. Their eventual repayment is, to say the least, questionable. The total of our handouts abroad is $55.5 billion. By this lavish generosity, we have gained neither respect nor friends. On the contrary, I believe it is apparent to anyone that we have lost both.

In order to approach this matter intelligently, we must first be able to comprehend what are $55 billion. It does not help my own understanding to talk about a billion fenceposts spaced one foot apart, girdling the earth X times. Nor is my conception clarified by the calculation that if I were to receive one dollar for each minute that has elasped since Chirst was born, I would have slightly over $1 billion.

I do grasp the value of $55 billion, when I add the assessed valuation (as reported by Moody's Municipal and Government Manual of 1956) of all of the property, real and otherwise, in the 13 biggest cities of this country: New York, Chicago, Philadelphia, Los Angeles, Detroit, Baltimore, Cleveland, St. Louis, Washington, San Francisco, Boston, Houston and Pittsburgh, and arrive at a grand total of just over $55 billion.

The New York State Board of Equalization and Assessment recently declared that the assessed valuation of all real and other property in New York City equals just about 100% of the true value. Presumably, on the overall average, this will apply to the other 12 cities.

We would be appalled by the mere suggestion that these 13 cities, if it were possible, be shipped overseas as gifts to foreign nations. Yet, we have done precisely that. We have ourselves given away—in effect, destroyed, as if by nuclear bombing—the equivalent of our 13 biggest cities!

The dollar loss and the consequent drain on us taxpayers, at that, may not be so serious as the harm done to the morals and morale of both the recipient countries and ourselves, as donors.

Certainly over $55 billion in gifts and other handouts should bring spectacular and superlative results in the way of augmented respect and friendship. Yet, it is already evident that it has not and that no people ever gave so much for so little.

### Castigation From All Sides

Nehru, despite the hundreds of millions of dollars poured into India, delights in castigating the United States, and he put out the Red Carpet for Bulganin and Khrushchev.

Little Cambodia is getting $50 million a year, not to mention a further gift of 20,000 tons of rice. But the Premier, as he flirts with Communist China, complains that all we give him are refrigerators and automobiles, and that Washington is plotting to buy his country.

Neither the Arabs nor the Israelis seem to like us.

The Turks and Greeks, thrown into inflation by our largesse, are becoming critical of us. In Greece, the Popular Front opposition recently polled more votes than the government candidates supported by us.

Prime Minister Mollet of France declared in last week's "U. S. News & World Report" that: ". . . the Americans managed to create something very near to hatred . . . by the way they gave their aid." Of course, like other recipients and some of our own do-gooders, he would like to see our bounty distributed anonymously through the UN, with no strings attached. This would eliminate the last remote chance of our ever receiving any thanks, respect or friendship for our generosity.

Iceland's Parliament, under Communist influence, voted that the U. S. A. should pull out its troops and abandon our NATO bases there. Last week's elections indicate that Ceylon is going in the same direction.

In Mexico, during January, some technical assistance and educational programs had to be cancelled, because a series of student disturbances made it inadvisable for our technicians to continue.

The rest of Latin America, observing the deluge of billions flooding the rest of the globe, feel hurt because, as our nearest neighbors and allies, we neglect them with a mere pittance.

Thus do we destroy respect and friendship.

A single American company has raised living rates higher and created more general well-being throughout Central America than ever could be done by our governmental aid. Yet, the Department of Justice now blocks the continuance of this work by an anti-trust suit, demanding divestiture, among other things, of the rich farm lands converted by this company from worse than worthless, jungle swamps. In announcing this unfair and ignorant action, the Attorney General implicitly endorsed the false accusations leveled against the U. S. A. by the Communists recently ejected from Guatemala. Instead of the increased prosperity and employment which would have resulted from the company's program, this suit will cause hundreds, if not thousands of these people to be partially and ineffectively supported by more U. S. foreign aid, i.e. by your and my taxes.

Almost anywhere we look, our foreign aid programs have been extravagant, wasteful and inefficient. Permit me to give an example: We induced Afghanistan to accept a $40 million loan from the Export-Import Bank, and to spend a very considerable sum themselves, to put in a hydro-electric power, flood control and irrigation project for about 500,000 acres. In Afghanistan there were neither engineers to operate the project, nor agricultural experts to teach the nomads how to farm. The salt content of the lands was raised by the water from the dam to the point of ruination. The result is an economic and political crisis; and the Afghans, having lost respect for us, are turning their eyes towards their big neighbor to the north, the U.S.S.R.

Now, evidently just to keep our hand in, we propose through the International Bank, to help finance the huge $1.3 billion Aswam High Dam project in Egypt. Otherwise, Prime Minister Nasser indicates he may become even clubbier with the Soviet than he already is. The U.S.S.R. prattles vaguely about doing the job and we beg Nasser, "Oh! Pretty please, don't listen to their wiles, take a couple of hundred million of our dollars." What possible respect can we gain by yielding to such blackmail?

The "bleeding hearts" cry that, unless we finance dams and other public works like these, far-off peoples will continue to live in misery. At present, that is as sad as it is true. But let me tell you what may happen even as the result of a well-planned and carried out project, purporting to improve living conditions. Incidentally, this was not one of our government's programs. In, I believe, the 1920's, the Sukkar barrage in Pakistan was erected to irrigate a vast area of fertile but desert land in the Province of Sind, Pakistan with waters from the Indus River. This was to make possible the feeding of a people living on the verge of starvation. What happened? The project did everything claimed for it. But, after a few years, the population so increased that the only effect was to have a much larger number of people on the verge of starvation, instead of a small number. Does this constitute progress? Does this elicit respect?

The answer is "NO!"

I suggest that the authorities in Washington have no right to continue these "giva-away" programs, when there is no assurance that even the well-planned and executed ones will not increase rather than decrease human misery.

Another aspect of this program is that we gain neither Tito's nor anyone else's respect by giving his regime hundreds of millions of dollars. We entrench Communism in Yugoslavia, thus antagonizing many of its people, and give the Soviet a greatly strengthened ally, now that Tito is again back, hand in glove with the Kremlin.

### Unwelcome Intervention

Our grants and loans inevitably constitute an intervention by us on behalf of the government in power and against the "outs" in a foreign country. This is not the best way to make friends of the latter. But our prestige suffers much more when we distribute our largesse to dictators and corrupt governments. Then we lose the respect of, and antagonize all the decent elements in the recipient countries.

From first-hand knowledge, I can assure you that the cordial policy with Peron by both Democratic and Republican Administrations, plus credits respectively of $125 and $60 million, did the United States grievous harm. Peron and his gangsters always have and always will hate us and it will take much time and effort to win back the confidence, respect and friendship of the honest patriotic Argentines.

It has been alleged that in addition to the billions of dollars we have squandered so far, we must now enlarge and make permanent these so-called "foreign aid" programs; that we must "sustain our position by helping *everybody else* to realize their own aspirations and legitimate ambitions . . ." It is said we must do so as a defense against the Soviet and the spread of Communism. It is proclaimed that poverty and illiteracy breed Communism and open the way to Kremlin domination; whereas industrialization and higher living standards defeat both of these evils.

These theories simply are not true. In southern Italy, where the greatest poverty and illiteracy exists, there is the least Communism. In the industrialized north, with higher living standards, Communism flourishes. This same condition prevails in many other countries and places.

Poverty and illiteracy can only be eliminated slowly and with the utmost care. It is not a job that can be done overnight. We would destroy, rather than sustain, our position by helping *everybody else* to realize their own aspirations and legitimate ambitions. We have neither the money nor the manpower even to attempt such a colossal adventure. Finally, there is no moral or other obligation on us to give even modest foreign aid, except in a sensible and effective manner, which will benefit everyone concerned and do harm to no one.

### Dancing to Moscow's Tune

The Administration requests more "flexibility" in foreign aid, to make easier "fast adjustments" in who gets how much from the U. S. A. to counter Soviet rivalry; i.e., again we are to dance to Moscow's tune. Our future projects are to "stir the imagination," to concentrate on the spectacular, rather than on such wise and safe measures as developing sound private World Trade and investment.

The result will be that the genuinely democratic and friendly governments, enjoying healthy economies, will receive little or nothing—as in the case of some of our Latin American neighbors. Whereas, neutralist or inimical governments, often using blackmail techniques, will get paid off with "flexible" benefits.

If I seem bold in my prophesies, it is because on Oct. 6, 1949, when testifying before the House Foreign Affairs Committee against the Point IV legislation, I made a number of pessimistic predictions. They have all come true.

My only error was that I did not go far enough. Amongst other things, I pointed out that economic development would not "always insure or automatically bring democracy"; that the recipients of governmental largesse would acquire "a distaste for private capital"; and the foreign aid program would eventually "involve us in the worst form of dollar diplomacy." I said, ". . . unless Congress rigidly circumscribes governmental operations under Point IV, there is grave danger that the appropriations . . . within a surprisingly short time, will become enormous."

Since the distribution of $55 billion failed so utterly to produce really worthwhile benefits, why must we continue, like a drug addict, to use more of the same hashish in ever greater quantities?

The simplest answer is that an enormous bureaucracy has been set up in Washington to plan for and run foreign aid. Bureaucratic growth is an intangible but living thing. No one seems to be responsible for its malignant expansion. Yet it always acts the same, as it grows and grows like a cancer. Also, like a cancer, it is almost impossible to rid the body politic of it—and, in the end, it can kill Constitutional representative government.

Through oversized and centralized government, the Washington bureaucrafts are able to allot billions of dollars of contracts, which bring handsome profits to a myriad of industries, commercial and shipping firms, and to labor. Thus, possible critics are lured into compliance and State interventionism is spread.

An even stronger influence favoring the give-away programs is the horde of misguided idealists or do-gooders, collectivists or socialists, and the unidentifiable THEYS (see my March 25, 1954 testimony before the Senate Subcommittee on Internal Security), with a sprinkling of Communists, who staff the lower, medium and

*A speech by Ambassador Braden before New England Export Club, Inc., Boston, Mass.

even some of the higher echelons in Washington. Nearly all of them —a few, perhaps, unwittingly— are dedicated to the destruction of individual endeavor and of what we proudly call our "way of life."

Let us not be misled in judging their aims by the basic errors of current so-called "liberal" political opinion, as disclosed in the April 2 lead editorial of the "New York Times." It said:

"To argue that Socialists and Communists are all the same can only help the Communists, who today, for their own purposes, say the same thing—though they too know better.

"This seems to be a false, confusing argument. For no truly informed person claims that 'Socialists and Communists are all the same' just as no such person claims 'All Democrats and Republicans are the same'."

The "Times" is right when it says they are not identical, but wrong when it implies that the end results of both ideologies are not the same.

Informed students of Marxism very definitely do claim that:

(1) Socialists and Communists have the same economic aim: to destroy capitalism.

(2) Socialist and Communists alike give their highest loyalty to the basic tenets established by their Internationals. Both subordinate loyalty to the national self-interest of any sovereign state to their loyalty to their ideologies and to the dictums of their Internationalists. Socialists as well as Communists push for the adoption of policies, especially economic ones, which are utterly counter to American principles and practices.

(3) Because the destruction of capitalism inevitably entails violation of the hallowed right to own private property, human nature, instinctively, rises up to resist Socialism. This resistance, if left free to operate, eventually will create such firm and concerted opposition as to destroy Socialist aims. To achieve these aims, all Socialists, of every variety, in the end, must resort to oppressive measures. When the more timid Socialists shrink at using force, the Communists exert it. Thus, the Socialists pave the way for Totalitarianism, which usually comes in the form of Communism. Especially do they do so during those times when the Socialists and Communists work together in a "Popular Front" directed toward the smashing of capitalism.

### The Frankenstein of International Socialism

What respect can anyone have for us, if we throw away our precious heritage of free private enterprise to create a Frankenstein's Monster of International Socialism, which to survive and succeed, must demolish this Republic?

Neither Socialism nor Communism have to be directed from Moscow, in order to be thoroughly dangerous to us.

Even more ridiculous than our financing of International, or even local, Socialism is that by showering the so-called underdeveloped countries—who already are mostly socialistic — with $55 billion, we have financed the carrying out of an old and fundamental Communist policy.

Lenin wrote: "The more backward the country . . . the more difficult it is for her to pass from the old capitalist relations to socialist relations."

Stalin, in "The Road to Revolution in the West Lies Through the East," explained that if Communism were to succeed in conquering the world, the Western nations' rear guard, i.e., their reserves in the dependent and colonial areas, must be revolutionized. He said:

"That is why it is essential that the proletariat of the advanced countries should render real and prolonged aid to the backward nationalities in their cultural and economic development.

"Unless such aid is forthcoming, it will be impossible to bring the various nations and peoples within a single world economic system that is so essential for the final triumph of socialism."

Since 1941, through ignorance of Communist policy and of this basic Soviet Plan, and by failure to exert effective counteraction, our government, by means of its own, and latterly through United Nations foreign aid, has been and still is subsidizing the U.S.S.R.'s long-range campaign against the U. S. A.

Some of us U. S. taxpayers are getting pretty well fed up with having billions upon billions of our resources and earnings seized by politicians to distribute all over the earth for purposes we are neither consulted about nor permitted to have any control over.

The Soviet, aware of this development, probably fears that we may discontinue underwriting their main program. They are not prepared to take over any such huge charitable undertaking as we have been carrying on. Instead, they chatter about what they are going to do in the way of "foreign aid" themselves. The only concrete offers they have made so far are like those to sell steel mills to India and Pakistan (the latter has neither iron ore nor coking coal) on a cash on the barrel-head basis.

This U.S.S.R. maneuver has had the desired "come-on" effect. We immediately, and somewhat hysterically, have declared, in the words of a popular song, that when it comes to prodigality, "Anything you can do, we can do better." Nasser and other neutralists already are playing our solid offers against the illusory promises offered by the Kremlin.

The extremes to which advocates of the "give-aways" will go was illustrated on March 23rd, when one of our leading statesmen distorted the meaning of George Washington's declaration that this country should give to mankind a novel example of a people always guided by an exalted justice and benevolence. This present-day statesman declared that the increased, flexible and more permanent "foreign aid" legislation now before Congress conforms to George Washington's prescription in the Farewell Address.

The Father of our Country never dreamed of such a program and never even intimated that he did so. Everything in the Farewell Address is directly to the contrary. When speaking of concessions to a favored country, he said:

"It is apt doubly to injure the Nation making the concessions: by unnecessarily parting with what ought to have been retained; and by exciting jealousy, ill will, and a disposition to retaliate in the parties for whom equal privileges are withheld."

He goes on:

"'Tis folly in one nation to look for disinterested favors from another; that it must pay with a portion of its independence. . . ."

He added:

"There can be no greater error than to expect or calculate on real favors from Nation to Nation; 'tis an illusion which experience must cure, which a just pride ought to discard."

That was wise counsel to his own then very much underdeveloped country. Washington knew, before Noah Webster drafted his definition, that to be respected, nations, like individuals, must "refrain from intruding upon or interfering with other nations or persons." He believed in the Proverb (25:17): "Withdraw thy foot from thy neighbor's house; lest having his fill, he hate thee."

As I have said, the UN and a number of governments and other entities urge that the charge of Americans intruding or interfering, intervening or just plain meddling in other peoples' affairs could be obviated by turning over American funds to the UN to be disbursed by it with complete anonymity for us.

It is alarming that we have gone along with this idea in a number of the UN agencies or affiliates, which handle foreign aid of one kind or another. The last of these was the International Finance Corporation, organized to enter the equity financing field by purchasing convertible debentures. By what right do the politicians take your and my taxes to enter into this speculative realm, which should be restricted to private capital?

Worse still is our UN Delegation's willingness even to consider SUNFED (Special United Nations Fund for Economic Development). This so-called "infra structure" fund is designed, through grants and short or long term interest-free loans, to finance any project which lacks merit enough to attract private capital or to meet the standards of existing lending institutions.

Obviously, no private capital could compete against SUNFED. Pursuant to a sort of Gresham's Law, SUNFED's grants and loans soon would drive all honest and sound credit out of the market. SUNFED is iniquitous.

Now that I have set forth some of the reasons why I believe our froeign aid programs nullify respect for the United States, I shall point to a few remedial measures.

Mankind's experience through the ages may be summarized in some homely sayings, such as:

(1) "Frugality embraces all the other virtues" or "Economy is a great revenue";

(2) "To be supported by the charity of friends or a government dole is to go into the almshouse"; and "Charity begins at home"; or, "He who gets something for nothing, values it at precisely nothing."

(3) "A good example is the best sermon" and "Example is the school of mankind and they will learn at no other."

(4) "Nothing succeeds like success" or "Everyone likes to back a winner."

### No Virtue in Bankruptcy

Heaven knows there is no virtue in bankrupting ourselves as we pour huge revenues into supporting other nations, even allowing them to reduce their own taxes at our expense. They will value this "charity of friends" at precisely nothing. Worse still, it will break their will to earn their own way and undermine their dignity. In the end, our government's dole to them will put them in the almshouse along with us.

Meanwhile, charity at home is abandoned, as some of our own vast under-developed areas, urban as well as rural, are sadly neglected. Each one of us, at a minute's notice, could run off a long list of things urgently needed all over the United States; highways, more education, from primary to post-graduate, slum clearance, medical care for both the physically and mentally ill, abatement of organized crime and juvenile delinquency, to a total requiring many, many billions of dollars.

I pray that our leaders abide by the teachings of the Farewell Address which tell us to:

"Observe good faith and justice toward all Nations. Cultivate peace and harmony with all. . . . The great rule of conduct for us, in regard to foreign Nations, is in extending our commercial relations, to have with them as little *Political* connection as possible.— So far as we have already formed engagements, let them be fulfilled with perfect good faith.—Here let us stop.—"

The time has come to repeat George Washington's exhortation: "Here let us stop!" By returning to his wise policies, we will win Respect and set a good example— far better than any sermon.

By hard work and thrift, integrity and intelligence under the free, private, competitive enterprise system, the United States grew from a small, poor republic to its present power and economic potential. As a result, our private capital, during the last century, and especially from 1900 on, has gone abroad, bringing with it managerial and technical resources and skills. It has brought to underdeveloped areas all over the earth enormous advantages and such a development as no bureaucrats or governmental agencies ever have or ever could approach.

By returning to this provenly successful system, we will furnish mankind with such a school that they "will learn at no other."

To do these things, we must insist that the prime duty of our government is to protect and advance the legitimate interests of the United States and its citizens; to make certain that our every policy and action be ethical; and unswervingly to stand for the Declaration of Independence, the Constitution and the Bill of Rights.

Our government must not declare that Peace is our sole objective. Instead, it must first demand Respect and dignity, honesty and honor, Patriotism and Freedom.

### Stop Buying Friendship

We must eschew all collectivist panaceas and stop trying to buy friendship. We must balance our budget, reduce taxes to an incentive level and otherwise put our own house in order.

If we will do these things, once again we will become so strong spiritually, economically and every other wise, that other nations, wishing to back a winner and be on our team, will follow our example and make themselves strong. That is the only way to acquire responsible and reliable allies. That is the only way to make ourselves impregnable and to insure Peace. Above all, that is the only way to recapture the Respect of the World.

## Arthur Hogan Adds

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif. — Francis E. Dodd has become connected with Arthur B. Hogan, Inc., 6630 Sunset Boulevard, members of the Los Angeles Stock Exchange.

## Joins Shaiman Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Rena R. Struempler has been added to the staff of Shaiman & Co., First National Bank Building.

# The Functions and Performance Of Financial Public Relations

By WESTON SMITH*
Financial Public Relations Consultant, New York City

**Growing need for financial public relations and description of activities performed requiring such public relations specialization is reviewed by Mr. Smith for benefit of small, medium-sized and large firms. Indicates how a specialist can achieve successful liaison with financial groups, publications, stockholders and potential individual investors through the use of such techniques as annual, quarterly and other advertised announcements in order to maintain and increase investment interest in the firm.**

Nowhere in the entire realm of "Public Relations" has proper planning been more quickly effective and productive than in the specialized province of *financial* Public Relations.


Weston Smith

It has been recognized by corporate management that general public relations counsel has filled an increasing need during the past twenty years. The reason: industrial management requires professional guidance to earn the confidence of the public in its many and varied segments.

### Specializations

Somewhat like the medical, legal, engineering and accounting professions, the broad field of public relations gradually has been split into many specialties. Today there are public relations experts in labor relations, employee relations, community relations, customer relations, dealer relations, government relations, etc.

Included among these specialties should be another: "stockholder relations" and recently this important segment of public relations has expanded to include investor and all financial community relations. Today, the highly specialized activity of influencing the opinions of registered shareholders, the investing public and the professionals (bankers, brokers, investment advisers and security analysts), has properly become known as "Financial Public Relations."

In the years since World War II, the capital requirements of industry have been greatly augmented by large scale expansion of plant and equipment. Heavy taxation on corporate income, making it impossible to finance growth out of retained earnings, has magnified the search for new capital investment.

Add to this the decentralization of wealth during the 20 years of New and Fair Deals, and the regulations imposed by the Securities & Exchange Commission, and it will be seen how the problems of industrial and financial management have been complicated.

As labor and the white-collar workers have acquired an increasing share of the National Income, the number of small stockholders has increased. Broadening of the investment base to persons in practically all walks of life has been inspired by frequent stock dividends and split-ups, which have brought the prices of shares to popular levels.

### More Stockholders

Interest in shareholder and investor relations on the part of progressive corporate management has been aroused by the afforts of both industrial and financial leaders to encourage every American citizen to become a shareholder in American industry, a campaign which has the blessing of the Administration in Washington. More recently the introduction of the Monthly Investment Plan by the New York Stock Exchange, plus the spread of little Investment Clubs, not to mention the merchandising of mutual funds, have brought the opportunity of common stock investment right to the door of the average middle-income family.

Add to these influences, the public offering of old established privately-owned corporations, such as Campbell Soup and Ford Motor Co., and it is no small wonder that the public's appetite for common stocks has been whetted, and many savings banks have been aware of withdrawals to buy stock.

This helps to explain why the progressive managements have appointed shareholder relations directors, while some of the biggest corporations have set up large departments to devote their entire time to stockholder and investor relations. Meanwhile, the increasing number of mergers, plus unexpected endings for a number of proxy fights, not to mention the raiding for control of some well-established companies by racketeers and others, has practically forced the managements of medium-sized and small corporations to seek the aid of financial public relations counsel before it is too late.

### Counsel Required

There has been a growing demand for outside counsel in the specialized area of financial public relations primarily because of the lack of talent within corporate management to organize or direct a productive program in shareholder relations, investor relations and financial community relations. In most middle-size and small companies, these activities are a part-time assignment for an officer with the more pressing problems of production, merchandising, sales and payrolls.

The recent Survey of the Shareholder Relations Policies of 1,000 Industrial Companies by "Financial World," revealed that 54% assigned the handling of stockholder and investor relations to one officer (Vice-President in charge of finance, treasurer, secretary, controller, public relations director or some assistant to these officials). An additional 43% divided the responsibility between two officers, or had a committee directing the activity.

### Three Basic Areas

Because the average corporate officers, including the president and board chairman, have had little or no experience in handling stockholder relations, while few have any familiarity with the financial districts, an increasing number of corporate managements have taken advantage of the opportunity to employ experienced financial public relations counsel to cultivate confidence and build prestige in these three basic areas:

(1) Present registered shareholders;

(2) The investing public, including those with shares held in brokers' names; and

(3) the all-important financial community, including bankers, brokers, investment advisers, trustees of estates, security analysts, mutual funds, insurance companies, and others who influence opinion of securities.

It is the new group of specialists in financial public relations counseling with the unique combination of a background in both finance and public relations who can serve best.

The problem: to develop a program, both ethical and lawful, to disseminate the facts and their proper interpretation to both present and prospective shareholders, plus all the components of the financial community.

The public relations director or publicity manager of any one of the 5,000 leading publicly-owned corporations is well aware of the difficulty of obtaining news space on the financial pages of metropolitan daily newspapers. And yet this is the primary means of reaching the now-estimated ten million active investors who provide the funds for financing the industrial growth of the nation.

Few of these active investors have the time or knowledge to analyze the comparative merits of stocks and bonds. What the few million investors read in investment magazines, market letters and financial services will likely influence their opinions and their purchases.

The recommendations investors receive from their investment advisers, bankers, brokers, security analysts, trustees of estates and statistical services may very well determine the action they take in buying and selling securities. The competent and experienced financial counsel knows how to plan a program for an industrial client which will provide the information to these professional financial groups.

### Financial Opinion Leaders

It is estimated that there are only about 20,000 investment opinion leaders, including small town bankers and lawyers, who furnish information and advice on securities to the investing public. This number can be further boiled down to probably a few thousand financial opinion leaders with the financial press included.

For the prime purpose of strengthening a corporation's position in the highly competitive capital markets, the financial public relations consultant will develop a program to include all or part of the following objectives.

(1) Maintain loyalty and increase confidence of present registered stockholders.

(2) Inspire interest of active investors to become registered shareholders, thus increasing the number of stockholders, and widening their geographical distribution.

(3) Enhance the investment acceptance of the corporation's securities in the 60 leading cities throughout the nation.

(4) Help attain a more realistic market appraisal for the company's common stock, thus improving the market valuation of the corporation.

(5) Build prestige for the company and its management among investment bankers in preparation for possible new financing, and in order to obtain more favorable terms for an offering of securities.

(6) Help spread the ownership of the common stock among an increasing number of small investors to discourage accumulation of large blocks of shares by those who would seek to acquire control.

### Four Basic Techniques

The techniques employed to encourage loyalty and build confidence among present registered shareholders are fairly well known:

(1) A modern annual report which is both attractive and informative;

(2) Adequate quarterly financial statements, made more interesting by converting them into newsletters or illustrated folders;

(3) Enclosures or inserts sent with the quarterly dividend check;

(4) Post-meeting reports, or a printed and illustrated summary of the stockholders' annual meeting with questions and answers.

These are the four basic forms of communication to stockholders. But many companies utilize other printed material to obtain more frequent impact: reprints of speeches and magazine articles by company officials, copies of the company's internal (employee) or external house publication, and special fact books and other brochures. The letter of welcome has come to the fore as a means of setting the investor at his ease when he becomes a registered stockholder.

Financial public relations counsel can be helpful in guiding the program to influence the opinions of present shareholders, but the more important service will be rendered in determining the course of action to attract new investors in the company's stock, plus to keep informed all of the leading segments of the financial community.

I have said it before and I will say it again: "As much intelligence and persistence are required to attract new stockholders, as are necessary to win new customers for a product." But the stock to be attractive must be backed by sound management and have at least good prospects, just as a product must be of good quality and fairly priced.

It should be apparent, therefore, that each financial public relations program must be geared to the special requirements of the individual management to be served. The experienced financial public relations consultant will first conduct a preliminary survey in the financial community and among the financial editors and writers to determine the present opinion of the client company's stock, before embarking on any kind of program.

The initial survey of the financial press and investment opinion leaders will likely disclose the weaknesses as well as the strong points in the market situation. This study may answer the question: Which of the financial publics are being neglected, and which are well serviced?

The results of a survey of financial opinion will help to determine the objectives of the program, the targets for action and the primary techniques to be employed.

### Three Requirements

Three primary steps are advisable when the experienced financial public relations consultant organizes a program:

(1) The assembling of a portfolio of historical and background statistical data, providing all the records and information required by security analysts and the financial press.

(2) A review of past annual reports, quarterly reports, financial publicity releases and other printed matter sent to stockholders or professional investors.

(3) The development of a new financial publicity procedure to create fresh sources of news beyond the usual releases of earnings, dividends, management changes, plant expansion and product improvements.

It takes a publicist with a financial background or previous experience as a financial writer on a newspaper or magazine to know which kind of news will interest a financial editor.

The handling of financial publicity should never be assigned to a Broadway press agent, an advertising agency account executive or a trade paper publicity man. Usually when it is, the results are quite amusing and often can be disastrous.

Most of the established financial public relations consulting firms have contacts of long standing with the editors, columnists and writers of the financial press. A press release from one of these counsel firms receives a little extra attention, and as it is usually newsworthy its chances for publication are better than average.

### Twelve Financial Publics

Perhaps equally important, the financial public relations consultant has direct contacts with most of the leading components of at least the Wall Street community, which is the heart of our nation's financial body. The counsel is well qualified to serve as a liaison agent between the client company's top management and the following influential financial groups:

(1) Stock Exchange member firms, customers' brokers, branch office managers.

(2) Members of the Security Analyst Societies.

(3) Unlisted or over-the-counter dealers.

(4) Investment bankers.

(5) Commercial bankers (trust departments).

(6) Registered investment advisory services.

(7) Insurance companies which buy common stocks.

(8) Mutual funds and investment trusts.

(9) Investment counsellors.

(10) Trustees of estates and institutions.

(11) Financial statistical organizations.

(12) Investment magazines and financial publications (semi-weekly, weekly, bi-weekly, semi-monthly, monthly and quarterly).

Some of the financial public relations consultants send periodic news-letters or bulletins to selected mailing lists among the foregoing groups.

Counsel in financial public relations should provide assistance in the preparation of advertisements slanted to the investing public. If the client company is paying regular dividends, the notice of the dividend declaration, properly illustrated and giving the number of consecutive years of payments is recommended. Annual report advertisements and more recently quarterly report announcements are being utilized to get a message across to the investor and the professional with the headline and explanation that the management wants. Too often the financial press will distort the actual news story with a headline: "Sales Drop," "Earnings Decline," "Profits Lower," etc.

The newest form of investor advertising is a report with illustrations of the shareholders' annual meeting. General Electric and Radio Corp. of America did this first in 1955.

### Serving Security Analysts

Financial public relations guidance will include the preparation and conduct of a plant tour for the financial press, security analysts and investment bankers. When the time is ripe, arrangements will be made to have the officers of the client company address one or more luncheons of the security analyst societies in leading cities. These talks can be reprinted and widely distributed. Some consultants prefer to hold private luncheons for a selected number of analysts at a club or hotel, and the financial press is often invited.

Know-What, Know-How, Know-Why, Know-Who and Know-When.

These are the stock in trade of the financial public relations consultant, and he knows the answers from his long experience in the financial district. The effect of every decision as to policy and

*An address by Mr. Smith before the Finance Management Committee, Controllers Institute of America, New York City.

programming must be weighed with care, because the stock exchanges and the SEC are ever watchful.

A few of the financial public relations firms go beyond these nominal requirements and provide counsel and guidance on dividend policy, stock-splits, new financing, mergers and other more technical phases of corporate finance.

**Counsel Welcomed**

Thus, it can be readily seen why a board chairman, president, financial vice-president, treasurer or controller of a medium-size or small corporation will welcome the assistance of an experienced specialist in financial public relations. It is similar to retaining the services of a lawyer, an independent auditor, a consulting engineer, a product designer or an advertising agency.

Perhaps this discussion of financial public relations has made it obvious why an increasing number of corporations are finding it more effective, more economical and even highly profitable to retain financial public relations counsel rather than to do a half-hearted job themselves.

## Halsey, Stuart Group Offers Telephone Bds.

Halsey, Stuart & Co. Inc. and associates on May 29 offered $25,000,000 of Mountain States Telephone & Telegraph Co. 34-year 3½% debentures, due June 1, 1990, at 100.996% and accrued interest, to yield 3.45%. The underwriters won award of the issue at competitive sale May 28 on a bid of 100.22%.

Net proceeds from the sale of the bonds will be applied by the company to the repayment of advances from its parent organization, American Telephone & Telegraph Co. These advances, which are expected to approximate $31,000,000 at the time the proceeds are received, are obtained from the parent corporation in conformity with an established practice of the company, and are used for general corporate purposes, including extensions, additions and improvements to its telephone plant.

The debentures are to be redeemable at optional redemption prices ranging from 104.996% to par, plus accrued interest.

The Mountain States Telephone & Telegraph Co., a subsidiary of American Telephone & Telegraph Co., is engaged in the business of furnishing communication services, mainly local and toll telephone service in Arizona, Colorado, Montana, New Mexico, Utah and Wyoming, in Idaho south of the Salmon River and in El Paso County, Texas. On Dec. 31, 1955, the company had 1,669,871 telephones in service and a subsidiary, which furnishes such service in Malheur County, Oregon, had 5,477 telephones in service. Services of the company also include teletypewriter exchange service and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes.

For the year 1955, the company had total operating revenues of $186,583,868 and net income of $22,626,535.

### With Ferrell & Ferrell

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo. — Thomas S. Golden is with Ferrell & Ferrell, 411½ Main Street.

### Joins Paine, Webber

PHILADELPHIA, Pa. — Paine, Webber, Jackson & Curtis, Girard Trust Company Building, announce that Robert G. Rowe, Jr. is now associated with them as a registered representative.

# Future Federal Reserve Policy

By MARRINER S. ECCLES*

Chairman of the Board, First Security Corporation, Salt Lake City, Utah

Former Chairman, Board of Governors of the Federal Reserve System

**Former Federal Reserve head believes a continuation of present tight credit policy would stop money supply growth and, consequently, the growth of our economy. States present-day problem is inadequate savings, and perceives difficulties ahead that will require more than monetary and credit action to solve.**

It is becoming more generally recognized that the Federal Reserve and the Treasury have the power to control the supply of money and greatly influence its use. This means that the government plays an essential role in the promotion of economic growth and stability. The President in his Annual Report supports this view when he says "The government can contribute to the strengthening of competitive enterprise, through monetary, fiscal and housekeeping policies that promote high and rising levels of economic activity."

Marriner S. Eccles

The objective of monetary and fiscal policy should be the maintenance of maximum production and employment while at the same time avoiding inflation and deflation. We cannot take for granted, however, the present high level of prosperity. In a dynamic economy like ours, the threat of inflation or deflation is always present. The country must have confidence that the government will pursue necessary monetary and fiscal policies with courage and understanding, to take the needed action soon enough is seldom popular — especially on the inflationary side. And, therefore, it is essential that the monetary and fiscal authorities be as free as possible from political and outside pressures.

We should understand that the total money supply comes from commercial bank credit, which is dependent upon Federal Reserve funds. These funds have become difficult and expensive to obtain as a result of the Federal Reserve's increasingly tight money policy. It follows therefore that all private credit becomes likewise scarce.

I believe this policy was justified because of the too rapid growth of consumer and mortgage credit which commenced more than a year ago. Inflationary pressures were developing proving that the people were trying to improve their standard of living faster than total production warranted. While I believe that consumer credit and liberal housing terms serve a useful purpose in our economy, they should not be permitted to grow faster during a period of high prosperity than the growth in the national product. Otherwise, the time will surely be reached when such growth cannot be maintained and resulting deflationary pressures will accentuate the problem.

Our standard of living depends upon our total production of goods and services, and not upon the amount of money we create. Out of the total income from production, all taxes must be taken. Then there must be saved, in the aggregate, by individuals and corporations, sufficient amount to provide for the financing of our needed new productive facilities. All our public utilities, commercial buildings and housing should also be financed out of these savings.

The problem today seems to be that the amount of savings is inadequate to meet these requirements, even though there has been a substantial falling off in new housing starts. Savings have not increased with the growth of the national product, which is approximately $400,000,000,000. As a consequence there has been a rapid increase in the velocity of existing funds, as well as an unprecedented demand for commercial bank credits to meet the deficiency. This indicates the presence of at least temporary inflationary pressures. Some of these pressures are, an increase in business spending and new plants and equipment of 22% over the 1955 peak; the rise in prices of many basic raw materials; the strong upward trend in wages and salaries, as well as fringe benefits; and the inventory accumulation that has been taking place since the beginning of the year.

Partially offsetting these inflationary factors, is the depressed agricultural situation; the falling off in automobile production, as well as housing starts, and the substantial cash budgetary surplus of the government.

At the present, the economy appears to be in a state of uneasy balance. But looking beneath the surface I perceive difficulties ahead that will require more than monetary and credit action to solve.

A continuation of the Federal Reserve's present tight money policy would stop the growth of the money supply and consequently the growth of the economy. I have always maintained that in a dynamic economy you could no more put a ceiling on the money supply than you can on production and employment. An attempt to stop inflation by doing this would mean that the economy would be halted at the present level of a $400,000,000,000 national product at present prices.

This is inconceivable when we take into consideration the necessity of absorbing an increased labor force of more than three-fourths of a million a year—as well as the fruits of increased productivity (amounting to 2% or more a year) which technological developments have made inevitable.

Any monetary or credit policy aimed to halt inflationary pressures under present conditions must recognize that the monopolistic practices of big labor and big business are just as important as the control of the money supply. As long as organized labor demands increasing wages and fringe benefits, which are reflected in prices — an unbridled inflationary force will be at large.

I believe that another essential factor in the present situation is the necessity of ultimately decreasing government expenditures, especially in the Military and Foreign Aid fields as a means of reducing those taxes — especially corporate, which would increase mortgage and other investment funds. Such a program would add to savings; reduce the need for credit, and be anti-inflationary in its effect.

In view of the paradoxes existing in our economy, some of which I have highlighted, I believe you will feel as I do, that if we are going to have the growth of which we are capable, without inflation—**Something has to Give!**

*Digest of a talk, prepared by Mr. Eccles, of a speech before the Mortgage Bankers Association of America, Western Mortgage Conference, San Francisco, Calif., May 15, 1956.

### Two With Bache Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Roland T. Chickering and Charles W. Davis are now with Bache & Co., Penobscot Building.

### With Franklin Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Cliff E. Fitton has become associated with Franklin Securities Co., Healey Building.

### With Kidder, Peabody

PHILADELPHIA, Pa.—Kidder, Peabody & Co., Fidelity Philadelphia Trust Building, announce that Raymond H. Welsh has become associated with them as a registered representative.

### With Columbia Secs.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Jack Becker and Irving Ornstein have been added to the staff of Columbia Securities Company, 225 South Beverly Drive.

### With Daniel D. Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Blake Warwick-Owensmith is now with Daniel D. Weston & Co., 9235 Wilshire Boulevard.

## Werle Vice-Chairman Of N. Y. Stock Exch.

Edward C. Werle was elected Vice-Chairman of the Board of Governors of the New York Stock Exchange at the organization meeting of the Board, Keith Funston, President, announced.

Edward C. Werle

Mr. Werle has been a member of the Exchange since 1950 and a Governor since 1953. He was re-elected a Governor at last week's annual election, for a three-year term. He is a partner in the Exchange member firm of Johnson & Wood, which does a general commission business and also specializes in rights.

### J. D. Creger Co. Formed

WHITTIER, Cal.—J. D. Creger & Co. has been formed here to engage in a securities business. James D. Creger is a principal of the firm. Mr. Creger was previously Manager of the sales department of E. H. Hansen & Co. Associated with the new firm are Albert J. Hausman, Atwell R. Jobe, Dale T. King and Robert A. Wade, also formerly with E. H. Hansen & Co.

# Bank and Insurance Stocks

By ARTHUR B. WALLACE

## This Week — Insurance Stocks

Considering the companies whose stocks are the more actively traded fire and casualty insurance issues, relatively few have reason to feel well satisfied with their statutory underwriting results for 1955. Of the 39 companies listed in the accompanying schedule, 13 reported statutory underwriting losses, and eight others' gains were of negligible importance. In most instances, however, the stockholder's equity in the change for the year in the unearned premium reserve contributed well to the "adjusted" figures carried in the table. And, too, with substantial increases in the dividends on stocks of industrial companies during 1955, further help was given to net earnings from higher investment income.

However, it cannot be said that, considering these leading companies, 1955 results were good. A number of smaller specialty units did well and so gave the industry showing a more favorable appearance, but the insurance stockholder, generally speaking, is not in these small companies, or in the stocks of companies owned by finance companies, so it is to the better known units that we must look for the true pattern.

Thus, in a year of lush corporate earnings and dividends, fewer than half of the stocks listed here showed as good, adjusted underwriting results for 1955 as for those of 1954. To be sure, some of this indifferent showing was because of unsatisfactory rates, particularly in extended coverage; but whatever the causes, 1955 did not show up so well for these companies.

As there are a number of relatively good underwriting years immediately behind us, it is this writer's conviction that, cyclically, we probably can count now on a period of less favorable underwriting results. And as market action in insurance stocks tends to follow underwriting results rather than investment showings, it seems logical to expect somewhat lower insurance stock prices. An important sign-post is the fact that fire losses for the first four months were 8½% higher than in the like period of 1954.

CONSOLIDATED EARNINGS

| | Adjusted Und. Result | | Invest. —Income— | | Federal Taxes | | —Net Profit— | |
|---|---|---|---|---|---|---|---|---|
| | 1954 | 1955 | 1954 | 1955 | 1954 | 1955 | 1954 | 1955 |
| Aetna Casualty | $11.93 | $6.35 | $6.60 | $7.40 | $5.96 | $1.43 | $12.57 | $12.32 |
| Aetna Insurance | 0.03 | 1.52 | 5.30 | 5.77 | 1.43 | 1.86 | 3.90 | 5.43 |
| Agricultural | —1.04 | —0.11 | 2.65 | 2.56 | 0.21 | 1.16 | 1.40 | 1.29 |
| American Ins. | —0.17 | —1.08 | 2.36 | 2.49 | 0.39 | 0.01* | 1.80 | 1.42 |
| Amer. Reins. | 1.89 | 0.77 | 2.02 | 2.19 | 1.34 | 0.70 | 2.57 | 2.26 |
| American Surety | 1.41 | 0.49 | 1.56 | 1.60 | 1.15 | 0.72 | 1.82 | 1.37 |
| Bankers & Ship. | 2.05 | 3.01 | 3.25 | 3.56 | 2.39 | 1.99 | 2.91 | 4.58 |
| Boston Ins. | —0.72 | —3.12 | 2.41 | 2.49 | 0.17 | 0.03* | 1.52 | —0.60 |
| Continental Cas. | 5.72 | 5.81 | 2.18 | 2.54 | 3.03 | 2.70 | 4.87 | 5.65 |
| Continental Ins. | 0.49 | 0.32 | 2.66 | 2.83 | 0.59 | 0.59 | 2.56 | 2.56 |
| Federal Ins. | 2.69 | 2.18 | 1.30 | 1.39 | 1.76 | 1.32 | 2.23 | 2.25 |
| Fidelity & Dep. | 7.11 | 7.35 | 3.85 | 4.12 | 3.86 | 3.48 | 7.10 | 7.99 |
| Fidelity Phen. | 0.45 | 0.21 | 2.84 | 3.12 | 0.90 | 0.61 | 2.39 | 2.72 |
| Fire Assn. | —1.70 | —0.48 | 3.61 | 3.92 | 0.22 | 0.25 | 1.69 | 3.19 |
| Fireman's Fund | 3.10 | 1.33 | 3.18 | 3.30 | 1.86 | 0.48 | 4.42 | 4.15 |
| Firemen's Ins. | —0.03 | 0.67 | 3.91 | 4.20 | 1.06 | 2.01 | 2.82 | 2.86 |
| Glens Falls | 3.26 | 0.87 | 4.35 | 4.67 | 2.46 | 0.94 | 5.15 | 4.60 |
| Great American | 0.19 | 0.04 | 2.88 | 3.20 | 0.61 | 0.62 | 2.46 | 2.62 |
| Hanover Fire | —1.11 | 0.39 | 3.50 | 3.01 | 0.41 | 0.54 | 1.98 | 2.86 |
| Hartford Fire | 7.94 | 8.70 | 6.57 | 7.07 | 5.69 | 6.18 | 8.22 | 9.59 |
| Home Ins. | —2.51 | 0.70 | 3.18 | 3.34 | 0.36 | 0.77 | 0.31 | 3.27 |
| Ins. Co. No. Amer. | 2.06 | 1.95 | 3.93 | 4.34 | 1.54 | 1.29 | 4.45 | 5.00 |
| Mass. Bonding | 1.70 | 2.90 | 3.53 | 3.88 | 1.73 | 2.62 | 3.50 | 4.16 |
| National Fire | —1.59 | —1.78 | 6.63 | 7.25 | 1.20 | 0.42 | 3.84 | 5.15 |
| Nat. Union | 0.75 | —0.47 | 3.13 | 3.47 | 0.35 | 0.16 | 3.53 | 2.84 |
| New Hampshire | —4.35 | —1.48 | 3.23 | 3.54 | 0.09 | 0.03 | —1.21 | 2.03 |
| Northern Ins. | 1.65 | 3.86 | 4.43 | 4.81 | 0.96 | 0.33* | 5.12 | 9.00 |
| North River | 0.68 | 0.47 | 2.34 | 2.46 | 0.70 | 0.63 | 2.32 | 2.30 |
| Pacific Fire | 1.76 | 2.58 | 3.11 | 3.44 | 2.04 | 1.72 | 2.83 | 4.30 |
| Phoenix Ins. | —3.78 | —2.28 | 5.08 | 5.54 | 0.34 | 0.35 | 0.96 | 2.91 |
| Providence Wash. | —11.98 | —1.25 | 2.61 | 2.47 | ---- | 0.03* | —9.37 | 1.25 |
| St. Paul Fire | 1.82 | 1.76 | 2.08 | 2.24 | 0.96 | 0.82 | 2.94 | 3.18 |
| Seaboard Surety | 5.68 | 7.05 | 2.45 | 2.70 | 3.26 | 3.90 | 4.87 | 5.85 |
| Security Ins. | 0.27 | —0.16 | 3.21 | 3.15 | 0.80 | 0.33 | 2.68 | 2.66 |
| Springfield | —0.22 | —1.57 | 4.07 | 4.20 | 1.43 | 0.03 | 2.42 | 2.60 |
| Standard Acc. | 12.34 | 2.56 | 4.32 | 4.51 | 5.68 | 2.15 | 10.98 | 4.92 |
| U. S. Fid. & Gty. | 7.47 | 3.27 | 3.78 | 4.35 | 3.51 | 1.42 | 7.74 | 6.20 |
| U. S. Fire | 0.33 | 0.23 | 1.56 | 1.66 | 0.42 | 0.30 | 1.47 | 1.59 |
| Westchester | 0.61 | 0.36 | 1.90 | 2.02 | 0.65 | 0.43 | 1.86 | 1.95 |

*Credit. Otherwise Federal tax figures are deductions.

NOTE—Adjustments made for stock dividends and split-ups. Consolidated data used for fleet parent companies. No adjustment made for contingent Federal income tax liability, on unrealized equities.



# Municipal Bond Club Outing Friday

Editors of "The Daily Bond Crier," yearly humorous publication of The Municipal Bond Club of New York, have completed final editing of the 1956 edition of the "Crier" which is being issued in connection with the Club's 23rd Annual Outing at the Westchester Country Club, Rye, N. Y., on Friday, June 1, 1956.

The "Crier," according to James F. Reilly, of Lehman Brothers, editor and chairman of the publication's 13-member editorial board, this year will be a 20-page issue, partially in color, illustrated with lively and pertinent copy themed to the paper's editorial policy of "Insults You Couldn't Buy." Mr. Reilly said the editorial board has done its best to be "topically caustic but, of course, only to entertain, and not to offend anyone."

Advance copies of the publication will be available on Thursday afternoon (May 31) at the offices of White, Weld & Co., Room 3406, 40 Wall Street, New York 5, N. Y., and at the newsstand on the Wall Street side of the New York Stock Exchange. A record run of 5,000 copies is expected, with proceeds applied to the cost of the outing. "The Crier" will be priced at $1 per copy.

"Red Ink" has flowed freely in the municipal market during the past year—a fact which, however sad, the "Crier" wryly and philosophically accepts on its very front page. A colored illustration shows four prominent municipal men shipwrecked and afloat in a leaky, old-fashioned bathtub on a sea of red ink, while the bark is threatened by sharks and floating bombs representing municipal deals which could have been more successful, and with the sail of the craft rent by hostile gun shells labeled "4% money" and "rediscount."

But "hope springs eternal" and the back page presents an aggressive municipal industry in the person of sports cartoonist Willard Mullin's famous "bum" who is defiantly muttering "Wait 'Till Next Year!"

That the rise in money rates approved by the Federal Reserve Board continues a tender subject with municipal men is shown by a quarter page "advertisement" offering a reward of $1,000,000 for the apprehension of Federal Reserve Board Chairman William McChesney Martin, dead or alive (with the advertisement stating that municipal men are "not fussy" whether the "culprit" is caught dead or alive): the charge, "attempted murder of the municipal bond industry."

## Two With Bache

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John H. Arnold and Ben F. Evans, Jr., have become affiliated with Bache & Co., 445 North Roxbury Drive.

## Joins Grover Fillbach

(Special to THE FINANCIAL CHRONICLE)

BURBANK, Calif.—William M. Corfield has joined the staff of Grover Fillbach, 226 East Olive Avenue.

## With Franklin Secs.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—J. Fred Bell, Jr. is now with Franklin Securities Co., 57 Forsythe Street, Northwest.

## Changes Firm Name

WASHINGTON, D. C.—The firm name of Folger, Nolan-W. B. Hibbs & Co., Inc., 725 15th Street, Northwest, members of the New York Stock Exchange, has been changed to Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc.

# Bearish Economic Forecasts False: Keyserling

**Special report for Henry Montor Associates underscores prospects for better year than 1955 in weighing favorable and unfavorable factors. Expects dividend earnings to average considerably higher.**

Asserting that the growing fears of an economic decline are unfounded, Leon H. Keyserling, formerly Chairman of the Presidents Council of Economic Advisers, declared May 24 that the economic outlook for the balance of 1956 remains very good and that profits and dividends for this year as a whole will be considerably higher than in 1955.

Leon Keyserling

Mr. Keyserling, now a consulting economist and attorney, stated his views on the immediate economic outlook in a report prepared especially for the Stock Exchange firm of Henry Montor Associates, Inc., 40 Exchange Place, New York 5, N. Y.

In his analysis which forsees a Gross National Product of $400 billion for 1956, the economist deplores the "swing from ebullience one day to gloom the next day", pointing out that spotty incidents have been confused with more fundamental composite trends which reveal the general maintenance of stability and growth.

Mr. Keyserling states that the net decline in outlays for durable goods, including automobiles, in the first quarter of the current year, has been more than compensated for by the considerable increase in outlays for non-durable goods, and by the sharp increase in outlays for services. He maintains that no one factor is controlling "in our immense and varied economy."

In addition, he says that important supplementations to consumer incomes are likely during the balance of the year. He declares that substantial wage increases may be negotiated in basic industries. He also anticipates legislative action to retard the decline in farm income and believes that some tax reduction is still possible, particularly with respect to low income families. This would become more likely, Mr. Keyserling adds, "if economic developments should turn less favorable than they are now."

Discussing the sharp decline in inventory buying, he observes that while mild "inventory readjustment" may become somewhat more susbtantial before it comes to an end, there is no sizable prospect that it will reach the 1953-54 recessionary magnitude."

He characterizes as "a very powerful factor" for increased profits and dividends in 1956, the expenditures for new plant and equipment which have continued in "amazing strength".

The political outlook as a "psychological" factor affecting business investment should not be a disturbing element, according to My Keyserling. He expresses the view that American economic policies (both private and public) during the past generation have survived and will continue to survive political change. However, he points out that those who are of the opinion that a Republican Administration creates a uniquely "favorable climate" for business, may find encouragement in the fact that public opinion polls and recent primary and presidential preference elections indicate the re-election of President Eisenhower.

Mr. Keyserling cites the increase of Government purchases of goods and services as another favorable factor, emphasizing that the movement of Federal outlays for the balance of this year will be moderately upward rather than downward.

The unfavorable reaction of the stock market to the report that the Soviets plan a substantial reduction in their armed forces is described by Mr. Keyserling as unfounded. He notes that regardless of possible Russian disarmament, "there will at best be a tense international situation for years to come, and that there is now no foreseeable prospect for substantial declines in our defense spending."

On the question of the relationship of defense spending to our economic stability Mr. Keyserling makes the following comment:

"Our entire economic history since World War II shows the capacity of the American economy, through private and public policies combined, to weather immense reductions in defense spending and to maintain its stability and growth."

Despite some of the erratic movements of the stock market in the past few months, Mr. Keyserling believes that investment in good grade stocks will continue to be rewarding.

"I feel that dividend earnings this year and in the years immediately ahead will average considerably higher than during the past few years, and that appreciation in the capital value of well-selected stocks will be at a somewhat faster rate than the over-all growth of the economy."

The economist cautions most investors against "excitable entry into, departure from and re-entry into the market."

## Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Walter R. Anderson is now connected with King Merritt & Co., Inc.

## Allen Inv. Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo. — Robert E. Brooks has been added to the staff of Allen Investment Company, 1334 Pearl Street.

## With Colo. Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Laurence F. Drewery has become affiliated with Colorado Investment Co., Inc., 509 17th Street.

## Joins Filosa Secs.

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo.—Charles E. Crane is now with Filosa Securities, Inc., 407 Main Street.

## First Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Richard H. Osborn, Sr., has been added to the staff of First Securities of Denver, 910 Sixteenth Street.

## Two With Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—James F. Gazzoli and Edward W. Verzuh are now connected with Founders Mutual Depositor Corporation, First National Bank Building.

## With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Frank H. Monthey and William E. Strange are now with Hamilton Management Corporation, 445 Grant St.

# Taxes in Britain and Russia An Impact Upon Expansion

By PAUL EINZIG

**Dr. Einzig draws a comparison between Labor Party's policy shift from nationalization to advocacy of rigorous equalitarian distribution of income with the Soviet renunciation of equalitarianism for the sake of economic expansion. Warns that British colonial losses make increased productivity imperative but that excessive taxes, which do not stifle initiative during inflation, have an unfavorable effect upon savings, prompt an investment flow greater than savings which stimulates inflation and, in turn, discourages savings and induces disinflationary measures—a cycle discouraging to investments and productivity efforts.**

LONDON, Eng.—There are indications of an increasing pressure in favor of more equalitarian distribution of incomes in Britain. It seems that the British Labor Party intends to concentrate on that aspect of Socialism rather than on public ownership of the means of production. Nationalization has not been an outstanding success in Britain, and the Labor Party lost two general elections with a program of further nationalizations. Labor leaders hope that the battle cry of equalitarianism may meet with a more favorable response. While they are paying lip service to extending national ownership, they are likely to concentrate on "soaking the rich" and the middle classes with the aid of more equalitarian taxation.

Dr. Paul Einzig

Very little scope exists for a further increase in the maximum rates of Income Tax, Surtax and Death Duties. As it is, these rates are very near 100%, and even a Socialist Government could not raise them above 100%. What the Labor Party is aiming at is to reduce further the scope for lawful exemptions from the prohibitive direct taxation. In recent speeches, various Socialist leaders demanded the tightening of fiscal legislation, and the opposition tabled a number of amendments to the Finance Bill to that effect.

The Government is subject to much criticism on the part of its supporters among businessmen and investors who feel that this latest equalitarian drive is the logical outcome of the Government's undue timidity in granting relief to the long-suffering taxpayer. It is argued that, had substantial concessions been given to the middle-class taxpayer, the opposition would be able to seek popularity among its own supporters by simply pressing for a repeal of such concessions. As it is, the only way in which the opposition can be different from the Government in the fiscal sphere is by demanding further measures to increase the burden of taxation.

### Taxes Contrasted

Equalitarian trend in taxation is not confined to Britain. It exists in other democratic countries, even if its extent is more moderate. On the other hand, there is no such thing in the Communist countries. The contrast between the prohibitive direct taxation in Britain and the very moderate direct taxation in Soviet Russia is striking. While in Britain the maximum rate of Income Tax and Surtax is over 90%, in the U.S.S.R. it is only 65% on recipients of unearned incomes and for such traders and artisans as exist, 55% for professional people, and only 15% for wage-earners and salary earners, even though some wages and salaries are very high. The bulk of the Soviet Government's revenue is derived from the sales tax levied on bread and other necessities—a most reactionary tax.

Paradoxical as it may sound, there is more equalitarianism in the democratic countries than in the Communist countries. The latter seem to use financial incentive to a much larger extent. Yet the profit motive is—or is supposed to be — the principal characteristic of the capitalist system, while the absence of a profit motive is the basis of communism. It seems, therefore, that while the system in the Soviet Union is one of totalitarian capitalism, that of Britain is one of democratic communism, or something very near to it.

How is it that the excessive degree of equalitarianism has not altogether stifled initiative in Britain? The answer is that the system is workable under inflation. So long as there appears to be a good possibility of earning bigger and bigger profits during a period of inflationary business boom, this provides an incentive for expansion, even if most of the profits is taken away in taxation and the purchasing power of what remains is reduced by the nonstop rise in prices. It remains to be seen what would happen during a prolonged period of stagnation.

### Effect of Heavy Taxation.

There can be no doubt that excessive equalitarianism tends to hold up British industrial expansion even during a period of inflation. Its effect on the volume of savings has been very unfavorable, for recipients of small incomes have not got into the habit of saving, even though the increase in their earnings would enable them to save. This means that there is not enough risk capital available. It also means that the volume of capital expenditure by the public and private sectors of the economy is in excess of the volume of savings, and this necessarily means inflation.

Britain's future depends on the possibility of increasing the producing capacity of industry. This is all the more necessary as Britain is gradually losing her Colonial empire. It is necessary to increase productivity, in order to maintain the standard of living in spite of the losses of the colonies. But the equalitarian trend gravely handicaps the increase of productivity, through its effect on saving and investment. Owing to the inadequacy of saving, the inflationary trend stimulated by the excess of investment over saving calls for disinflationary measures from time to time, and this again tends to hold up investment.

The Communist leaders in Moscow have duly realized that it is well worth their while to renounce equalitarianism for the sake of economic expansion. But the British Labor leaders want to be more socialistic than the Communists of the Kremlin. They disregard the advice of their chief economic expert, Professor Arthur Lewis, who is in favor of accepting higher profits and unequal distribution of incomes as the price that must be paid for progress. It remains to be seen how the British electorate will respond to the "new look" in Socialist policy.

# Trebilcock Pres. Of Toronto Exch.

TORONTO, ONT., Canada—Arthur J. Trebilcock, Q.C. has been appointed the first paid President of the Toronto Stock Exchange. Preparations for this departure from the 104-year-old procedure of having an elected member or seat holder serve in the capacity as unpaid President, were made a short time ago when the elected member's title as head of the Exchange, was changed from President to Chairman of the Board of Governors.

The recommendation to adopt the system of the New York Stock Exchanges in having a paid President came from the Board of Governors, who made an exhaustive study of the matter. Mindful of the fact that the Exchange was doing a gross annual business that ranged to over $2 billion, the Board set up certain requirements for the office of President of the Exchange. After considering a number of possibilities in the fields of business and finance, education and the professions, the Board came to the decision that Mr. Trebilcock, who has acted as Executive Manager of the Exchange for many years was preeminently suited to the position.

At the same time, William L. Somerville, Jr., who was previously Assistant General Manager, was appointed Executive Vice-President.

Arthur J. Trebilcock, Q.C., the new President of the Toronto Stock Exchange, was previously its chief executive non-member officer with the title of Executive Manager. As such, for 22 years he has directed the intricate operations of Canada's greatest financial trading centre and also the world's most highly mechanized and most efficient stock exchange system. In that time, he has been the medium by which a continuity of policy has been maintained through the exchange's system of yearly rotating Managing Committee.

Recognized as one of Canada's leading authorities on stock brokerage and corporation law, Mr. Trebilcock has striven to sink his identity into the Exchange itself. He can look back on three decades of close association with Canada's record growth, as a young lawyer specializing in corporation law, as legal counsel and now Chief Executive of the Exchange itself.

He is a native of Bowmanville, graduating from Asgoode Hall in 1921. From his early days of practice he was intensely interested in corporation law and company organization and in the stock brokerage business. It was his keen interest which took him to the Red Lake mining camp in 1925 with the late Hon. J. Earl Lawson to set up business in a weather-beaten tent on the fringe of Ontario's future. He found that lawyers were needed closer to the financial heart of the country than on the scene of resources development, and returned to Toronto where he specialized in mining and corporation law. This brought him to the position of counsel for the Standard Stock and Mining Exchange in 1927, and after the amalgamation with the Toronto Stock Exchange in 1934, as Executive Manager of the merged exchanges. At the time of the Centenary of the Toronto Stock Exchange in 1952, he was created a King's Counsel.

One of his first tasks as President will be to plan for the operation of the new Exchange Building. To this he can bring a wealth of experience, since he played a prominent part in the 1937 planning and erection of the present Stock Exchange Building, which, while still being the most efficient of its kind in the world, has seen its facilities for trading outgrown.

## Joins Eastman, Dillon

(Special to THE FINANCIAL CHRONICLE)

SOUTHERN PINES, N. C.—Constance M. Mathewson has joined the staff of Eastman, Dillon & Co., 105 East Pennsylvania Avenue.

## With First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Joseph T. Wootton has become associated with First California Company, 300 Montgomery St.

## H. L. Jamieson Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Walter E. Hutchens is now with H. L. Jamieson Co., Inc., Russ Building.

## Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Verner F. Hanson is now with Reynolds & Co., 425 Montgomery Street.

## Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

With the business pattern less certain, the money market is getting greater attention because buyers of securities are turning more and more to fixed income bearing obligations for the placing of investible funds. Also, the sharp decline in prices of common stocks has not been an unfavorable factor as far as quotations of Government securities are concerned. The "spotty" economic picture has also brought the tight money policy of the monetary authorities under a considerable amount of fire, with the last increase in the discount rate being defended as well as sharply criticized. There is, however, a growing feeling in the financial district that changes in monetary policy will not be long in coming, with business conditions on the defensive.

The most distant Government bonds are finding their way into institutional portfolios in increasing amounts because of the better feeling which has developed towards these issues. The intermediate terms are also becoming more attractive to investors.

### Less Pressure on Treasury Bonds

The pressure which has been so heavy on the Government market appears to be easing a bit, even though the change which has taken place so far has been largely psychological. However, the attitude of investors towards securities, whether they be bonds or stocks, is very important in determining their market action.

Presently, the indicators appear to point in the direction of more attention being given to fixed income bearing obligations because the element of uncertainty has become somewhat more prominent as far as business and economic conditions are concerned. It is developments of this kind which brings buyers into bonds, not only because the security angle becomes more important to them, but in addition yields are more attractive in many cases than the returns which are available in other forms of investment which have been or will be effected by adjustments in the business pattern.

### Floating Supply Reduced

Commitments have not been on the heavy side as far as Treasury obligations are concerned, even though it is evident that a substantial amount of Government securities have been taken out of the market in the past three or four weeks. The supply of Treasury issues has not been, and is not now, on the burdensome side, because those that have had securities for sale have either found other sources to get the needed funds from, or have been very selective and very careful in moving out of these bonds.

On the other hand, the buyers of Government securities have not been too much disturbed by the trend of quotations, especially when they were on the downside, because the money was available for the purchase of these issues and they felt that the averaging down policy would work out well in time. Also, it was found that the upward swings in prices did not bring any appreciably amount of bonds in for liquidation.

### Switching and Tax-Loss Operations

A considerable amount of switching has been and still is being done from certain long-term corporate bonds, that is the older, lower coupon ones, into intermediate term Government issues with set maturities. The reason given for these swops is that the price recovery will be faster in the Government issues than in the corporate obligations. At the same time, tax losses are being taken in the non-Government bonds.

### Buying by Public Pension Funds

Pension funds of the public variety have been buyers of the most distant 2½s and the 3s, with the latter issue reportedly the favorite among these institutions. Funds that have come out of common stocks are also being put to work in the Government 3s which is a minor change from what has been going on, since the bulk of this money had been going into short Treasuries or tax free obligations.

### Municipals Continue in Demand

The demand for tax sheltered obligations continues to expand, with more institutional buyers being attracted to these securities. Even though these offerings have picked up in volume, they have been well taken, with reports that money which would ordinarily be used for the purchase of equities is now being invested in state and municipal bonds.

### Changes in Monetary Policy Debated

Although there is considerable discussion about the changes that will be made by the monetary authorities in light of the doubtful economic picture, not a few money market followers are of the opinion that a decrease in reserve requirements is the most important development to be expected in the not too distant future. A reversal of the trend in the discount rate would be welcome, but might be more largely psychological. A more tangible money market force would be in having less money of the deposit institutions tied up at the Central Banks.

## Form Services Secs.

BROOKLYN, N. Y. — Services Securities Agency, Inc. is engaging in a securities business from offices at 1578 West Sixth Street. Officers are William I. Creek, President; B. M. Allen, Vice-President; and Charles W. Badalamenti, Executive Vice-President. Mr. Badalamenti has been doing business under the firm name of The Charles Co.

## Joins Wayne Jewell

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Byron E. Williams has become affiliated with Wayne Jewell Company, 818 Seventeenth Street.

## With Securities, Inc.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William T. Hastings is now with Securities, Inc. He was formerly with Robert Lipton Investment Co.

*Continued from page 9*

## The Flow of Funds to "The Dynamic West"

ilies producing one child, there would not necessarily be an increase in the demand for dwelling units. On the other hand, an increase of a like number resulting from the immigration of one family would create an immediate demand for an additional dwelling unit. With population in the west continuing to grow both from natural causes as well as net migration, I am inclined to believe that here we have a factor favoring a continuation of a high level of residential construction in our region.

Income is a second important factor to be considered. A rising level of real income encourages the undoubling of individuals and families, lends impetus to marriage at an earlier age and generally promotes the movement toward a higher standard of living which, in recent years, has manifested itself in the form of better quality housing. Income in the west has been rising and, more important, it is expected to continue to rise. Here, then, is a second bullish force, as regards the housing outlook.

Those who observe and report the progress of residential construction see in the rising vacancy rate a threat to this year's activities. I would agree that the cold figures support a somewhat pessimistic viewpoint. This could be particularly true in the west when one notes that the vacancy rate during the final quarter of 1955 for units available on the market for rent or sale was reported at 4.1%, compared with a national figure of 2.7%. The figures become even more forboding upon looking at all non-dilapidated, non-seasonal units which are currently vacant. The western figure for the fourth quarter of 1955 was 8.4%, compared with a national figure of 5.1%.

These figures on vacancies are certainly no cause for enthusiasm, but I believe that, placed in their proper perspective, they are not alarming. First, all parts of this western country are not growing alike, and while supporting data are not available, I am inclined to think that internal migration within the western states from more static sections to those having sharp industrial growth has accounted for some portion of these vacancies. As far as we can see, the vacancies resulting from such internal migration will stand for a while. Some of the vacancies may well be caused by the housing industry having gotten ahead of sales in many areas. In the surveys that we make in both northern and southern California before granting construction loans, we endeavor to check the completed and unsold dwellings in the surveyed area and we find that there is a general tendency toward increasing in housing completed and unsold, as well as houses under construction and unsold. If the growth of California were suddenly to come to a halt, this would be a serious situation, and I do not believe that it is one that should be completely ignored as it is; however, with the numerous industrial plants that are scheduled to move into various parts of our state and here, particularly, we feel that the immigration that will be brought about by the development of these plants will certainly absorb the vacancies as they now exist, especially in new properties.

To count but a few of the major things that are coming into our particular areas, we might consider the General Electric Atomic Plant at Livermore; the four large organizations moving into San Jose: General Motors, IBM, International Paper, and Lockheed; Crown Zellerbach in South San Francisco; A. O. Smith in Oakland; General Mills and Johns Manville in Stockton; Aerojet in Sacramento; North American, Douglas, Goodyear, and many others in the Los Angeles area; and a large increase at the Kaiser Plant at Fontana and General Dynamics in San Diego. With expansion such as this, we can be sure that people will be moving into the areas and taking up the unsold new homes as well as the major portion of the livable older homes.

As one of the nation's largest single urban mortgage lenders, our bank watches vacancies very closely and surveys building areas very closely, and I do not see the currently reported figures as being depressing.

### Availability of Funds

My final point on the factors which influence the level of new residential construction concerns each of us here today. The availability of adequate mortgage money is a strategic factor in the housing market. The term "Tight Money" has been justly applied during the past several months, and this has been the basis of many of the predictions that residential construction in 1956 would fall substantially below that of the past year or two. We all know that government controls the spigot of monetary policy. I believe we would agree that while government agencies are not anxious to propel the residential building boom, neither are they anxious to bring it to a halt. In this regard, I cannot help but reflect upon the sequence of events in 1953 and 1954. A recurrence would not surprise me. In any event, I should also note that the general concept of tight money does not necessarily apply to a particular area. I have been in the banking business long enough to know that the available money flows to the most attractive opportunities. And it seems to me that the most attractive opportunities are in our vastly growing western region.

It is important that we continue to induce a money flow from other parts of the country to our area because the construction programs in the west have grown too rapidly for the west to finance itself completely. Approximately 14% of the nation's people are resident in our western area. This same region constructs approximately 24% of the nation's new dwelling units.

The willingness of the banks in California, in which the Bank of America has played a dominate role, to make financing available to build and buy that home reasonably near that new industrial plant has, and will, continue to bring these new industries to the State of California. However, banks collectively have limitations as to mortgage funds.

### Source of Additional Funds

What, then, are our sources of additional funds?

Western financial institutions have established orderly channels which permit excess investment funds throughout the nation to funnel into our area. Our relationships with insurance companies represent but one example. The growing importance of insurance company participation in the west's mortgage market seems to me to hold further promise for us.

Looking just at American life insurance companies, we find that their investment in non-farm mortgages throughout the nation rose from $16 billion in 1950 to approximately $28 billion in 1955, an increase of over $2 billion per year in new mortgage investments, in addition to the reinvestment of repaid funds. These are huge sums, yet the over $2 billion per year additional investment in mortgages represents but a small portion of the insurance companies' total new investments. Last year, for example, American life insurance companies acquired about $18 billion in new investments of all kinds. Would it not be possible to attract more of this life insurance money to our western mortgage market? I am inclined to think that we can. And this accounts for part of my optimism.

My comments concerning a traditional source of mortgage funds are also valid as regards new sources, like pension trusts. Here, again, the doctrine of the most attractive opportunity should apply.

As I consider the requirements and opportunities in the west, I am most hopeful about the prospect of having adequate funds available to finance the west's construction.

Let me now review the factors which will affect the level of western residential construction. I have indicated that income is expected to rise, that the vacancy rate should not exert a depressive force, that an adequate quantity of investment funds will be available and that the pressure of a growing population, particularly that of in-migration, will help sustain a high level of demand for new housing.

As I assess the influence of these factors which determine the housing outlook for the west, I conclude that there are small grounds for pessimism. I can report to you that our bank is looking to 1956 as another excellent year. And under the leadership of our farsighted President, Clark Beise, we are seizing upon these opportunities in order that we may contribute to, as well as grow with, the dynamic west.

## Phila. Investment Ass'n Outing Plans

PHILADELPHIA, Pa. — The outing committee has finalized plans for the annual outing of the Philadelphia Securities Association to be held Friday, June 15, at Aronimink Country Club, Newton Square, Pa.

As in past years a variety of sporting events are on the calendar but the highlight of the day will be the annual stock exchange. Two trading posts, each trading 100 shares will be the center of attention in the late afternoon. The program also includes a proxy "battle" for 30 reserved seat for Phillies baseball games.

The day's program starts on the golf course with a Kicker's Handicap. Other tournaments include a putting contest, a softball game, backgammon and card games. For tennis enthusiasts there will be a tournament at Merion Cricket Club starting at 2 p.m.

## New S. F. Exch. Member

SAN FRANCISCO, Calif. — Ronald E. Kaehler, President, has announced the election of Charles H. Clay to membership in the San Francisco Stock Exchange. Mr. Clay is a general partner in the member firm of Dean Witter & Co.

## Now APA, Incorporated

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — APA, Incorporated has been formed with offices at 631 Marquette Avenue as successor to the investment business of Anderson-Plank-Arnao.

# NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Miss Helen M. DeLuise, Public Relations Assistant of the **East River Savings Bank of New York,** was elected the first woman President of the bank's Quarter Century Club at its 17th Annual Meeting and dinner on May 24 at the New York Athletic Club. Miss DeLuise is also Head Service Director of East River. Giosue F. DeGiulio was elected Vice-President and Edward Focacci Secretary of the bank's Quarter Century Club. New members who have become eligible during the year are Mrs. Ann Konrady and Henry Schardt, bringing the total roster to 63. The membership includes three trustees of East River Savings Bank, viz., Edward F. Barrett, Percy C. Magnus, and George O. Nodyne, President of East River. Retiring officers are John J. Krieger, President, and John F. Bennison (deceased), Vice-President.

* * *

The **Lynbrook National Bank of Lynbrook, Long Island, N. Y.,** increased its capital, effective May 22 from $225,000 to $300,000 as a result of the sale of $75,000 of new stock.

* * *

A merger of the **State Bank of Ellenburg of Ellenburg Depot, New York,** and the **Second National Bank of Cooperstown, New York** into the **National Commercial Bank & Trust Co. of Albany, N. Y.** was approved by the Comptroller of the Currency at Washington on May 18, the merger having been effected as of that date under the charter and title of the **National Commercial Bank & Trust Co. of Albany.** The State Bank of Ellenburg had common stock of $100,000, while the Second National Bank of Cooperstown had common stock of $225,000. Prior to the merger the National Commercial Bank & Trust Co. had a capital of $4,200,000. At the effective date of the merger the National Commercial Bank & Trust reported a capital stock of $4,344,000 in 217,000 shares of common stock, par $20 each; surplus of $8,800,000 and undivided profits including capital reserves of not less than $3,134,761. The Ellenburg and Cooperstown banks will operate as branches of the Albany bank.

* * *

The New York State Banking Department announces that on May 17 that approval had been given to the **Johnstown Bank of Johnstown, N. Y.** to a certificate of decrease of capital stock from $270,000, consisting of 1,750 shares of preferred stock of the par value of $40 per share, and 2,000 shares of common stock of the par value of $100 per share, to $250,000 consisting of 2,500 shares of the par value of $100 per share.

* * *

At a special meeting on May 21, the shareholders of the **Linares & Rescigno Bank, of Paterson, N. J.** approved the sale of the assets of that bank to the **First National Bank & Trust Co. of Paterson** which will assume the deposit liabilities of the Linares & Rescigno Bank. Shares of stock in excess of the required two-thirds of the total outstanding it is indicated, were voted in favor of the proposal. Under the terms of the agreement between the two banks the actual transfer of assets and assumption of deposit liabilities will take effect as of the close of business on June 1. The Linares & Rescigno Bank located at 208 Market Street will open as an office of First National Bank & Trust Co. on June 4. Peter J. Rescigno, now President of Linares & Rescigno Bank, will become Vice-President of First National Bank & Trust Company of Paterson and Manager of the Linares & Rescigno Office at Market Street. F. Raymond Peterson, Chairman of the First National Bank, announced that officers and staff of the absorbed bank will be retained by the First National, at least for the present. The plans for the absorption of the bank were noted in our May 10 issue, page 2256.

* * *

June 14 has been fixed upon as the date for a special meeting to be held by the **National Newark & Essex Banking Co. of Newark, N. J.** to act upon a recommendation by its directors that the **First National Bank of Cedar Grove, N. J.** be acquired by the Newark institution. This is learned from the Newark "Evening News" which further reports that the stockholders of the Cedar Grove Bank will take action in the matter on June 13. From the Newark "News" we also quote:

"In a letter to shareholders, Robert G. Cowan, National Newark & Essex President, has recommended, approval of the merger proposal, which he said would add about 10 million dollars to National Newark & Essex's total resources, bringing them to approximately $275 million. Capital would be increased from $6,500,000 to $7,125,000, while surplus and undivided profits would amount to $10,425,000, exclusive of the statutory reserve for bad debts.

"Under the proposal, Cedar Grove stockholders would receive 12,000 new shares of National Newark & Essex stock in exchange for their 3,000 shares of Cedar Grove stock, while stockholders of the Newark bank would get a 5% stock dividend, or one new share for each 20 held. Outstanding shares of stock in the Newark bank would rise from 260,000 to 285,000.

"Mr. Cowan said that the difference between the fair value of stock to be issued the Cedar Grove shareholders and the value of the net assets to be contributed by their bank to the Newark institution is about $314,000. This would mean a dilution of about $1.10 per share in the fair value of the 285,000 shares. Mr. Cowan asserted.

"In the opinion of your management, the benefits expected to result from the merger more than offset this relatively small difference," Mr. Cowan said.

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Announcement of the election of George B. Underwood as a Director of the **National State Bank of Newark, N. J.** was announced on May 22 according to the Newark "Evening News" which noted that Mr. Underwood is President of the Underwood Mortgage & Title Co. of Irvington. He was a Vice-President and Director the "News" adds, of the Irvington Trust Co. which became a branch of the National State Bank, details of which were given in our issues of May 10, page 2256, and May 24, page 2493.

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More than 500 Morris County stockholders of **The Morristown Trust Company of Morristown, N. J.** will share in the $37,500 cash dividend to be paid by the bank on June 1, at the rate of 75 cents a share, according to George Munsick, the bank's President. Directors established May 15 as the record date for this semi-annual dividend, which is being mailed to a total of 700 share owners in many states and several foreign countries. Similar cash dividends have been paid in recent years each June. In addition, a three-year program of annual stock dividends each December was completed last year. The institution now has 50,000 shares of capital stock outstanding.

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William S. Weeks, President of the **Raritan State Bank in Raritan, N. J.,** died in London, Eng., on May 25. Mr. Weeks' death occurred after he collapsed in his hotel there, following his arrival in England with Mrs. Weeks, after vacationing on the continent, according to an account in the Newark, N. J. "Evening News" of May 25, from that paper's staff correspondent at Bound Brook. The item indicates that Mr. Weeks was a retired official of the American Cyanamid Co. From that account we quote:

"Mr. Weeks became Secretary of Calco Chemical Co. here in 1920 and when it was merged with the American Cyanamid Co., he became head of the legal department of the Calco Chemical Division. He retired in 1948 and served as a consultant to the firm for several years."

Mr. Weeks was also active in State affairs.

* * *

As of May 16 the **Gallatin National Bank of Uniontown, Pa.,** increased its capital from $500,000 to $750,000, the enlarged amount having resulted from a stock dividend of $250,000. The recent absorption by Gallatin National of the **National Deposit Bank of Brownsville, Pa.,** was noted in our issue of May 24, page 2493, and in our May 17 issue, page 2366. Announcement was made that majority control of the Gallatin had been purchased by a group of Fayette County, Pa., residents.

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**The First National Bank in Bedford, Pa.,** with common stock of $200,000, and the **First National Bank of Schellsburg, Pa.,** with common stock of $50,000, were consolidated under the charter and title of the **First National Bank in Bedford,** at the close of business May 19. At the effective date of the consolidation the latter had a capital stock of $240,000 in 12,000 shares of common stock, par $20 each; surplus of $260,000 and undivided profits of not less than $108,928.

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**The Staunton National Bank of Staunton, Va.,** with common capital of $100,000, was placed in voluntary liquidation effective May 19, having been absorbed by the **Augusta National Bank of Staunton.**

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It is made known by the Board of Governors of the Federal Reserve System that **The State Bank of Defiance Company, of Defiance, Ohio,** a State member, changed its title to **The State Bank and Trust Company,** as of April 11.

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**The First National Bank of Baytown, Texas,** has increased its capital from $150,000 to $200,000 as of May 14, the addition of $50,000 having resulted from the sale of that amount of new stock.

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An increase of $1,500,000 in the capital of the **Fort Worth National Bank of Fort Worth, Texas,** as a result of the sale of new stock of that amount, has brought the capital up to $8,500,000 from $7,000,000. The enlarged amount became effective May 7.

* * *

A charter for the **Long Point National Bank of Houston, Texas,** was issued on May 16 by the U. S. Comptroller of the Currency. The new bank has been formed with a capital of $250,000 and surplus of $150,000. Robert V. Moise as President and George S. Sullins as Cashier form the primary organization.

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Announcement that six officers, all Assistant Vice-Presidents, have been promoted to the post of Vice-President by **Crocker-Anglo National Bank, of San Francisco,** was made on May 16 by President Paul E. Hoover. They are Monroe A. Bloom, Advertising Manager, and John R. Dryden, Credit Department Manager, head office, and the following Managers of San Francisco offices: Harry A. Gabriel, Market - Ellis Office; Ralph V. Johnson, Mission Office; and A. L. Pierotti, Market-Jones Office. James N. Froome, Jr., Manager of the Red Bluff Office, is the sixth. Mr. Bloom joined the bank in 1924, becoming Assistant Manager of the Marina District Office in 1934; two years later he became the bank's first Advertising Manager and was named as Assistant Vice-President in 1948. Mr. Dryden entered the bank's employ in 1930 at the head office in San Francisco and served at its Potrero Office from 1934 to 1936. He then returned to the head office, where he was named Assistant Vice-President and Manager of the Credit Department in 1950. Mr. Gabriel has spent more than half of his 45 years with the bank at the Market-Ellis Office, where he went as Assistant Manager in 1928. Eight years later he became Manager. In 1946 he was named Assistant Cashier and, in 1950 was promoted to Assistant Vice-President. Mr. Johnson entered banking in 1926. He was made Assistant Manager of the bank's San Jose Office in 1948 and three years later, as Assistant Vice-President and Manager, he was transferred to the Park-Merced Office in San Francisco. In 1953, he moved to the Mission Office. Mr. Pierotti has been at the Market-Jones Office for 31 of his 37 years with the bank. A teller in 1925, he became Assistant Manager in 1938, Manager in 1945 and was made an Assistant Vice-President in 1946. Mr. Froome, on his return from military duty became Assistant Manager of the Red Bluff Office in 1946 and was made both Assistant Vice-President and Manager in 1953. He has been with the bank since 1933.

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**The First National Bank of Fairbanks, Alaska,** reported capital stock of $300,000 on April 30, the amount having been increased from $150,000 to $300,000 by a stock dividend of $150,000.

## Milton Stern Opens

Milton Stern is engaging in a securities business from offices at 514 West End Avenue, New York City.

## Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Meyer Luskin has been added to the staff of Bache & Co., 445 North Roxbury Drive. He was formerly with Kerr & Bell.

## Two With Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—James L. Connelly and Floyd W. Hurlbert are now with Barrett Herrick & Co., Inc., 1016 Baltimore Avenue.

## With Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Charles F. Fenwick, Jr. is now associated with Barrett Herrick & Co., Inc., 418 Locust Street.

## Two With Mid Continent

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Fred Mallorrus and Paul Sass are now with Mid Continent Securities Corporation, 3520 Hampton Avenue.

## Two Join F. I. du Pont

CHICAGO, Ill. — Francis I. du Pont & Co., 208 South La Salle Street, announce that Robert R. Shields and Paak Shing Wu have become associated with them as registered representatives.

## Moore With A. G. Becker

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Ralph S. Moore has become associated with A. G. Becker & Co., Incorporated, Russ Building. He was formerly a partner in Needham & Moore.

## Joins Westheimer & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio. — Charles Moore has been added to the staff of Westheimer & Co., 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

# Dr. Spahr Supports Federal Reserve Policy

**Danger of "too free use of credit" is cited by Monetary Economist in answering current criticism of the Reserve Board's recent credit tightening effort.**

A statement by Dr. Walter E. Spahr, Executive Vice President, Economists' National Committee on Monetary Policy, dealing with the controversial comment regarding the wisdom of the Federal reserve Board's most recent rediscount rate increase, points out, "it seems to be a well - established fact that if the Federal Reserve banks are to operate in the area of credit control in the interests of the public welfare, their ability to minimize the seriousness of a business recession resulting from a boom lies in putting brakes on the freedom to use credit during the boom.

Dr. Walter E. Spahr

"The current criticisms of the Reserve Board's recent and present efforts in these directions constitute attempts to impair the effectiveness of an agency charged with the responsibility of doing its best to save the people of this country from the severe consequences which can flow from a too free use of credit.

"The promised Congressional investigation of the gentle and belated tightening of credit by the Federal Reserve Authorities is unwarranted and unfortunate.

"The attacks on the Federal Reserve Authorities by the advocates of continued easy money have serious implications for the well-being of this nation.

"It would seem to be a reasonably good guess that, with the passage of time, correct perspective should reveal that valid criticisms of the Reserve Authorities probably will lie in the direction of their not beginning soon enough and of not being vigorous enough in placing additional restraints on the uses of Federal Reserve credit.

"A mistake of the first magnitude on the part of the Reserve Authorities has been their failure to help rid this nation of irredeemable currency and monetization of Federal debt."

*Continued from page 3*

# A Commentary on Questions Confronting the Treasury

tual taxpayers than we have tax returns. That is a lot of people.

When you start dividing up some money among as many people as that, you have to have a lot of money or nobody gets anything that amounts to anything.

In order to have a tax reduction of any proper size, you have to know first, which we do not know, about what we are going to have. We have to be sure how much is available. Then we have to have enough so that we can make proper adjustments among all the people who are entitled to consideration.

I believe very definitely that our taxes are too high. I believe that our taxes have got to come down, and that we ought to reduce our taxes just as soon as we possibly can. Real tax reductions can be made in just one way. That is by having a combination of more income and less expense continuously so that you have a surplus that you can count on that is available to hand back to the people.

That is the sort of a program that we have in mind. That is what we are working toward. We had it once and we gave the largest tax cut that has ever been given. We will work, and are working, toward it, I hope, in this country regardless of who is the Secretary of the Treasury, or regardless of what the Administration is. We will work toward having surpluses, and having surpluses of sufficient size to count on and to make proper reductions in taxes, in a fair and proper manner, among all the people so that the cut is spread and the benefits are spread, to get the best results for the forward progress of this country. That is what we are all interested in. That is what we must have. We must have, with a growing population, more employment, more jobs, more goods and more activity all of the time.

In all of our financial activities, and all we do in our financial policies, we should always have in mind the development of the country and the fair spread among all of the people of the burdens that go with taxation.

### Reducing Government Spending

The third question:

What are the prospects for more reductions in government spending?

Of course, the big amount of money that we spend in this country is spent for security. About two-thirds of all that we collect is spent for security. So long as we have the conditions that face us in the world today, so long as we are in this period, we must be sure that we are dealing from strength and never from weakness in all of the negotiations that go on throughout the world, and all the changing conditions that have to be met throughout the world. This country must be in a position to deal with strength. As long as it is necessary to be in that position, we must make sure that we are there and we must spend whatever is necessary to be there.

That does not mean, however, that we should not take account of waste that creeps into every home, every business, into every situation in life, where all the corners have to be watched wherever reasonable and proper economy should be enforced all the time. That means just continual vigilance. It means watching every single corner, watching every single dollar all the time. No item is too small to watch.

It is a lot of those little ones building up that make the big ones that make the real difference in the amount of money we have to raise.

We also have to have this in mind; and perhaps more so all the time. That is, that we are in a very rapidly developing era in research; that we are in a very rapidly developing and very rapidly changing period in this country. I do not think that we have ever been in an era where research and development, new things and new ways of doing things are coming on as rapidly as they are today.

That is markedly true in our security requirements. It is markedly true in weapons. It is markedly true in the ways in which we protect and preserve our strength, the way in which we will defend ourselves and the way in which our military people will handle their affairs.

### Must Be Selective

As this rapid development goes on the tendency, of course, always is, as the new things appear, to say that is fine, let us take that one on, that is something we must have and we must have it at once. We must spend a lot of money for reseach, which is proper. Then, because we have done that, and as new things come on, we want to have them. That is a very proper thing to do and we must have new things just as soon as we are sure they are practical and they are workable.

But, if we just keep adding on, if all we do is keep adding on the new and, at the same time, maintaining in the same way all of the old, we very soon will find ourselves in a lot of difficulty.

It is true throughout our whole life, it is true in your home and your business, that when you move forward in one front you you must be selective. You must pick out the things that will give you the most strength. You cannot have everything. You take the things that develop the most strength and you drop off some of the things that previously were effective, but which are of less concern because of the new developments.

That is why we must be continually vigilant, to see that as we add on we also recognize the worth of what we put on, and do not keep things that may otherwise, or could otherwise, be supplanted by the new that we have taken.

With that in mind—and I think that we must always approach it from the point of view that we can maintain and increase our strength—we will be able to increase our military strength, our military position, and concurrently we will be able to reduce our expenditures.

That is the history of all business. It is the history of your own situations. As you get these new and more effective things, you can drop off the less effective things that cost a lot of money. As you progress in a business what happens? You add new machines. You add new ways of doing things, new organizations, and you reduce your cost. You improve your product. You have a better product and it costs you less money.

I think that same general principle must be sought for and attempted to be applied in every way that we can in our governmental expenditures.

### Non-Military Spending

Now let's look at the remaining one-third of spending, which covers the government services. It is going to be very difficult to continually reduce those expenditures because, with our growing population, with our growing enterprise, with our growing commerce, and with the growth of the amount of things we do, we have a growing workload for government. The workload of the various departments keeps increasing. The workload that you people demand that your government do for you, those things are all increasing. It is pretty difficult to keep having both an increasing workload and a decreasing cost of doing the work.

Your unit cost can go down, but your total costs are pretty hard to control under those circumstances. I think that there is some room for some reductions in the normal functions of the government, but that is not where the real savings of the future will come from.

Of course, when you get right down to it, the real savings and real reductions that we have to look forward to will come about through a different atmosphere, a different situation, in the world. The time will come, I believe—and must come—when the tensions in the world will not be as great as they are today. Some way or other we will have a better understanding in the world, when this hope for a more surely peaceful situation that we all are striving for will actually develop. When that time comes then the real savings, the real reductions, in governmental expenditures can be realized.

### No Defense Dollar Denial

The next question:

Has military security been weakened to balance the budget?

The answer to that is positively no.

Regardless of the comments of various citizens, columnists, members of Congress and even some of our military people, there never has been a single denial of expenditure of a dollar for defense that has been based purely on saving money or balancing the budget. That has never occurred.

That, of course, does not mean that we have not at all times, and that we will not in the future at all times, watch every expenditure with the greatest of care. It is basic that the strength of this country be maintained at whatever the cost may be. The people of the country will gladly pay whatever the cost may be to be sure that we do maintain ourselves in a position of real strength.

But we must have this in mind, and it is often overlooked. Strength does not come just from spending money. You do not get things done just by spending money. Just because you spend a lot of money does not mean that you have a good operation of a newspaper, or a good operation of your plant. As a matter of fact, it may mean that you are having a careless one, that you are having one that is not as tightly managed as it should be.

It is the effectiveness of your expenditure that you must be interested in. It is how well is your money being spent, how carefully is it being spent, how intelligently is it being spent. That is what we must question. You must question it. You as citizens, we as officers of the government, must question our expenditures, every expenditure, to see that it is being intelligently made, that it is a necessary expenditure and that we are not just piling one expenditure on another.

I do not think anyone has a right to say, or a right to feel or believe, that because expenditures are questioned, that because various plans or programs are questioned and discussed, that somebody is denying the right to the security of this country for the sake of balancing the budget. That has nothing to do with it. It is simply a matter of trying to be sure that we have the most efficient expenditure of whatever it is that we have to spend.

### Sources of Strength

There is one other point. Strength does not come just in the military either. The strength of America is just as much economic as it is military. There is no way that this country could be defeated quicker, no way that we could lose our way of life quicker, than by so conducting ourselves in one way that we ruined ourselves in another.

It is the economic strength, the industrial power of America, that is the great power in this world. It is our tremendous economic power that is so far ahead of any other country in the world.

That balance between the maintenance of a sound and progressive, virile economy which is essential to our welfare and our military expenditures, our expenditures for all forms of governmental operations — that balance should be carefully maintained. It must be carefully balanced to be sure that we are just as strong as possible economically, so that great force, that great economic position of strength is maintained, as well as our military and other positions in the world.

### Federal Reserve Policy

This is my last question:

Is there a controversy between the Federal Reserve System and the Treasury?

You must admit that I have tried to ask questions that are at least subjects of discussion.

The Federal Reserve System as a whole spreads out all over the United States. It is made up of boards of our best citizens, a majority of whom are businessmen in the various communities, and these communities cover the entire United States.

When you are talking about the action of the Federal Reserve System, you are talking about a widespread system of information, of opinion, of examination of what is going on, and of knowledge of conditions in this country.

The Federal Reserve System, under our laws, is an independent system and is responsible for certain areas of action. At some previous times in our history the question of its independence has come into discussion. There have been times when perhaps it has been subservient to other judgment.

Before we came here there was such a situation. It was resolved before we came here in the reestablishment of the independence of the Federal Reserve System in its field. Mark you, in its field.

When I assumed the responsibility of my office, I realized the close association that would have to exist between the Federal Reserve System and the Treasury, because our fields are so interlocked. Bill Martin was then the Chairman of the Federal Reserve Board. One of the very first things that I did was to ask Bill Martin if he would continue. He had tendered a resignation. I asked him if he would continue as the chairman. I did it for one reason. I did it because I thought then, and I think now, that Bill Martin is the best qualified man in the United States for his job.

He consented and took the job. We arranged at that time that we would have the closest cooperation between the Federal Reserve Board and the Treasury, each recognizing the other's field of operation and the other's independence in his particular field.

We set up a lot of mechanics, such as meetings back and forth, weekly meetings, bi-weekly or tri-weekly meetings. We have gone along in a very close association, each presenting to the other his views, hearing his views, giving consideration to the other's views, and finally deciding what he was going to do in the field of which he was responsible and going ahead with his job. We have had that close association, as I think you must in any situation where you are trying to balance.

The most difficult situation is where you are trying to balance the effect of pressures, both inflationary and deflationary pressures, not only as to what the effects of those pressures are today but what the effect of those pressures is going to be three months, six months, or even some longer period hence.

You are in a field of tremendous difficulty. You are in a field where nobody can really be very sure that he is right. Worse than that, you never can know afterwards who is right because this is a moving business. When you take action one way you never will know, and nobody else will ever know, what would have happened if you had taken the action the other way. There is no way to ever check up.

All during this period we had continual discussions, continual questions back and forth amongst our staffs, as to what action should be taken to resist both inflationary and deflationary pressures.

By and large we have been fairly lucky in having a pretty close balance during most of the period between these pressures. That is the finest position that the people of the United States can be in. And it is the most difficult position for the people who are trying to balance the pressures in any way that they can.

I will just cite for a moment what the pressures are.

We have for a period of a good many months had the highest employment in the history of this country, the highest earnings in the history of the country, the greatest volume of business in the history of the country. We have been going along at this extremely high level a large part of this period, and pretty well balanced with very little change, either deflationary or inflationary, during this period. Very, very little change.

When you are in a period of very high employment, very high business activity, if you try to move up to any great extent from that extremely high level, you soon reach the place where there are not enough more materials, and there are not enough more people, to make many more goods. If the pressure is pushed too high under those circumstances, you get a scramble for materials and a scramble for people and you raise costs to the general public, the cost that the public has to pay, without giving the public anything more or better for it.

That is an inflationary pressure that should, and must, be avoided, if it can be, because you are not getting better goods and you are not getting more goods. You are simply paying more for them because you already are at about as high as you can go.

If during such a period there are pressures and scrambles to increase inventories, or to build inventories, or to gamble with goods against price rises, or against material shortages, you very soon get yourselves into a position where you have more than your normal requirements need. Under those circumstances as inventories accumulate, they, in and of themselves, soon become a burden and have to be liquidated. As you liquidate the inventory you curtail your purchase of new products. Then you begin to have deflationary pressures and you begin to lose employment and begin to get in trouble on the down side.

### Leaning Against the Wind

The Federal Reserve System, with its combined judgment of all of these people, has been leaning, as they say, against the wind during this high period, to prevent inflationary pressures. We have had discussions as to when they should move, or how they should move. We very frankly always stated our opinions to them, and they to us. We talked about it at

length. Included in those discussions are the President's economic advisors who worked with us continually, Arthur Burns and his people, and we all expressed ourselves, and a great deal of the time there is a difference of opinion in shades of timing and in shades of what the pressures will be.

We work this out to a point where the Federal Reserve System, exercises its final judgment in its field and the Treasury exercises its final judgment in its field.

This last time when the discussion was up as to whether we would make this additional move, [increase in discount rate—Ed.] we had to balance not only the conditions that obtained at the time, but the question of what those conditions are going to be sometime hence. Very frankly I differed with Bill, and our people differed with his people, as to the force of the pressures sometime hence. Not as to the conditions of today, but as to the force of pressures sometime hence.

It seemed to us that we could already see some natural conditions that were coming. We could see some excessive inventory in the automobile business. We could see some excessive inventory here and there. We could see a steel wage negotiation coming up. We could see some accumulation in that field. We felt that the natural conditions would exert some downward pressures that would offset these pressures upward, and that there was no further action required at that time, that it was better to go without it.

My general feeling about our economy is that the best interests of America are served when the great majority of people in America have confidence in the situation, when they believe that things are sound and strong, that their jobs are reasonably secure and that good times, which we are in, are going to continue. Not necessarily peak times. I think we must distinguish that.

I think we are often apt to exaggerate when in some particular place there is some relatively small readjustment, and think that is bad times, or that when somebody is not breaking records all the time, that that is bad times. It is not.

**Adjustments in the Economy**

When you have very high levels, you have to expect small adjustments in the economy, and you thank the Lord that they are small and come here, there and the other place. When they are coming here and there and the other place, it means they are not all going to come at once. When they do not all come at once they correct themselves relatively soon and with relatively little damage. When you have a high degree of confidence that that is the situation, you can feel that you have pretty sound ground under your feet.

The reason I put so much stress on confidence is this: The majority of people in America have more money to spend than just what they have to spend every day to live on — for clothes and food and shelter. They can spend a little more, or a little less, depending on how they feel, depending on how secure they feel —depending on their confidence.

They can buy a washing machine or not buy. They can trade automobiles, or go along with the one they have. They can buy a house or they can still pay rent. With confidence you have the people going along on an even keel and buying not just the things they need, but other things they want, the things that are available for them to have, to keep increasing their scale of living and to keep a strong economy and widespread activity.

If people begin to lose that confidence and they begin to curtail their activities, why you can very soon find yourself in a position where, when that fellow decides not to buy that washing machine, it is only a little while before either there is another washing machine in the inventory, and later there is a man out of a job.

The most important thing in America is a job. Don't ever forget it. If you do not have the jobs, you do not have any America. The problem for all of us is to see, in every way that we can, that we do have jobs in America. It is jobs in America that makes everything that we have. It makes all the goods we have. It makes all the material things. I am not talking spiritually. I am talking materially. Jobs make all the material things that we have. Jobs are the most important thing in this country.

Confidence in our financial situation and our financial management, in our prudence, in our financial integrity, is essential to the maintenance of jobs and lots of jobs. Therefore, I think that what we want to do is so conduct ourselves in every way so we do not shake that confidence, so that the people feel that we are working in the best interests of leaning against both inflation and deflation, but letting the judgment of 160 million people determine what they will buy, when they will buy it, and what they will pay for it and have the confidence to go ahead and do it.

**Frank Holeman** [President of National Press Club]: Thank you, Mr. Secretary. For an amateur, you did very well with your questions.

I have some here now that show you what the pros can do if we only have a few minutes.

The first one, sir, is this:

If the President is re-elected, do you plan to retire from the Cabinet after the first of the year?

**Secretary Humphrey:** If invited, no.

**Mr. Holeman:** Sir, do you believe there is any validity to the position of T. Coleman Andrews on the income tax?

**Secretary Humphrey:** When a man has had a public trust, that public trust continues on after the term of office because of the knowledge gained and the prominence of the position that has been occupied.

I want to see taxes reduced as much as anybody. I think they must be over a period of time for the best interests of this country. But I know of no way in which we can raise the money we need for our security and for the services that the public demands without some kind of an income tax.

You can vary it. There may very well be some very valid suggestions. There probably are changes that could be made to improve the situation. But there is no way that you can eliminate an income tax and raise the amount of money we now have to have.

I am for paying our bills as we go along. I am not for running deficits. I am for raising the money we have to spend, whatever it is, currently and paying for it and not passing the buck to any more children and grandchildren. If anybody can tell me how you can eliminate an income tax entirely and pay our bills, I will just welcome him with open arms. I do not believe anyone can do it.

If that is so, and if we do have to have an income tax of some kind, for some amount of our money, that does not mean just the one we have now, because the Lord knows you are always in a position to improve. When you get to where you think you cannot improve you are in bad shape. I think there are lots of ways to improve this law. I believe we can improve it, and we should.

However, elimination is another thing. If we are going to have an income tax, then I think it is unfortunate to have the fairness of the tax, the existence of the tax, questioned when so many honest, straightforward American people are burdening themselves to pay their share of running this country and protecting it.

I think it is unfortunate.

**Mr. Holeman:** Mr. Secretary, how large, in your opinion, should the surplus of receipts over expenses be to justify an income tax reduction?

**Secretary Humphrey:** It is not just arithmetic. I have said previously, in answer to a question, that three or four billion is a place where you can start to think about it. But it is not just arithmetic.

It has to do even more with your prospects, because when you make a reduction in tax you make it not only for this year but for the future, unless you expect to turn around and put it up again which, of course, you should not and ought not, to do. You are thinking not only of this year and what you have in your hand today, but you are thinking along the line as to year after year as to what effect it will have.

I believe, and I believe that it is demonstrated already in our last reduction, that you can reduce rates and still get more money. We did reduce rates and we are getting more money this year than we have, because there is a stimulus in the first place. It is a growing country. We have more people every year. We have more people to get money from. We have more businesses, more goods, we have more ways of getting it. As times goes on the same rates will keep bringing us more money. If we can keep our expenses down, we can reduce rates from the fact that we are a growing country, provided we do keep growing and the economy keeps strong and sound the way we want it.

I think that what you have to do before you make a reduction in tax, is to foresee, as you look down the road, that the next year and the year after, with the growth of the country, with the increases in demand, that you have a right to expect a natural increase in receipts even at lower rates, in an amount sufficiently in excess of what your probable expenditures are going to be so you can turn it back to the people. The first minute you see that, you ought to advocate a reduction in the income tax.

**Mr. Holeman:** We only have time for a couple of more questions. I have an awful lot of good ones that we are going to have to let go by. I will try to ask this one:

Mr. Secretary, do you expect business activities to remain on a plateau, rise or decline during the balance of 1956? What price trend do you expect?

**Secretary Humphrey:** I will start with the last. I hope we will not be in any continuous upward trend all along the line. That does not mean you might not have some price increases here, temporarily, or changes there, because you have to expect this in a world of change, and it will change.

I hope we are not in any ascending price situation, that we will be able to continue for another period of time—as long as the Lord will let us — with the wonderful absence of loss in the buying power of the dollar that we have had over the past three and a half years.

As to business, it is pretty obvious that there are some conditions which are going to require some readjustment in certain lines. We have some inventory accumulations in certain lines. We have some problems in certain lines which are going to require some adjustments.

What I hope, and what I actually believe, is that we will have some adjustments, that some businesses will be down a little, and others will take their places and continue on, and that those adjustments will be short and quick because they are quickly recognized. They are easily recognized and will be quickly recognized and it will be quickly corrected. With some relatively minor adjustments here and there, we should continue at a high level, and I believe we are going to do it.

# Railroad Securities

## Passenger Service Losses in 1955

The Bureau of Transport Economics and Statistics of the Interstate Commerce Commission has recently released preliminary figures as to passenger and allied service results for 1955. As is usual, staggering losses are indicated on the basis of the Commission's formula for the allocation of costs between passengers and freight services. Some comfort may be found in the fact that the trend of losses has been downward in recent years. The indicated deficit from passenger and allied services last year amounted to $636.7 million which was the smallest reported since 1950 and compared with a deficit of $669.5 million sustained in 1954. Despite the reduction' last year's indicated loss absorbed more than 36% of net railway operating income derived from freight service. This is a substantial burden to carry. It is significant that the Eastern district of the country was the only area in which the loss from passenger and allied services was higher last year than in 1954.

There has always been criticism of the Commission's formula for the arbitrary allocation of expenses as between the two services. There can be no question but that to some degree this criticism is justified. The entire losses now attributed to passenger and allied services would certainly not be eliminated if such service were to be discontinued entirely. On the other hand, there can be no question but that the passenger and allied services do result in a real out-of-pocket loss and to date this formula is the best guide available as to the extent of such losses. In its recent report the Bureau pointed out that 75% of expenses charged against the passenger and allied services were direct costs while 25% consisted of allocation of costs that were common to both services.

The accompanying tabulation shows for a number of individual railroads the 1955 net railway operating income from freight service and net railway operating loss from passenger and allied services. The table shows the percent of freight profits absorbed by the passenger losses. There were four railroads where the passenger losses absorbed more than 60% of the freight profits, with New York, New Haven & Hartford and Chicago & North Western at the top of the heap, followed by Delaware, Lackawanna & Western (results distorted by heavy flood damage) and Boston & Maine. There were four other roads where the passenger service losses absorbed between 50% and 60% of freight profits. They were Central Railroad of New Jersey; Chicago, Milwaukee, St. Paul & Pacific; Union Pacific, and Missouri-Kansas-Texas. At the other end of the scale there were there railroads—St. Louis Southwestern; New York, Chicago & St. Louis; and Chesapeake & Ohio—where less than 15% of freight profits were absorbed by the computed passenger deficits.

LARGE RAILROADS, YEAR 1955

(Net railway operating income—dollar items in thousands)

| Road | Freight Service | Passenger and Allied Services (Deficit) | Percent Passenger Deficit of Freight Net Railway Oper. Income |
|---|---|---|---|
| EASTERN DISTRICT— | | | |
| Baltimore & Ohio | $71,534 | $32,635 | 45.6 |
| Boston & Maine | 19,145 | 12,250 | 64.0 |
| Central RR. of New Jersey | 11,302 | 6,736 | 59.6 |
| Del., Lacka. & Western | 7,451 | 4,822 | 64.7 |
| Erie | 24,560 | 9,545 | 38.9 |
| Lehigh Valley | 12,599 | 4,345 | 34.5 |
| New York Central | 111,282 | 37,788 | 34.0 |
| N. Y., C. & St. Lo. | 25,238 | 3,365 | 13.3 |
| N. Y., N. H. & H. | 19,988 | 14,165 | 70.9 |
| Pennsylvania | 119,013 | 49,976 | 42.0 |
| Reading | 21,921 | 6,830 | 31.2 |
| POCAHONTAS REGION— | | | |
| Chesapeake & Ohio | 80,891 | 11,982 | 14.8 |
| Norfolk & Western | 48,806 | 10,965 | 22.5 |
| SOUTHERN REGION— | | | |
| Atlantic Coast Line | 25,615 | 12,712 | 49.6 |
| Gulf, Mobile & Ohio | 14,486 | 4,655 | 32.1 |
| Illinois Central | 46,441 | 14,212 | 30.6 |
| Louisville & Nashville | 42,091 | 13,076 | 31.1 |
| Seaboard Air Line | 34,241 | 9,878 | 28.8 |
| Southern | 63,695 | 15,265 | 24.0 |
| WESTERN DISTRICT— | | | |
| A. T. and S. F. and affiliated companies | 114,631 | 40,858 | 35.6 |
| Chicago & North Western | 25,998 | 18,331 | 70.5 |
| Chicago, B. & Q. | 48,181 | 21,695 | 45.0 |
| C., M. St. P. & P. | 37,054 | 21,274 | 57.4 |
| Chic., R. I. & Pacific | 37,918 | 16,938 | 44.7 |
| Denver & R. G. W. | 19,569 | 4,615 | 23.6 |
| Great Northern | 52,167 | 22,012 | 42.2 |
| M-K-T Lines | 12,876 | 6,515 | 50.6 |
| Missouri Pacific | 40,223 | 12,720 | 31.6 |
| Northern Pacific | 34,612 | 15,338 | 44.5 |
| St. L.-San Francisco | 23,139 | 8,924 | 38.6 |
| St. L. S. W. Lines | 11,954 | 1,268 | 10.6 |
| Southern Pacific System | 107,525 | 50,235 | 46.6 |
| Texas & Pacific | 15,765 | 5,611 | 35.6 |
| Union Pac. & leased lines | 90,334 | 46,223 | 51.2 |

# Securities Salesman's Corner

By JOHN DUTTON

## Classify Your Prospects

One of the several reasons that I do not believe that securities salesmen can be effective in their "canned sales talks" that are often recommended to new beginners in this business, is that they do not take into consideration the fact that people are different. What is one investor's meat is another's poison. Many beginner salesmen who start out to sell Mutual Funds (sometimes as a short-cut to learning the investment business) soon find out that there are differing types of prospects, not only as to their financial ability to buy and their objectives, but also their temperament.

(Although there are a few versatile and adaptable people who, by taking on one product such as a Mutual Fund and by trial, error, and study, can become competent securities men who are qualified to handle an investment clientele, I don't agree that this is the best way, or even a good way to learn the investment business. But that's another subject and I haven't space to give my many obvious reasons for so believing.)

But let us assume that you are entering the securities business and you have some training in the Funds or some theoretical knowledge you have acquired in a training course. Let us now discuss that very important factor of personality that you will either solve in developing accounts or you will find your progress will be seriously impeded.

### Some Investor Types You Will Meet

There are those who are *impatient*. There are many nervous, jittery people in this world. Sometimes they are outwardly calm. You would never guess this except by little things. Clipped speech, interruptions of others while they are talking, drumming on a table, or a look in their eye sometimes give them away. If you are sensitive to others you'll know this. Don't try a labored sales talk on them. Many of these people want to speculate for the turn.

There are those who are *afraid*. Most of us have some fears. As we grow in experience we learn to overcome them. There are millions of people who should invest in securities, or the Funds, who have latent fears. They want to swim but are afraid to get in the water. Don't knock yourself out trying to sell them. If you don't make the sale on the second call save your suggestions and strength for those who have more daring in their makeup.

There are those who are *opinionated* and have a strong *egocentric* drive. Don't step on their toes. If you do you'll never sell them or have them for a customer.

There are the mentally *phlegmatic* ones. These people cannot grasp such things as "future," better days ahead, nor can they appreciate the opportunities in special situations, growth stocks, and almost any situation that requires some creative imagination in order to be appreciated.

There are the *helpful* ones. There are people who like to help the salesman. They will buy from you and recommend others (providing they are satisfied). Many of these people are genuinely sincere and the world is a better place because of them. When you uncover a few good boosters let them know how much they are appreciated by you. They are worth a good many canned sales talks on "why you should buy Mr. Jones."

There are the people with a fine, clear mind, who know their investment requirements and who have made a study of their investments. These people are the rare ones who can become your star accounts providing you are equipped to give them the best possible investment service and advice. After you have been selling securities for at least five years you may be equipped to handle such accounts properly—that is if you have studied:

Investment analysis.

Stock market fluctuations.

Economics pre-New Deal and After, and

You study at least an hour a day—the financial reports, the company reports, the business and economic situation, the political changes that are taking place, and you know the objectives of your customers, their present holdings in stocks, bonds, real estate, insurance, pensions (if any) and obligations.

The difference between a professional investment man who knows people, their problems, and how to advise them, and a neophyte who just goes out to sell some Mutual Funds or some speculative stocks, is vast indeed. What we need in this business is more retail securities salesmen who intend to make this their life work and career. Possibly someday we will get around to this kind of thinking in our industry.

*Continued from first page*

# How Good Is the Dollar?

to the American investor to direct his funds into a country in which they can be readily converted into the most liquid of all assets. If that was the consideration in Ottawa, the authorities there have displayed a long view that is conspicuously absent in some quarters of Washington.

### Gold vs. Liabilities

But why should an American want gold in lieu of U. S. dollars—the world's strongest currency, backed by the greatest gold reserve and the most formidable productive capacity? With a balance of trade that is favorable year after year to the tune of four to five billion dollars, we should be gaining gold constantly. And, we are the Number One creditor country, not a debtor nation; on balance, the world owes us some $15.2 billion. What, then, is there to worry about—unless something entirely unpredictable should occur?

That is just the point. The question is not, how strong the dollar is when everything goes well. The question is: how would it stand up under pressure? The kind of pressure that a statesmanly approach must take into consideration may arise for several reasons. Suffice it to point out that, for example, even a minor international conflagration could bring about a deficit in our national budget which is scarcely balanced in the biggest boom of all times—implying the threat of a fresh price inflation and subsequent devaluation. Nor is it forgotten that the dollar had been blocked and devalued before. What matters is not, whether this is likely to happen again. What does matter is the fact, and it is a fact, that the possibility of "tinkering with the currency" is not being discounted. Abroad, it is widely assumed that sooner or later the dollar will be amputated again, if only to avoid an otherwise (allegedly) unavoidable worldwide slump. In any case, foreign owners of dollar balances, mostly central banks and commercial banks, are very sensitive in this respect. In the Korean "crisis," without any panic or run, we lost almost $2¼ billion of gold that has been either earmarked for foreign account—put into safe deposit boxes, as it were—or taken out of the country.

That brings us to the crux of the dollar problem. While statistically a creditor country, *we are a debtor nation* for all practical purposes. All but a bare 5% of our $42 billion investments abroad are of the long-term type; the major part represents the direct ownership of land, plants and mines. Even our portfolio investments are largely unsalable; at any rate, most foreign governments prohibit the massive transfer of the proceeds from such sales. And how much even of our $2.2 billion short-term balances abroad could be liquidated — and transferred — in a pinch, is anyone's guess. But what we owe on short-term accounts, $13.7 billion at latest count, is "liquid": we have to pay in gold if we are asked to do so. We could pay, thanks to a gold reserve of $21.7 billion, if it were not for a few more claims on the reserve.

A large amount of dollar notes is being hoarded or is floating abroad; how many, is a matter of conjecture. They surely mean an additional mortgage of several billions on our gold reserves. Then, about $6 billion of foreign money is invested in American securities, mostly of the high-grade type, which could be sold on the stock exchange, the proceeds to boost the foreign-owned short-term dollar balances. All of which still is not the whole story. Some Americans might want to "hedge," too, if they see our gold stock dwindling. Of course, to draw gold from the Federal Reserve is the exclusive privilege of foreign central banks and treasuries. But the frightened or cautious American capitalist could help himself if he wanted to by sending his dollars, say, to Canada where they can buy gold. The U. S. dollars would return and swell the Canadian balances at American banks. How far would such a run on the dollar go if it once gets under way? The salient fact is that our colossal gold reserve of $21.6 billion—is not ours at all. Virtually every cent of it is pledged to foreign creditors, leaving aside the potential claims of those "smart" American operators who might turn into foreign creditors.

### Where Are We Heading?

This is an uncomfortable situation, to say the least. The world has not forgotten what happened to the pound sterling in 1931. Britain was then, as we are now, the greatest creditor nation — on long-term account. Her investments, scattered around the globe, were valued at some fifteen billion (gold) dollars. Yet, she was "driven off" the gold standard because of a paltry $1.6 billion short-term debt. The foreign (French) creditors became panicky when the equally short-term British balances on the Continent, totaling $0.6 billion, were blocked, leaving the Bank of England a reserve of $0.75 billion, gold and gold-worth balances combined. Of course, history never (?) repeats itself; but, as it has been well said, it catches up with those who do not learn its lessons.

Perhaps, there is no reason for worry—as yet. The trouble is that this situation does not stand still. It keeps deteriorating at a fairly rapid rate. The reason is: Foreign Aid and related spending abroad. They run, everything counted, at an average annual rate of from $7 billion to $8 billion. They amount to a squandering away of our financial resources in a wholly irresponsible fashion. Functionally, our foreign spending may be considered as consisting of two portions. Year after year, we cover the dollar deficit of the outer world; that is one portion. Year after year, we give away an extra amount over and above that deficit, as shown in the following tabulation, compiled by the Federal Reserve Board:

**Increase in FOREIGN Gold Reserves and Dollar Holdings, by Source**
(In millions of dollars)

| Source | 1953 | 1954 | 1955 |
|---|---|---|---|
| From the United States: | | | |
| Increase in dollar holdings* | 1,020 | 1,283 | 1,187 |
| Net gold purchases | 1,164 | 327 | 68 |
| | 2,184 | 1,610 | 1,255 |
| Net acquisitions of gold from new production and other sources† | 417 | 616 | 590 |
| Total increase in foreign gold and dollar holdings | 2,601 | 2,226 | 1,845 |

*Includes principally deposits and U. S. Government securities.
†Estimated. Includes net purchases from private holders and the U. S. S. R.

The foregoing table illustrates the way the excessive boondoggling boomerangs. The recipients use the surplus dollars they "earn" through American generosity either to fatten their dollar balances and their holdings of dollar securities, or to "purchase" gold—our gold, with our money.

What we earn abroad through the export of goods and services over and above our imports is more than offset by public Foreign Aid (which comes on top of our private capital exports). Thus, the candle of the American monetary system burns at both ends. A slowly declining gold reserve carries a rapidly growing short-term indebtedness to foreign countries. By this process, we might be in a few years in exactly the same spot in which the Bank of England was caught in 1931—"flat-footed."

Incidentally, as much as nine-tenths of the gold-plus-dollar bonanza accrues to a handful of countries—of Europe, with Germany and France in the lead. We started subsidizing the Europeans on the theory that, allegedly, they could not balance their international accounts by their own efforts while operating under the strains of reconstruction. If they buy more than they can sell, the noble American taxpayers should pay the difference. (*Noblesse oblige*, as the French say.) Remember the Marshall Aid that was to end all aid? We are still subsidizing them, though the reconstruction stage is long past, using one spurious excuse or another. By depleting our *net* monetary reserves we build up their gold and dollar holdings—which feed their credit expansions, in turn promoting their vicious wage-price spirals and "creeping" inflations. In other words, by trying to play Santa Claus, we are *exporting inflation*.

### The Inflation Threat

The Eisenhower Administration started out on a program of cleaning up the budget. Now, the economy drive is being thrown in reverse. As to Foreign Aid, the rate of spending is to be boosted by some $2 billion; that, at any rate, is the same Administration's proposal for fiscal 1957. And, it asks the Congress to obligate us for ten more years—with "flexibility" in the choice among recipients and emphasis on international projects that "stir the imagination" thrown in for good measure. This comes after 15 years of history's greatest and most reckless unilateral outpour of funds. Such is the dynamics of every large-scale subsidy: the longer it endures, the more urgently it is "needed," and more of it.

There is still another way to look at the Dollar in order to gauge its strength or weakness: by comparing the domestic money supply—cash in circulation plus net deposits—with the gold reserve. The ratio is now close to 12:1, not much better than what it was when the great credit inflation of the Twenties came to an abrupt end. But, we are doing our darndest to beat the financial "record" of 1929. The gold reserve is slipping, while the money volume keeps rising at an annual rate of 3% or so.

Even more interesting, and more frightening, is the incredible growth of debts. By the end of 1955, the **net** indebtedness, public, corporate, and private, of the American people has reached a grand total of $657.8 billion, three and a half times the pre-World War II record of less than $180 billion at the end of 1929, while in the meantime prices have barely doubled. The significant thing is the fantastic rate of this debt-accumulation. Last year was the "best": a net increase of $51 billion, more than double the amount by which the national income has risen. As a ration, we go into the red to the tune of about $2.25 or so for every $1.00 by which we increase our earnings. Individually, the average American borrowed last year about one and a half dollars to every dollar he or she tucked away in liquid savings. When the Federal Government stops indulging in deficit-financing, private debt-making skyrockets, and vice-versa. At that, the net figures of total indebtedness are understating the actual situation. The net debt of the Federal Government is stated officially as $231.5 billion, which leaves out its obligations, Social Security and similar accounts. In reality, the I.O.U.'s in the Treasury do not cover those commitments—the total value of which has been competently estimated at $300 billion (!)—unless they are not considered as binding commitments, an escape clause having been inserted into the Social Security Act of 1939.

Perhaps, the process of credit (debt) cumulation can be slowed down without a wholesale liquidation that would mean Depression. But surely, only those who believe that we have taken out a patent on Eternal Prosperity could argue that this process is not fraught with very serious dangers. It is inflationary, undermining the stability of the dollar.

## Shelley, Roberts Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Samuel W. Breit has been added to the staff of Shelley, Roberts & Co., First National Bank Building.

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(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Edwin L. Kendall is now with Boren & Co., 9640 Santa Monica Boulevard. He was previously with J. Logan & Co.

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# Essentiality of Foreign Trade And Greater Market Research

resentatives on the working level most assuredly do their best to be helpful in ferreting out commercial intelligence.

Such organizations as the Commerce and Industry Association, the Foreign Credit Interchange Bureau, the Chamber of Commerce and the many mixed chambers here can supply a wealth of reliable data. The National Foreign Trade Council has a research section furnishing exemplary analyses.

That a great deal can be found in our unique American libraries goes without saying.

And let us by no means forget our banks of which many publish first rate compendia on specific areas, and issue flash notifications to their clients on the latest developments.

But all this is not enough. Whatever material is gathered, must be checked against as many independent sources as possible so that it can be evaluated in terms of source and in terms of contents. Nothing is more dangerous than incestuous sourcing. And, speaking of sources, it is often impossible to get the most out of a published account unless one knows who has gathered the information and prepared the presentation. There are somewhat less exacting stringers, occasionally reporting events of major importance for traders and investors, and there are senior resident correspondents who for many years have covered overseas economic details for publications and news services with an optimum of accuracy.

Excellent reporting is not confined to this country. Abroad there are such reliable and rather specialized media as The "Financial Times" and "The Economist" of London, The "Neue Zurcher Zeitung, Handelsblatt" of Dusseldorf, "Borsen" of Copenhagen, the "Haag'sche Post," 24 Ore of Milan, El Mercurio of Santiago, "O Correo da Manha" of Rio, "ABC" of Madrid, The "Financial Post" of Toronto, "Le Commerce du Levant" of Beirut, "The Bulletins of the Agence Economique et Financiere" of Brussels, "Le Monde" of Paris, "Het Financieele Dagblad" of Amsterdam, The "Bangkok Post" "Indeks" of Belgrade, "Norges Handels og Sjofartstidene" of Oslo, and many, many more.

Then there are the excellent spot reports and summaries of such leading foreign commercial banks as The Bank of London & South America, The Royal Bank of Canada, Lloyds, The Swiss Bank Corporation, The Credit Suisse, Rhein-Main-Bank of Frankfurt, The Krediet Bank of Belgium, The Banco Commercial del Peru, The Chartered Bank of India, Australia and China in Hongkong, to name but a few.

There is the International Financial News Survey of the IMF, the publications of the OEEC and the statistics of the United Nations.

There are the compendia and summaries of foreign ministries, other official agencies, information bureaus, chambers, central banks, trade organizations and mixed chambers of commerce located abroad.

Certain official agencies publish basic periodicals. Among these are, to name but some, the British Board of Trade Journal, and such gazettes as the Mitteilungen of the Austrian National Bank or, e.g., the reports of Bank Melli of Iran. To these one may add the digests and newsletters by old-established private organizations, such as Atlas Service of Zurich, the Wirtschaftsforschungsinstitut of Cologne or the excellent area surveys of the London Economist Intelligence Unit.

(Again taking advantage of the suggestion that I cite examples of my own experience, you may be interested to hear that my associates and I are spending some 270 man-hours a week in perusing 315 publications in more than a dozen languages.)

Above all, and beyond the aforementioned, there are the sources closest to you, your own overseas agents, representatives, distributors, licensees, affiliates and subsidiaries, provided you harness them.

### Evaluation and Analysis

And still, all this is not enough. The material from the many sources I have so far mentioned does not always permit you to come up with fully evaluated, complete commercial data upon which an American export executive can act. Top management must be given a clear picture of facts, solidly in the frame of dependable interpretations, which can be translated into decisions of the sort which must be made in day-to-day business life. Comprehensive commercial intelligence is of direct practical value. Even when expressed in the form of a fundamental theory, it is directly applicable to successful sales programming, to the development of a policy involving distribution, to credit matters, to collection problems and to direct foreign ventures. Permit me to dispel the erroneous contention, sometimes expressed, that such factors as gold holdings of a central bank or the balance of payments of a nation need not affect your business immediately. Quite the opposite, these indicators prove the old axiom that there is nothing more practical than a sound theory, properly put to work.

As already mentioned, all the basic and unevaluated presentations, assertions and allegations from the many publicly available sources must be meticulously sifted and compared. All the sources so far listed bear within themselves the seeds of misinformation and miscalculation. Firstly, there are such things as typographical errors and misprints. Then there are such traps as arise from differing methods of reporting and varying ways of computation, currency conversion and definition of terms. In some parts of the world the news departments of publications can be gravely affected by advertising policies. There are periodicals which will pull their punches when an adverse development pertains to a country which governmentally or through its nationals is a heavy advertiser. Banks have branches in foreign countries or rely upon correspondent banks abroad to fulfill their important functions, and, thus, cannot always burst forth in print in as uninhibited a manner as they would like to.

In this age of world-wide tension it is to be expected that certain governments disseminate information tinged for specific reasons. Some of the so-called statistics issued, cannot, in fact, be described as merely tinged. Certain capitals of the world, through direct and circuitous channels, by pronunciamentos or via carefully engineered leaks, spout policy-laden and politically loaded figures and interpolations which, no matter how official, one cannot accept as reliable. And such data are re-distributed or reflected in many publications at the most immediate disposal of American exporters or overseas investors. Naturally, our official agencies do not escape such influences. How else could we have backed Peronista Argentina right to the day of its downfall? How else could it have taken us so long to discover the dangers posed by the Communist orbit as a direct competitor in the economic field?

Only the careful and the hard-working analyst will note surprising omissions, divergent interrelationship and outright discrepancies within the mass of unprocessed information daily pouring upon us. It takes patience and judicious comparison and recomparison to arrive at reliable facts.

### Correct Predictions

Permit me to state at this point that in 1948, while a United States intelligence officer, I pointed in vain toward the capability of the Soviets to rival us on the world markets. In the same year, I stated without ambiguity that Germany would soon be our major competitor. In 1951, I emphasized that, in the first Soviet purchases of Egyptian cotton, there lurked a grave peril to Western political as well as commercial interests in the Middle East. Early in 1954, I warned my clients and friends that things were going bad in Colombia. Again and again I have conversely pointed toward markets which, while neglected, and whilst the trend of their developments was not fully realized, became increasingly interesting to American shippers.

Please do not think that there is anything unusual or miraculous in such prognostications. One need not be a clairvoyant or Houdini to project developments and trends abroad. In all humility let me assure you that everybody can achieve a fine record of prognostications, provided he reads until his eyes hurt; organizes what he finds with selectivity; analyses critically, projecting facts upon the background of foreign countries, including their intangibles; and then evaluates with balanced judgment of past records, the present situation and all factors and indicators bearing upon prospects.

### Importance of Friends

To this end, there is one element which I have not as yet mentioned. While, as I have indicated, 95% of most information can be had for the asking, for the searching, and for a few hundred dollars a year in subscriptions, by far the most important sources in world trade and international finance are ultimately close and intimate friends. (Intentionally I avoid the term "correspondents.") The most helpful of them are the ones one cannot possibly compensate. They are successful men amidst the stream of practical economic life in their countries. They are business leaders, executives in banking and officials high up the ladder in strategic foreign government posts. They may also be secretaries to important men or assistants in pivotal agencies. Usually they are persons with whom one has a relationship of complete personal trust.

Such friends may require that, on a fiduciary basis, one administer their American affairs and funds; that one assist their wives, when they happen to visit this country; that one send their young daughters the latest swing records; that one advise them with regard to developments in this country; and, in one word, that one aid them to one's full ability. I can think of one such friend, for instance, who, in an important one-crop country, where he is intimately connected with his nation's leading product, will pick up the telephone, thousands of miles from here, to call me of impending disaster or sudden fortuitous events, irrespective of whether his own financial position is favorably or disadvantageously affected by the development.

A network of such friends—and I do not like the work network in this connection—is not built up overnight, nor can it be maintained by the indifferent.

### Summary

To summarize, sweat, files and contacts are the principal ingredients of exhaustive commercial intelligence, upon which can be based valid and clear-cut recommendations. Speed of transmission is essential for up-to-the-minute reporting; maximum coverage is vital, if a comprehensive picture is to be obtained; and accuracy, down to minutiae, is a **sine qua non.**

And let me add at this point that, while there are scoops in international business reporting, long-range exclusivity is rare. Nobody can patent facts. To read between the lines, however, to assemble the news behind the news, and to know what presumed or established facts mean, when translated into practical business terms, that is the duty of a capable market analyst. Everybody is making mistakes. The law of average is against you at some points. But a hard-working and efficient evaluator of business intelligence will—more often than not—be able to discern trends and to project them correctly into the future.

As has been mentioned before, in about two decades from now, exports will no longer mean an extra profit, or, for a few concerns here, spell the difference between being in the black or the red. By that time, our exports will have to pay for the continued healthy development of our country and even for the maintenance of our prevailing standard of living. Thus it behooves us to chart the course of our exports as one does a life-line.

I am in close touch with major corporations and with lesser concerns in this country, which project their international business several and many years into the future. These are firms maintaining market research and analysis divisions, planning sections and long-range programming departments. Such enterprises have on their payrolls outstanding specialists who keep a steady hand on the very pulse beat of foreign short-term and long-range developments. But I also know of very large companies here, whose foreign business, in the words of Alice in Wonderland, gets "curiouser and curiouser," and whose progress is along purely empirical lines, which means by hit and miss.

The top executive who plans for future exports and foreign investment expansion and the comptroller, treasurer or credit man who sets terms and safeguards collections, from now on will have to deal with the world markets as, indeed, their domestic counterparts have dealt with our own huge and unique internal sales territory. In fact, nowadays they will even have to delve deeper and deeper into the so-called purely poltical corners of the area under their scrutiny. They will have to gather implications which, before the First World War, could have easily been dismissed as irrelevant in commercial thinking. More and more governmental announcements, one taken as the Gospel truth, it must be realized, today resemble icebergs; the bulk of their potential danger remains submerged. American businessmen dealing with sales and investments abroad, in our time, will have to become political analysts to quite a degree, whether they like it or not. And, as I have said at the outset, we may have to hurry up, because time is by no means with us. Although our exports are rising, our share in world exports is dropping, and the necessity for exports is sharply increasing, as the rate of growth of our needed imports may soon threaten to eclipse both our gold holdings and the momentum of our foreign sales.

Strategic planning and projection of overseas business expansion appear to be too often neglected, because of an over-emphasis on day-to-day tactics. The top management of many a concern may do well, it is respectfully submitted, to seek out or to develop the business statesmen who can concentrate on the future in terms of politico-economic factors affecting the long-range outlook in the markets and investment areas of a rapidly changing world.

# N. L. Jarvis Pres. of NYU Alumni Group

N. Leonard Jarvis, partner in the brokerage firm of Hayden, Stone & Company, has been elected 1956-57 President of the Alumni Association of New York University's School of Commerce, Accounts, and Finance. He succeeds Philip Svigals, Vice-President of R. H. Macy and Company.

N. Leonard Jarvis

Mr. Jarvis is a member of the School's Class of 1927. He is past President of the New York Society of Security Analysts, the NYU Men in Finance Club, and the Association of Customers' Brokers. He also is a member of the Wall Street Forum, the Economic Club of New York, Beta Gamma Sigma Alumni, and Delta Mu Delta.

The new alumni President has written numerous articles for the "Investment Dealers Digest," and "Analysts Journal," the "Commercial and Financial Chronicle," and other business publications.

Also elected by the association were the following:

Vice-Presidents: Theodore R. Bartels, President of the Republic Carloading and Distributing Company, who lives at 319 Ardmore Road, Hohokus, N. J.; Alfred F. Hauser of the New York Life Insurance Company, who resides at 303 Pondfield Road, Bronxville, N. Y.; Fred L. Landau of Fred Landau and Company, certified public accountants, who makes his home at 23 Carwell Avenue, Mount Vernon, N. Y.; Jerome Weinstein, partner in the International Press, who lives at 130 East 75th Street, Manhattan; and Mrs. Clara Bowie Clark, Ronald Press Company, who lives at 34-10 75th Street, Jackson Heights, Queens.

Treasurer: John H. Christie of the Frankfort Distillers Corporation.

Recording Secretary: Zaida J. Marsh, Secretary to the President of Cunningham and Walsh, who resides at 128 East 54th Street, Manhattan.

Corresponding Secretary: Ellen Ensig, director of training and public relations, Blue Cars, Inc., who lies at 215 Mount Hope Place, the Bronx.

New York University's School of Commerce, Accounts, and Finance has an enrollment of approximately 7,000 students and a faculty of almost 300. It has graduated more than 22,500 students in its 56-year history.

## With Lincoln McRae

(Special to THE FINANCIAL CHRONICLE)

DELRAY BEACH, Fla. — Donald E. Brown is now with Lincoln E. McRae, 292 Main Street.

*Continued from first page*

# Inflation, Depreciation And the Steel Industry

held under observation today, this meeting would have neither an audience nor a speaker.

From practically nowhere in 1856, this country in 1889 forged ahead of Great Britain to become the world's leading steel producer and today America produces, each year, more than 8,000 times as much steel as it did just a century ago.

War records notwithstanding, the greatest eras of growth for the steel industry have been in times of peace. And just as wartimes bring the steel industry its serious problems, so also does the steel industry have important peacetime problems. It is one of those problems that I want to discuss with you now, and to help clarify it we will project some slides on the screen.

Every one here realizes that the steel industry has a duty to keep itself efficient. That means it has got to maintain its existing capacity in good shape even before it thinks about expanding it to keep up with the growth of the country. The job of replacing the equipment as it wears out or becomes obsolete is a good-sized one just by itself. Since facilities have an average life of about 25 years in the steel industry, the normal replacement job, all by itself, amounts to about 4% of our total plant each year. That does not look very big, but I assure you it is bigger than it looks—especially if you stop to think that all the expansion job that has been done in the industry over the last 10 years, amounts to just a little less than 3½% a year.

So what the Red Queen said to Alice is really true in our industry. She said: "It takes all the running you can do to keep in the same place. If you want to get somewhere else you must run twice as fast as that."

### Inadequate Depreciation Allowance

As we look ahead it is becoming increasingly clear that there are going to be a lot of problems encountered in just staying even. These problems ought not to exist, but the simple fact is that they do. The regular depreciation allowed under the tax laws ought, of course, to be sufficient to cover these stay-even requirements. But the truth is that they are not. The purpose of depreciation is to recover over the lives of facilities the dollars originally invested in them. The dollars when recovered are presumed to be sufficient to buy enough equipment to keep even with the wearing out of existing equipment. And they would be, if there were stability in the buying power of the dollar.

But the simple fact is that the buying power of the dollar has not been stable. We have had 15 years of continuous cost inflation; and facilities for the steel industry now cost immensely more than they used to. There is no official index measuring the price changes of the facilities the steel industry buys. But the index of construction cost—as published in the *Engineering News Record* — gives what we regard as a pretty fair indication of the cost trend.

An index (see Chart I) showing the cost, year by year, from 1940 to 1955, with the year 1940 taken as 100, reveals that it took $2.73 in 1955, to buy what could be bought for $1.00 in 1940. But the regular depreciation we are allowed for a facility built in 1940 is based on the $1.00 spent in 1940 instead of the $2.73 or more it now takes to replace it. The difference is regarded as profit and is taxed as such.

You will also note that there was no year in which the cost failed to rise; and that since World War II the increase has been very rapid. Over the 15-year period the rate was approximately 7% per annum compounded.

Now I have already shown you the inadequacy of the present-day regular depreciation on a facility built in 1940. By using this 7% per-annum figure, we can get an indication of the over-all inadequacy of depreciation on facilities which have a life of 25 years, and which have been bought in equal physical amounts each year. Each year, of course, the cost of equipment rises by 7% over its cost in the preceding year, and hence — as each year goes by—the depreciation on a facility built in an earlier year becomes less and less adequate. If we add it up for all the facilities, over all the years, it comes out that for each $1.00 of so-called regular depreciation that we get, we actually need $2.15 in order just to stay even. In short, to recover purchasing power under these assumptions, our regular depreciation allowance needs to be multiplied by 2.15.

There are two reasons why this 2.15 is so shockingly large. First, there is the high 7% compound rate of price inflation. Second, the long life of facilities in the steel industry gives this high rate a long time to compound. If the average life of facilities were 10 years, instead of 25, the multiple of 2.15 would drop to 1.42 as you see in the line marked 7% on the Chart. If the life averaged only five years — the multiple would drop to 1.22 (see Chart 2).

Now while this multiple of 2.15 has been worked out on a theoretical basis, it closely approximates the actual facts in the steel industry today. Thus it is estimated that at 1955 prices the industry must spend somewhere between a billion and 1.2 billion dollars a year for facilities in order to stay even. This does not include any thing for major capacity expansion. Ten years ago the corresponding estimate was from $400 to $500 million. Call it $450 million. These are, of course, estimates. They are, however, based on what I know and on what I have heard; and I think that they are accurate enough to illustrate the matter.

Part of the reason for the big increase that has occurred in the stay-even cost over the past 10 years is that capacity was expanded. There is more plant to be kept up. Taking this into account the rise in the stay-even cost has been in the range of from about 5 to 7% a year. These are rates of increase approaching those given by the index of construction costs. I think also that each one of you can find corroboration in the records of your own companies. If you figure out what your depreciation would currently be if there never had been any accelerated amortization, I think you will find that such depreciation would prove to be only about one-half or less of what you engineers tell you has to be spent if you are to stay even.

The multiple of 2.15 which applies to the steel industry is undoubtedly larger than that which would be necessary in many other industries that are not so heavily invested in *long-life* facilities. But this only means that industries like ours are caught in an extremely inequitable and unfair situation, because our capital is more heavily taxed away as it turns over more slowly through depreciation.

It is possible to obtain some mathematical indication of the extent of that inequity by observing the wide variation in the rates of turnover of gross property in different companies in differing industries. If the turnover is high, the deficiency in present-day depreciation is correspondingly less severe. Table I shows the rate of turnover in 41 companies, in various industries, by showing the number of times their gross property account must be multiplied in order to equal their sales. Note that the multiples range from 14.1 to 0.6; and that the figures for several steel companies are way down near the bottom, in the range from 1.6 to 0.9. So it is apparent that the burden on the steel companies is comparatively heavy. The names of the companies are listed in the order of highest to lowest turnover rate of gross property.

Thus far I have been dealing with the cost inflation we have already experienced. If we could suppose that this cost inflation had now come to an end I would be less concerned about the erosion of capital, which results from the imposition of high income taxes on what is really depreciation.

But I cannot prudently make such an assumption; for the steel industry's own records clearly show how persistent the course of cost inflation has been.

In Chart 3 you can see what has been happening, year by year, since 1940. It shows the industry's employment costs per employee hour, and its total costs per employee hour. In both instances the cost in 1940 has been taken as 100. From 1940 to 1955 the employment cost increase has been at the average compound rate of 7.5% per year.

I know that you are all familiar with the fact that for all industry combined, employment costs represent something more than three-quarters of all costs. So as inflation persists in the nation's employment costs, a paralleling inflation is to be expected in our other costs, such as purchased products and services, wear and exhaustion, and taxes. Certainly our records display, as you may see from the Chart, that our total costs per employee hour have fully kept pace with the steady rise in employment costs. To provide a man with an hour of work and to supply him with all the things necessary to do his work now costs three and a quarter times as much as it did in 1940.

You will note that throughout this entire period there has been no combination of circumstances, in any year, under which employment costs failed to increase. It, therefore, seems probable that cost inflation will continue; and I think we must assume that it will. This conclusion is fortified if we look at the two basic roots of the new peacetime cost inflation that has been fastened upon us. The first root is the presence of industry-wide labor unions whose power has been clearly demonstrated over the years.

### Two Basic Roots

The other root is the national policy which, in effect, requires the Federal Reserve Board to create what might easily prove to be inflationary monetary conditions whenever any serious unemployment threatens. This tends to remove the normal competitive forces that might otherwise serve to check unduly mounting employment costs. That the Federal Reserve Board has so skillfully administered this difficult responsibility of moderating inflation and avoiding serious unemployment is something of which we should all be appreciative.

Both of these roots are deeply imbedded in the law, and in public attitudes of the times. Swift changes with respect to them are not prudently to be anticipated; and we have got to learn how to live with them.

With this background of continuing cost inflation in mind, I now want to look ahead briefly to the next five years. I have already estimated that the industry must spend from a billion to 1.2 billion dollars—call it 1.1 billion a year—if it is to provide itself with new facilities as fast as existing facilities are wearing out or becoming obsolete. This is the average amount per year for the next five years; and it assumes that there will be no further inflation whatever in the cost of constructing such facilities.

But, as I have already shown, we cannot safely assume that the underlying cost inflation will be halted. Should construction costs continue to rise at the average 7% per annum rate, then we are talking about bigger figures later on. Five years at 7% compounded means a 40% bigger figure. And instead of 1.1 billion, we shall need 1.5 billion dollars five years hence.

In Chart 4 the top line of the area shows the step-up, year by year, of the estimated stay-even expenditures. In the lower part of the chart, the shaded area shows the estimated amounts which the industry will recover, through depreciation, for wear and exhaustion of its facilities. These amounts are also adjusted upwards to recognize the inflated costs of new facilities added during the period.

The area between the two lines shows the dramatic deficiency in wear and exhaustion that is to be encountered. The chart tells us that in 1960 the industry will need nearly twice as much as it gets out of wear and exhaustion *just to stay even*. The aggregate deficiency for the five years is about $3 billion.

### Rapid Amortization

Today, of course, we have amortization under certificates of necessity. This amortization on new facilities helps to fill the present

CHART I

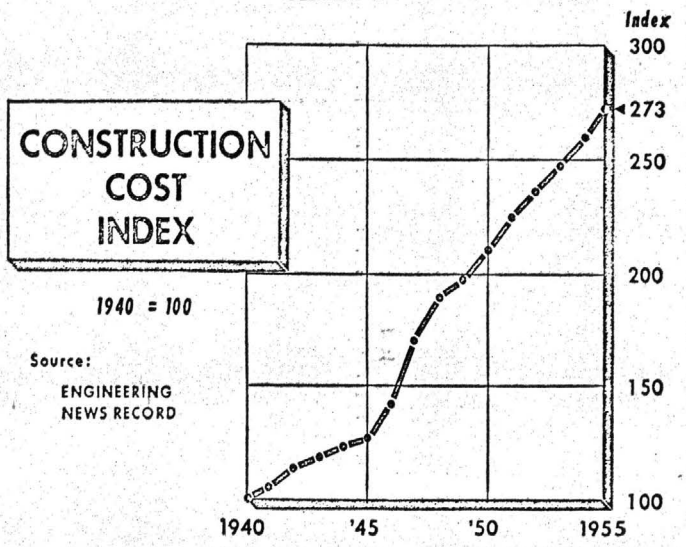
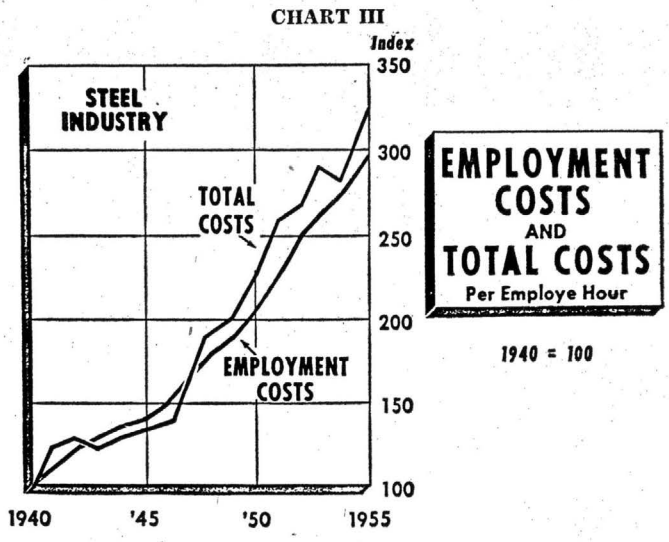



CHART II

EXTENT TO WHICH DEPRECIATION ON HISTORICAL DOLLAR MUST BE MULTIPLIED TO RECOVER CONSTANT PURCHASING POWER

| RATE OF INFLATION | FACTOR | | |
|---|---|---|---|
| | 5 - YEAR LIFE | 10 - YEAR LIFE | 25 - YEAR LIFE |
| 5 % | 1.16 Times | 1.30 Times | 1.77 Times |
| 6 % | 1.19 " | 1.36 " | 1.96 " |
| 7 % | 1.22 " | 1.42 " | 2.15 " |
| 8 % | 1.25 " | 1.49 " | 2.34 " |

CHART III



gap. When it is added to regular depreciation it gives, temporarily, a truer total of wear and exhaustion on all facilities based on current dollar purchasing power. But when that amortization begins to disappear in 1958-59, the inadequacy of wear and exhaustion will be aggravated.

Chart 5 shows the prospective decline in rapid amortization for the steel industry, and on this same chart is shown the estimated decline for all corporations in the country. The dropping out of amortization will sharply emphasize the inadequacy of wear and exhaustion in the steel industry at the very time when it should be increasing to be realistic; and so the funds necessary for replacement must be obtained from some other source.

In the absence of adequate wear and exhaustion the other standard internal source of funds for keeping even is income reinvested, and the standard external sources are borrowing money and selling new stock.

To the extent that reinvested income is used for this purpose, such income becomes unavailable for providing needed working capital, for paying off existing debt, and for use in connection with expanding capacity. And, in any event, $2 before taxes is required to do the job of $1 of wear and exhaustion.

I turn next to borrowing as a means of financing capital expenditures. Although borrowing for profitable expansion may sometimes be justified, borrowing to cover the erosion of capital is one of the best ways I know of "going broke" in a hurry. We also are confronted by the simple fact that most steel companies just do not have the capacity to borrow, on top of their existing debts, enough money to do the job in this kind of a situation. A third fallacy in borrowing to stay even is that although interest paid is deductible for tax purposes, it is only out of profits after taxes that debt can be paid off. Moreover, debts have a curious habit of coming due at the very times when it is hardest to find the cash with which to pay them. Indebtedness is not good for companies in the "up-and-down" durable goods industries.

On this matter of borrowing there are a few other sobering facts to bear in mind. We know that a brand new integrated steel plant would today cost at least $300 per ton of ingot capacity, or roughly $400 per ton of finished steel capacity. The average steel company's earning rate of approximately 8% on sales works out to something like $10 a ton of finished steel. This is equivalent to 2½% on the $400 a ton investment. To earn that much assumes, moreover, that the new plant would be operated at full capacity all the time. It also happens to be true that one can get more than a 2½% yield today, in high-grade, fully tax-exempt, municipal bonds.

### New Stock Financing

So I come, finally, to financing through the sale of new stock. This is the historical American way, and a completely appropriate means, of acquiring funds for financing new facilities or expanding old ones. It should be reserved for such purposes: for if money is secured through stock sales merely to cover the erosion of existing assets, it only results in the dilution of the stockholders' equity.

From this presentation of the facts and prospects, I think it is apparent that the problem of financing the stay-even requirements in the steel industry, let alone that of finding funds for expansion, is a most serious one. That problem is greatly aggravated for companies like those in the steel industry which must be heavily invested in long-term facilities, by the heavy taxation of that which is really depreciation, but which under tax law is considered taxable income.

We are not, of course, the only ones aware of this perplexing problem. The Congress has from time to time provided certain depreciation expedients. Thus, during World War II and the Korean conflict, there was legislation to provide "accelerated amortization" on part of the cost of new defense facilities. This permitted the taxpayer to take greater depreciation in the early years of a facility's life. With 60% of a 25-year facility subject to amortization, and with the balance subject to regular depreciation at 4% per year, the recovery of the original expenditure amounts to 68% in the first five years (see Chart 6).

This has helped temporarily to give a truer total of depreciation on all facilities based on current dollar values. But it automatically guarantees something of a future crisis. Thus when the amortization runs out the situation becomes worse than it was before the amortization provisions were enacted, because the remaining depreciation to be taken in the future is, of course, much less than it would otherwise have been.

In an attempt to stave off this crisis the Revenue Act of 1954 provided two alternative methods of determining depreciation for tax purposes: the sum-of-the-digits method and the declining-balance method. I do not wish to be grudging in my recognition of the fact that these new methods can prove helpful, but the simple truth is that on 25 year facilities they do only about half the job that accelerated amortization does and at the very time when more of a job is becoming necessary. No one should deceive himself in this matter. Accelerated amortization is very helpful in a temporary sense, but it does not do the whole job. And even if we finally got to the point where *every* property item was being written off in five years, we would still be short of depreciation. The recovery would still have to be multiplied by 1.22 to give us equivalent buying power under a 7% per annum cost inflation rate.

### Other Countries

Other countries have done a better legislative job of recognizing the realities of deprecation during cost inflation. France recognized the depreciation problem by taking steps, shown in Chart VII, to permit revaluation of certain assets and liabilities. This was first permitted in 1946 and the law was revised several times, the last revision being five years ago. Under this last revision, the cost of fixed assets purchased in 1914 or earlier can be multiplied for depreciation purposes by 194.4. For ensuing years this multiple is graduated downward until it reaches 1.3 for the year 1950. These are the amounts by which so-called regular depreciation may be multiplied to get the amounts deductible for tax purposes. In addition the first year's depreciation may be taken at twice the normal rate for new plant and equipment, and for items of equipment acquired for modernization 10% of the cost may be written off on delivery.

In Great Britain the reducing or declining-balance method is considered the normal depreciation method, with the straight-line method an alternative. Both methods are based on original cost. The annual rate for coke ovens is approximately 16% of the remaining balance; and for iron and steel manufacturing the rate is 9%. In addition, there is an initial allowance of 10% on industrial building and 20% for plant and machines. These are taken the first year in conjunction with established rates for various types of fixed assets. Thus, in Britain, the depreciation allowed in the first year on coke facilities is 35.6%, and on iron and steel facilities 29.4%. In the second and succeeding years the depreciation allowed on coke facilities is 16% of the remaining

*Continued on page 32*

**TABLE I**
**SALES AS A MULTIPLE OF GROSS FIXED ASSETS**
**41 Individual Companies**
**Year 1955**

| COMPANY | Rank | Multiple |
|---|---|---|
| Douglas Aircraft Company | 1 | 14.1 |
| American Tobacco Company | 2 | 12.8 |
| McGraw-Hill Publishing Company | 3 | 10.8 |
| Curtiss-Wright Corporation | 4 | 6.9 |
| Swift & Company | 5 | 6.0 |
| Standard Brands, Inc. | 6 | 5.5 |
| Chrysler Corporation | 7 | 5.1 |
| Radio Corporation of America | 8 | 4.2 |
| National Distillers Products | 9 | 3.6 |
| Blaw-Knox Company | 10 | 3.5 |
| Borden Company | 11 | 3.5 |
| Newport News Shipbuilding & Dry Dock Co. | 12 | 3.2 |
| General Motors Corporation | 13 | 3.2 |
| Colgate-Palmolive Corporation | 14 | 3.2 |
| Continental Baking Company | 15 | 3.0 |
| General Electric Company | 16 | 2.9 |
| Goodyear Tire & Rubber Company | 17 | 2.7 |
| Continental Can Company | 18 | 2.6 |
| U. S. Rubber Company | 19 | 2.4 |
| Coca-Cola Company | 20 | 2.4 |
| Budd Company | 21 | 2.2 |
| International Harvester Company | 22 | 2.2 |
| Armstrong Cork Company | 23 | 2.1 |
| Burlington Industries, Inc. | 24 | 2.1 |
| Corn Products Refining Company | 25 | 2.0 |
| Pittsburgh Plate Glass Company | 26 | 1.7 |
| International Paper Company | 27 | 1.6 |
| Johns-Manville Corporation | 28 | 1.6 |
| INLAND STEEL COMPANY | 29 | 1.6 |
| Eastman Kodak Company | 30 | 1.5 |
| Kennecott Copper Corporation | 31 | 1.3 |
| BETHLEHEM STEEL CORPORATION | 32 | 1.3 |
| YOUNGSTOWN SHEET & TUBE CO. | 33 | 1.2 |
| Standard Oil Company of New Jersey | 34 | 1.1 |
| Union Carbide and Carbon Corporation | 35 | 1.0 |
| U. S. STEEL CORPORATION | 36 | .9 |
| International Business Machines | 37 | .9 |
| Allied Chemical & Dye Corporation | 38 | .8 |
| Socony Mobil Oil Company | 39 | .8 |
| Marquette Cement Mfg. Company | 40 | .7 |
| Celanese Corporation | 41 | .6 |

SOURCE: Company Annual Reports.

CHART IV

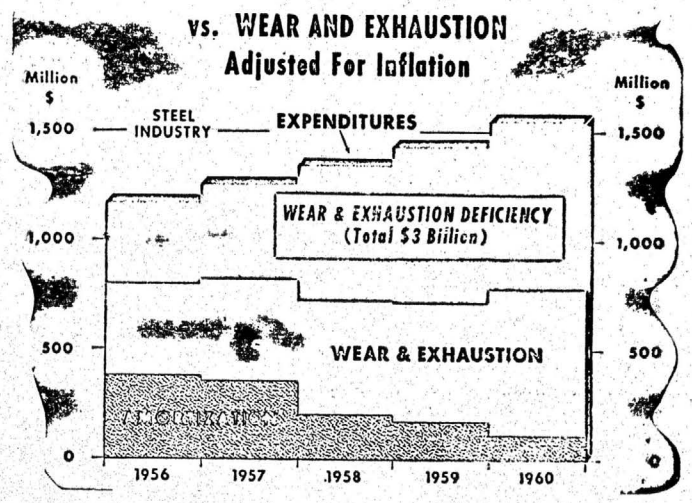



CHART V

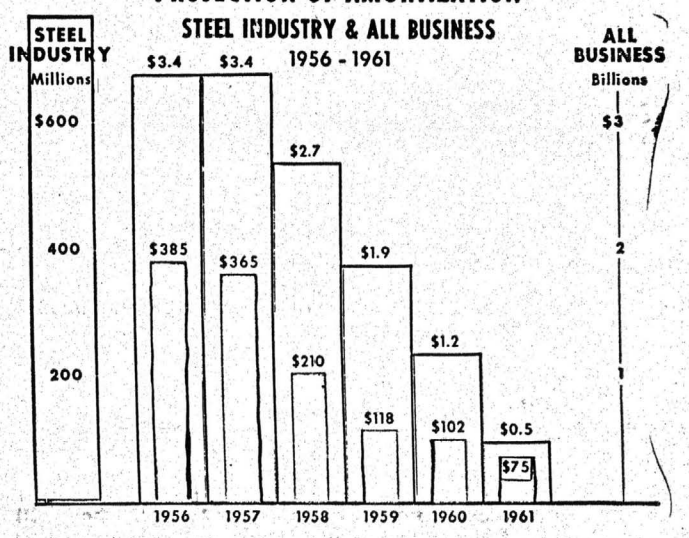



CHART VI

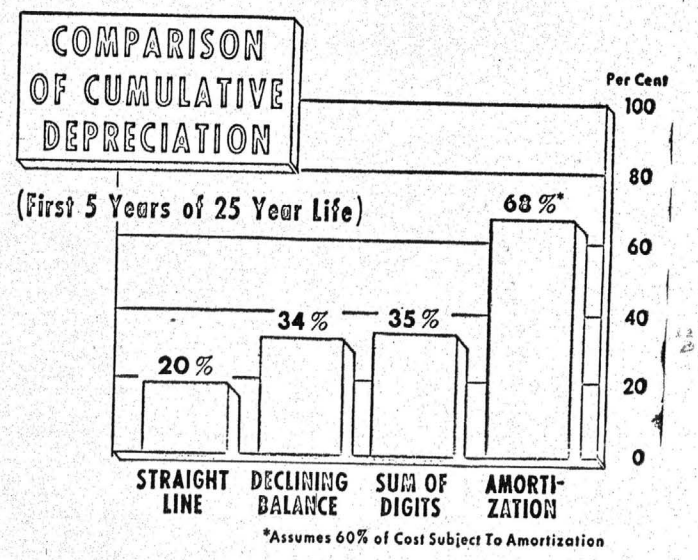
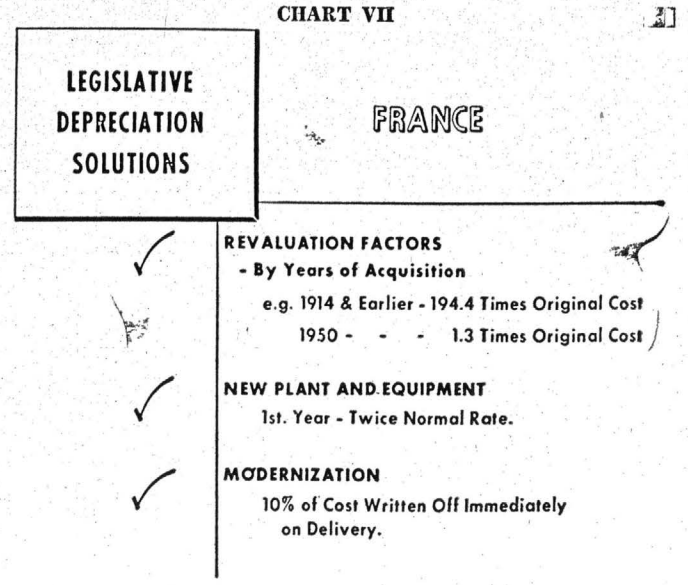



CHART VII



Continued from page 31

# Inflation, Depreciation And the Steel Industry

balance. For iron and steel facilities it is 9% (see Chart VIII).

In Canada, the declining-balance system was adopted in 1949 with specific maximum rates for various groups of fixed assets. For coke ovens, blast furnaces and steelmaking facilities the depreciation allowed for tax purposes is 20% per annum. At this rate 49% of original cost is recovered in the first three years and a residual value of 10% is reached in 11 years. Other manufacturing facilities may be depreciated at 6 and 8%; and other classes of property may be depreciated at from 4 to 40% rates (see Chart IX).

In addition, special accelerated depreciation beginning in 1951 can be claimed on assets essential to defense for which a certificate of eligibility is obtained from the Minister of Defense Production. This amounts to 70% over a four-year period for four classes of assets and 50% over the same period for a fifth class.

My purpose in these remarks has been to bring to your attention the grave problem of financing stay-even requirements and to show you the part that insufficient depreciation plays in that problem. A heavy responsibility weighs upon us and its weight is increased because of the great tax inequity existing between industries heavily invested in long-term facilities and those who turn over their facilities quickly. Part of our responsibility is to stem as much as we can the inflationary rise in the nation's underlying employment costs. That would prove a service to every one in the land, perhaps most of all to those who work for wages and look forward to pensions. It would reduce the magnitude of our stay-even problem.

The other part of our responsibility is to seek prompt legislative treatment of the problem; and—pending that treatment—to promote a widespread understanding of the facts; so that when legislative treatment is given it will be a good and just treatment.

Note the decline in the amortization (see Chart 5) that will take place in the next two or three years. As that decline proceeds, industry's problem of adequate depreciation will get worse. Thus the need for prompt action is becoming increasingly urgent, and opportunity is fleeting. We had better not miss the boat.

## Joins Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—John J. Buterin is now affiliated with Barrett Herrick & Co., Inc., 1016 Baltimore Avenue.

## With L. B. Schwinn

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio. — Mrs. Helen S. McGreevy has joined the staff of L. B. Schwinn & Co., Union Commerce Building, members of the Midwest Stock Exchange.

## Now With Wise & Co.

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio.—Henry L. Huber is now affiliated with Wise & Co., Inc., 3 North Main Street.

## Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Eldon E. Murray is with Bache & Co., 229 East Wisconsin Avenue.

CHART VIII

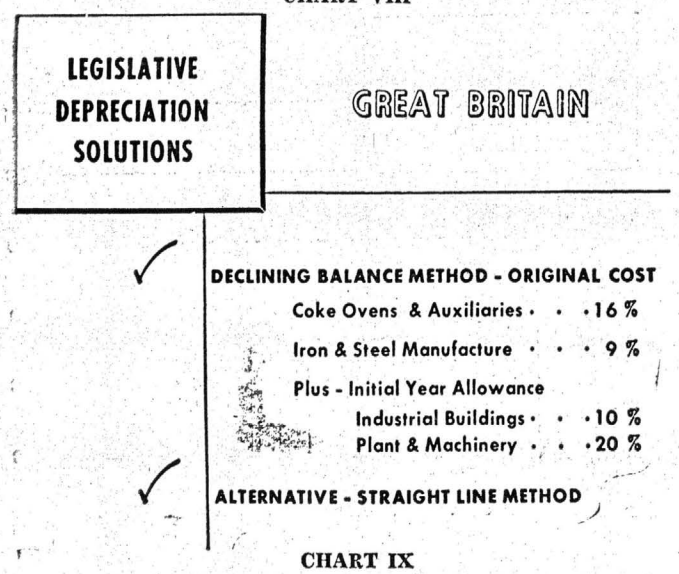
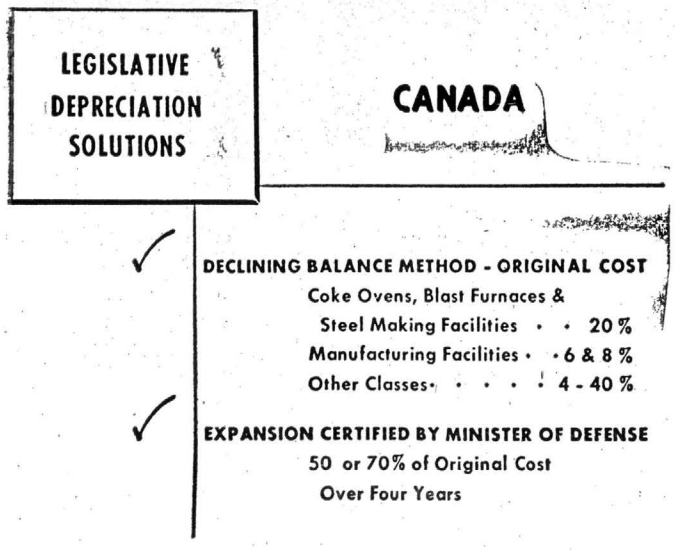



CHART IX




Continued from page 13

# The Joint Responsibility of Labor and Management

differences on questions of basic principle, but in most cases they are the consequence of insistence on unreasonable economic demands by labor leaders or the rejection of reasonable demands by management. Now I realize that what is reasonable to one man can well be judged unreasonable by another, and no one can possibly state with certainty the exact line between the reasonable and the unreasonable. However, there are times when it is clear. For example, on occasions when a wage advance of say 5 cents an hour could be justified, the demand has been for 20 or 25 cents or more. In the intensity of negotiations, positions which are unreasonable get "locked in" in one way or another, and disastrous strikes eventuate. Nor is management blameless on this score, for it, too, has at times maintained arbitrary positions.

### Proportioning Wealth

Last December Mr. Meany made a speech here before the National Association of Manufacturers, a very admirable address which, in my judgment, deserved more commendation from industry than it received. Referring, in this speech, to the question of the proper proportioning of what he called the "wealth created by a particular enterprise," he said "I am sure there is enough intelligence in the American worker, enough intelligence in the American management, to solve that problem in a fair, square American way." I surely subscribe to that viewpoint, and I am sure that you do, too.

But what is the "fair, square way"? Is it simply for labor to try for all it can get, to "shoot for the moon" and for management to offer nothing, both sides hoping to settle somewhere in between these far removed extremes? That seems to have been the customary procedure. However, it has not proved to be a very successful method. The empty offer by management and the extravagant demand by labor are as harmful to their own interests and to the public as to their opponents at the bargaining table. I would like to suggest that we can describe the area of economic bargaining in a "fair, square way" and that it is a relatively narrow area.

Managements offer should enable the worker to share in the benefits of future increased productivity, based on long-range past experience. Now, all of us know that this increased productivity is, in general, the result of new methods and machinery provided by the investment of capital. There are those who contend, in good faith, that the owners of such capital are entitled to all of the fruits of the risk they have ventured. I do not share this view, and in my opinion its application, if possible, would be highly injurious to these very same owners of the invested capital. A sharing of the benefits spreads the purchasing power and makes possible a greater utilization of the facilities. Otherwise they might well lie idle to the disadvantage of all.

Labor's demand should also be governed by a reasonable expectation of what future productivity increases will be. To go beyond this bench mark is to invite inflation which is, of course, harmful to all and most particularly to those in the low income brackets, or to those who have fixed incomes of one kind or another. Savings accounts shrink in value; life insurance policies, health and accident insurance, and pension funds lose some of their purchasing power; and bonds, mortgages and other evidences of fixed value depreciate. The wage earner is caught in a treadmill of spiraling wages and prices, while those on fixed incomes, or whose incomes are slow to rise, suffer sharply decreased living standards.

### Inflationary Wages

Yet I cannot recall ever hearing of labor leaders holding down their demands with the avowed objective of avoiding the perils of inflation. They may have been well advised to have done so. Very often in the past wage advances, far in excess of productivity, have touched off inflationary pressures. This has resulted in higher living costs, offsetting much, and sometimes all, of the wage increase.

Thus, it is clear that there is an identity of objectives even in this difficult area of economic bargaining. Workers, management, owners and the public gain by a sharing of productivity increases. They all suffer from the harmful effects of inflation. The only proper question at issue is an evaluation of future productivity increases based on past experience. This is the "fair, square way" to solve the problem.

A discussion of productivity increases brings to mind that much abused term "automation" and the argument which ensues between honorable men as to whether it will be a force for good or evil. None of us can peer into the future, but a few things can be said on the subject with confidence. We know that this debate has gone on for more than a century and yet, up to the present time, improved methods of production have not resulted in unemployment. On the contrary, with technological development at a peak, employment is also at new high levels. Furthermore, no other people enjoy the high standards of living of the American people, and all honest individuals will agree that this is attributable largely to our advance methods of mass production. So, to date, it seems safe to say that the results have been beneficial. Mr. Meany, in his "Fortune" article, said "The trade union movement does not oppose technological change. There can be no turning back to a negative or short-sighted policy of limiting progress." I am sure we all agree.

### Technological Displacement

Management and labor leaders must face up squarely to the problems of the workers who are displaced by technological developments. Industry should accept extra costs involved in transfering, re-training or otherwise properly taking care of these employees. And the unions should cooperate in the revision of contract provisions which hamstring fair and equitable treatment.

In addition, we must seek ever better methods of buttressing and spreading purchasing power, and by so doing, we can, I think, at least be hopeful that this good record will be continued. This is not only the responsibility of government and labor leaders. It also weighs heavily on the shoulders of management. If we are to preserve our free society and avoid the hazards of Socialism, industrial leaders must be on the alert constantly to discover and utilize programs which will permit a greater percentage of our population to become owners of the instruments of production.

One obvious method, well within the framework of our free society, is the employee stock purchase or stock option plan which gives all employees an opportunity to become owners through payroll deductions. I refer to programs which will create investors, not speculators; those which are available to all, not just a chosen few. It is encouraging to note that there is an increase in the number of such plans, but there are not nearly enough. It would be greatly to the advantage of our entire economy if many more corporations adopted these programs.

The steelworker today is in a very strong position. He needs no "catching up" with workers in other industries. Since World War II his average hourly pay has increased almost 93% as compared with about 78% for all manufacturing industry. He now leads this group by 54 cents per hour, the widest spread on record. His average pay check is $2.48 per hour or about $100 a week, while his employer is paying out a total of $2.83 an hour for his services—including the cost of his vacations, social security, insurances and pension.

### Real Wages

It is also interesting to note that the steelworker's wage advance of 93% during the past decade compares with an increase in the cost of living of 37% in the same period. And in the last three years his hourly earnings jumped 17% compared with an increase of approximately 1% in living costs.

Whenever a wage advance occurs in steel or elsewhere, there are always some who blithely state that inflation can be avoided simply by refusing to increase prices. "Absorb it" is the popular expression. Can this be done? Yes, but only under two very important conditions. First, the wage advance must not exceed productivity increases. This question I have already discussed. Secondly, and of equal importance, the industry must be on a sound basis in respect to prices and profits prior to the wage advance.

Does the present position of the steel industry fulfill this second condition? It certainly does not. The situation has been fully described to the public by some of our more articulate leaders. Nineteen fifty-five was steel's greatest year of production and profits. Yet even then we were only at the average of all manufacturing industry in respect to earnings on invested capital, far below many other important industries, ranging from soap and paint to nonferrous metals, airplanes and automobiles. In most years steel's earnings have been very much less than the average. All this is based on our present investment. On new facilities the rate of return would be lower than the yield on a government bond. Indeed, by some perfectly proper methods of accounting, there would be no return at all.

It is highly important that these earnings be improved. The basic steel industry should make as good a return as the average—or even better—and do so through the years—not just in a peak year. For unless it does this it will not attract investment capital or be able to reinvest substantial amounts of undistributed earnings—the processes which alone make possible the growth of the industry.

### Industry's Growth

And grow the industry must. This is the steel age. As the population increases, as living standards go up, our people must have ever larger production of steel. This is essential for the very maintenance of our peace-time society and, of course, for national defense as well. If this steel is not provided by free enterprise, it will be supplied by government. But such action would be just as fatal to our liberties as governmental

control of industrial relations or any other aspects of our free economy.

It is greatly to the advantage of labor for industry to continue to modernize and expand. This is the only means of providing the improved methods and machinery which make possible the increased productivity on which wage advances are legitimately based and the new facilities which create new jobs. And this, too, is recognized by the leaders of organized labor. Speaking before his union's convention in September, 1954, Mr. McDonald said: "Certainly the working force must see to it that the steel properties are operated successfully, because if they are not . . . they will have no jobs. If there is not . . . new money flowing into these industries, then, of course, we will have decadence set in in our country. That we will not stand for."

Thus, as we review the areas involved in the relationship between labor and management, the similarity of their real objectives appears, with ever increasing clarity. Both gain from avoiding strikes. Both gain from preventing inflation. Both gain from increasing the real purchasing power of workers. Both gain from improving the financial soundness and profitability of the producing companies.

And beyond all this, our very way of life is dependent on the accomplishment of these same objectives. Strikes, inflation, unemployment, lower living standards, inadequate corporate earnings—all these imperil our freedoms, our "People's Capitalism"—that excellent new term which describes the distinctive American economy. With the tremendous growth of our industrial establishments the joint responsibility borne by management and labor leaders in this regard is indeed great. It transcends their more direct responsibilities for enhancing the earnings of the owners and workers they represent. Surely if our free government and free economy cannot be preserved, all else is lost. And, as we all know, this system is on trial before the world in comparison with the socialistic and communistic patterns of other nations. It is not an exaggeration to say that the manner in which America's free labor and America's free management conduct their mutual affairs can play a vital part in the outcome of this very important aspect of the "cold war."

Mr. Meany recognized all this when he said to the N. A. M.: "We have that interest in common, to keep this country free so that we can carry on with the type of improvement of our life which labor and management jointly are responsible for." Mr. McDonald has repeatedly used the term "mutual trusteeship" in referring to the parts played by the leaders of labor and management. And I am sure he means a mutuality of responsibility, not solely on behalf of workers and stockholders, but also—and of greater importance—for the preservation of American freedom and democracy.

I am not naive enough to believe that any speeches of labor leaders or business leaders—least of all any words of mine—will solve the difficult problem of harmonious industrial relations. Deeds, and not words, will tell the story. But if both parties recognize the true identity of their objectives and the importance of their decisions, statesmanship, sound judgment and cooperation will prevail. The gainers will be not only our employees and stockholders, but all the American people. The responsibility is great. It is jointly held. And it cannot be avoided. We measure up or we fail.

*Continued from page 4*

# The State of Trade and Industry

100. This compared with 114.3 a year earlier and the record level of 115.4 reached in October 1953.

### Steel Output Placed at 96.5% of Capacity This Week

Over-all demand continues to keep steel mills operating close to capacity, although the pressure for third quarter shipments is easing, "Steel" magazine stated on Monday of this week.

The metalworking publication reported it appears a reduction in consumers' requirements will contribute to the dip in steel mill operations seasonally caused in the third quarter by vacations and hot weather.

Steelmakers expect the dip to be mild and of short duration. Many believe operations in the third quarter will not fall below an average of 85% of capacity.

It will be occasioned by an easing in demand for light, flat-rolled products and bars by the automotive industry, as well as by makers of appliances and farm implements, according to the magazine.

The publication added that the prospects of the mid-summer dip and easing in steel demand somewhat weakened the position of the union in the steel wage negotiations which start this Monday.

If the union recognizes this situation and adjusts its demands accordingly, the prospect of avoiding a strike on July 1 will be improved, it declared. Should labor union negotiators be insistent on all their demands as outlined, they will meet strong resistance from the producers.

The next three weeks most likely will be spent in preliminary talks, "Steel" said, with the real bargaining not beginning until the middle of June and possibly later.

Were it not for a strike not directly related to steel production (the railroad strike at Birmingham), national ingot operations would be close to capacity. Reflecting the strong current situation, mills produced steel for ingots and castings at 96.5% of capacity for the second consecutive week. Birmingham remains at 23.5% of capacity.

"Steel's" arithmetical price composite on finished steel also holds steady at $128.98 a net ton for the week May 23. Its composite on steelmaking scrap slipped 83 cents to $50.17 a gross ton from the preceding week's $51.

**The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at the average of 96.5% of capacity for the week beginning May 28, 1956, equivalent to 2,375,000 tons of ingot and steel for castings as compared with 97.3% of capacity, and 2,396,000 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 96.4% and production 2,373,000 tons. A year ago the actual weekly production was placed at 2,312,000 tons of 95.8%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.**

### Electric Output Continues Uptrend in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 26, 1956, was estimated at 10,927,000,000 kwh., a gain above the week ended May 19, 1956, according to the Edison Electric Institute.

The week's output advanced 52,000,000 kwh. above that of the previous week; it increased 951,000,000 kwh. or 9.5% above the comparable 1955 week and 2,494,000,000 kwh. over the like week in 1954.

### Car Loadings Continued Mild Advance of Preceding Week

Loadings of revenue freight for the week ended May 19, 1956, increased 1,391 cars or 0.2% above the preceding week the Association of American Railroads reports.

Loadings for the week ended May 19, 1956, totaled 778,997 cars, an increase of 9,118 cars, or 1.2% above the corresponding 1955 week, and an increase of 97,030 cars, or 14.2% above the corresponding week in 1954.

### U. S. Automotive Output Halts Five-Week Decline In Latest Period

Automotive output for the latest week ended May 25, 1956, according to "Ward's Automotive Reports," turned upward following a five-week decline.

Last week the industry assembled an estimated 108,734 cars, compared with 105,869 (revised) in the previous week. The past week's production total of cars and trucks amounted to 131,186 units, an increase of 4,415 units above the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 2,865 cars, while truck output advanced the past week by 1,550 vehicles. In the corresponding week last year 167,555 cars and 30,727 trucks were assembled.

Last week the agency reported there were 22,452 trucks made in the United States. This compared with 20,902 in the previous week and 30,727 a year ago.

Canadian output last week was placed at 7,037 cars and 2,166 trucks. In the previous week Dominion plants built 11,465 cars and 2,833 trucks, and for the comparable 1955 week, 9,412 cars and 2,245 trucks.

### Business Failures Dip Register Slight Contraction The Past Week

Commercial and industrial failures dipped to 273 in the week ended May 24 from 279 in the preceding week, Dun & Bradstreet, Inc., reports. However, they were considerably higher than the 204 of a year ago and the 206 of the comparable 1954 week. Continuing below the prewar level, failures were 10% below the 303 recorded in the comparable week of 1939.

Liabilities of $5,000 or more were involved in 217 of the week's failures as against 234 in the previous week and 171 last year. Small failures under $5,000 rose to 56 from 45 a week ago and from 33 in 1955. Fifteen concerns failed with liabilities in excess of $100,000 as compared with 27 last week.

### Wholesale Food Price Index Eased Moderately From The Year's High Point the Week Before

The Dun & Bradstreet wholesale food price index for May 22 displayed a moderate dip from the year's high point touched last week. The index fell to $6.11, from $6.14 the previous week. It represented a decline of 3.6% from the year-ago level of $6.34, and of 18.1% from the all-time high of $7.46 recorded at this time two years ago.

Advances in wholesale prices the past week were listed for corn, oats, bellies, coffee, steers, hogs and lambs. Lower in price were flour, wheat, rye, barley, hams, lard, sugar, cottonseed oil, cocoa, eggs, potatoes and rice.

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 Dipped Slightly the Past Week But Held Appreciably Above Level Of a Year Ago

Following the mild upturn recorded in the previous week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved slightly lower last week to close at 292.69 on May 22. This compared with 293.44 a week earlier, but still showed an appreciable rise over the corresponding 1955 level of 271.74.

Grain futures markets were less active during the week, with prices generally trending lower.

**There was considerable liquidation in wheat at times with prices fluctuating over a wide range. The chief influence in wheat as in other grains was uncertainty over the final outcome of the farm bill and weather conditions.**

Except for the dry areas of the Southwest, crop conditions were said to be mostly favorable in the principal producing areas. Harvesting of new crop wheat was reported starting in Northern Texas and Southern Oklahoma. Exports of wheat and flour in grain equivalent during April were estimated at 31,500,000 bushels, against 40,400,000 in March, and 19,300,000 in April 1955. Purchases of grain and soybean futures on the Chicago Board of Trade the past week dropped to a daily average of 58,400,000 bushels, from 65,900,000 the previous week and compared with 44,300,000 a year ago.

Lard prices continued to work lower under selling prompted by early weakness in oils. Live hog prices made daily advances during the week with the top reaching $18, the highest since last July.

Spot cotton markets were mixed with closing prices lower than a week ago. Sharp declines occurred at mid-week largely reflecting selling induced by profit taking and by continued favorable weather advices from growing areas.

**The market received some support based on a report issued early in the week to the effect that the CCC had sold almost a quarter of a million bales of cotton under the new export program at prices which averaged higher than anticipated.**

Sales of cotton in the 14 spot markets totalled 91,000 bales last week, more than double those of the preceding week. Consumption of cotton in the four-week April period totalled 721,577 bales, equal to a daily average of 36,079 bales. This compared with the March daily rate of 36,656 bales and the April 1955 rate of 34,759 bales.

### Trade Volume Increased in the Past Week and Moderately Exceeded Level of a Year Ago

Consumer buying expanded somewhat last week, and retail trade moderately exceeded that of a year ago. The most noticeable volume increases were reported in outdoor furniture, air conditioners and men's Summer apparel.

**Volume in new and used automobiles was close to that of the previous week, but was below the comparable 1955 level.**

The total dollar volume of retail trade in the period ended on Wednesday of the past week was 3 to 7% 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 —1 to +3; East and Northeast +5 to +9; South +6 to +10; Middle West and Southwest +8 to +12 and Pacific Coast —3 to +1.

Wholesale orders were high and steady the past week, although there were marked gains in women's and children's Fall apparel. However, slight volume reductions were reported by textile and furniture wholesalers.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index of the week ended May 19, 1956, increased 6% above those of the like period of last year. In the preceding week, May 12, 1956, an increase of 19%* was reported. For the four weeks ended May 19, 1956, an increase of 4% was reported. For the period Jan. 1, 1956 to May 19, 1956 a gain of 3% was registered above that of 1955.

**Retail trade in New York City the past week increased despite the unseasonably cool weather. Home furnishings were largely responsible for the gains, which were estimated by trade observers to range from even to about 4% above the like period a year ago.**

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended May 19, 1956, increased 6% above those of the like period last year. In the preceding week, May 12, 1956, an increase of 18%* was recorded. For the four weeks ending May 19, 1956, a gain of 5% was recorded. For the period Jan. 1, 1956 to May 19, 1956 the index recorded a rise of 3% 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.

*Continued from first page*

# As We See It

All this is, of course, an old, old story. It has been with us for a long time. Possibly the best defense against its evils is a strong man in the White House who is capable of reaching intelligent decisions and courageous and forceful enough to make them stick—although the most serious danger is usually to be found at the other end of Pennsylvania Avenue. Decisions in such matters in this day of uncertainty and flux are a burden to any man or group of men. A great deal may turn on them. But it is the nature of a military establishment that decisions of this sort be made and that they apply in a uniform way to the whole nation, all the military and all the supporting castes. There is no other way of proceeding.

It would be a good thing if all this persuaded many of us to reconsider some of the basic philosophy of the day, particularly as exemplified in the New Deal and the Fair Deal and often embodied in such legislation as the so-called full employment act. The central idea of these programs and policies is centralized control and direction of the economy by government. It is, so it seems to us, not too much to say that the full-blown advocates of such systems as these would have the government decide when and what consumers should buy, when they are being reckless and should restrain themselves, when business should expand plant vigorously, when it is "speculating," when credit should be abundant and cheap, and so forth almost indefinitely.

Now this type of policy or program carried to its logical conclusion would place the government in the same position toward business it now occupies with reference to the military establishment. The truth is that it has already traveled a very considerable distance down that road. It is, moreover, a fact that however difficult it may be for any man or any group of men to be certain that it is planning our military program and strategy wisely it is still more difficult—nay, it is impossible—for any man or any body of men to direct the economy of any nation with even a reasonable likelihood of being wise or right even in a reasonable portion of the time. We are where we are today, indeed the world is where it is today, for the simple reason that by and large throughout the world individual businesses have proceeded on a trial and error basis with the general rule of the survival of the fittest the master guide over the whole.

Fortunately for us all, business, in contrast to military operations, can proceed on that basis. In fact it is only by proceeding on such a basis that it can attain and retain its full potential vigor. This simple fact is fully demonstrated by the history of industry and trade during the past two or three centuries. It is outstandingly and obviously true of our almost incredible growth and development here in the United States. We often wonder how any one can suppose for a moment in light of all this experience that anything more is needed from government than whatever is necessary to be certain that competition is fair and without favor and that legitimate business is protected from the predatory and the criminal elements.

Yet it now appears to be the popular supposition that a great deal more than that is required, and that popular notion so sedulously cultivated by the New Deal and the Fair Deal, has resulted in almost innumerable public programs and legislative enactments to supply directly or indirectly these other elements which are believed to be essential—and which often satisfy the desire for special favors among the politically powerful. It is often said by the modern political philosopher-socialist that we are today in the midst of an economic and social upheaval equalling that in the military sphere. If this is true, it is true only because we have projected ourselves into it, and if it is true we shall lose—perhaps we should say that we are losing—heavily for our pains.

In the case of the military establishment there appears to be no alternative to making the best decisions we can and hoping for the best. So far as our economic system is concerned no such situation exists. All that is necessary is for us to return to old and tried paths. We could then be sure that maximum progress would be ours in the future as in the past. What is it that seems to stop us from taking such a plain, straightforward step? The answer to that question appears to be complex. In part it is the fact that the persuasiveness of Franklin Roosevelt and the rather shallow-minded reformers he gathered about him has made a remarkable impression upon the thinking of the people of this nation, particularly, perhaps, the younger people. Of course, the trend of thought in Europe had been in that direction for a good many years, a fact which made easier the task of persuading the people (downhearted in the midst of a severe depression) to forsake the teachings of their own experience.

But over and beyond such facts as these is the circumstance that the New Deal and the Fair Deal programs have given rise to large numbers of men and women with vested interests in what has been done, and like their counterparts in other periods of history, they have no intention of yielding up their gains of the past whether or not they ever were entitled to them.

But, whatever the cause of our blindness, we had better pray that the scales fall from our eyes.

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*Continued from page 5*

# Common Stock Investment Policy

in this country will continue to push slowly and irregularly forward, although, now that the economy is functioning virtually at capacity, and confidence is at a high level, progress seems likely to be at a slower rate, at least in terms of percentage gains, than we have witnessed in recent years when general skepticism was in the process of being replaced by general confidence.

For the benefit of believers in cyclical theories of economic forecasting who feel that alternations of boom and depression are in immutable economic necessity, it might be appropriate at this juncture to print out that history provides us with at least one example of a modern industrial country in which progress was virtually continuous for 50 years. I refer to Germany in the years from 1869 to 1919. There was only one year during this period in which economic activity in Germany fell below that of the preceding year by as much as 5% (1877), and between 1880 and 1907 the only setback in a continuous advance was a 1% decline in 1902. The chart of economic development in Germany over this long period was a succession of advances and plateaus, underlying economic forces being so strongly tilted upward that recurring downward phases in other countries expressed themselves in the German indices merely as periods of stability or minimum decline.

We appear to be in the early stages of a similar period in this country. If we continue to exercise individual restrain and to support political leadership which has the moral courage to do the occasionally unpopular thing — and the repression of inflationary tendencies and over-speculation is always bound to be unpopular in some quarters—we can apparently continue to enjoy rising business indices for a long time ahead.

Against this background there are, therefore, for the alert security analyst a number of areas which appear to offer good hunting ground for investment opportunities. Some of these areas are: (a) What might be called the money industry—companies which operate on differences in interest rates. Banks and life insurance companies are strong beneficiaries from stiffening interest rates. (b) Industries suffering from traditional investor prejudice, or from unpopularity as the result of unfavorable political trends in the New Deal and Fair Deal eras (steel and armaments might fall in this category). (c) Industries benefiting from a rising population and rising living standards here and abroad (makers of building materials are obvious candidates for this group). (d) Industries benefiting from a manpower shortage (makers of electrical and materials-handling equipment qualify here). (e) Industries benefiting from a high rate of invention and technological progress (electronics companies and chemicals meet this specification). (f) Industries that feel an inflationary lift from growing raw material scarcity. (Copper fits this classification.)

Turning now to a closer look at each of these categories, we come first to the banks and life insurance companies. Bank stocks have not responded to the recent rise in interest rates, yet, as I've mentioned earlier, there are a good many reasons for believing that we are in a period of gradually altering supply-demand relationships in the money and capital markets which will add permanently to bank earning power. Chief among these reasons is the prospect that the proportion of young adults in the population—who tend to be spenders and borrowers—will increase in relation to the number of employed oldsters, who are savers and lenders. Four years ago my prescription for choosing superior bank investments was to look outside the Central Reserve cities for banks with large branch systems. Now that it seems logical that discriminations in the matter of reserve requirements against Central Reserve city banks will be further diminished, or possibly ended, I would pick New York banks with good branch systems and facilities for doing foreign business—a corollary of our position as a world leader and our growing "have-not" raw material situation is improving foreign credit and increased opportunities for profit-making abroad. A logical choice to fill this specification is the *First National City Bank of New York*, which is enjoying a dynamic rise in earning power on an enlarged capital base.

The life insurance companies, despite rising earning power, have been poor performers in the market for a year. This decline seems to stem not from adverse fundamentals, but partly from a liquidation of over-enthusiasm on the part of a public which ignored these super growth stocks for years, and partly from fear of stiffer Federal taxation. The new tax proposals, when they are published, seem likely not to be unduly burdensome, and ending of this uncertainty should improve investor morale. Meantime, although competitive conditions in the industry are a little stiffer, mortality experience continues to improve and tighter money is boosting earnings from portfolios. *Lincoln National Life Insurance* again, as four years ago, is a logical first choice in this group.

My next choice for industries for current investment was also a high-ranking choice on the two previous occasions that I have discussed this subject in Boston. It is the steels. In recent years the steel industry has been conducting itself in a restrained manner in the matter of price; leading companies refrained from reckless price competition in the downturn of 1954, and they are today refraining from exploiting the present high demand for steel by raising prices unduly. On the other hand, the steel industry is fully aware that it can only meet its social responsibility to provide our rising population with increasing tonnages of steel by creating a situation in which it can create ample quantities of internally generated capital via retained earnings, and have access to new equity capital as the result of its ability to obtain an adequate return on the costs of new plant construction built at present prices. This means, I think, much higher prices for steel—which consumers will readily find it possible to pay.

Although steel stocks have advanced strongly in the market in recent years, they fall far short of taking into account the full effects of the inflation that has taken place since 1940, nor do they reflect the improved investment stature to which they seem entitled as a result of the earnings and dividend-paying performance which they have been able to achieve in recent periods of recession. In addition, the steel industry, or at least those companies which are best buttressed with raw material supplies, are highly qualified as anti-inflation shelters. It would appear that steel stocks can still be bought with considerable confidence and *U. S. Steel* qualifies as an outstanding investment choice.

The armament industry has already been referred to as unpopular, and, of course, as a one-customer business it will probably never enjoy gilt-edged investment ratings. Nevertheless, the political realities of the world today suggest that on one hand we will have to maintain ample capacity for the production of super weapons—intercontinental bombers and guided and ballistic missiles—and, on the other hand, a similar capacity for the production of the conventional armaments that both sides in the present Middle Eastern dispute are now clamoring for. The leading aircraft manufacturers — *Boeing, Douglas,* and *United Aircraft* — entirely aside from the obvious prospects which they hold of obtaining large amounts of civilian business, continue to deserve investment interest.

We next come to the opportunities provided by rising population and rising living standards. In this connection it is interesting that the investment community has, judging from price-earnings ratios, remained somewhat skeptical of the building supply companies, in spite of the clear evidence that any administration, either Republican or Democratic, will have to continue to maintain ample credit supplies on ultra liberal terms for the construction of dwellings. New housing brings in its train demands for roads, schools and hospitals. The demand for all types of structures is so strong that rising costs have not materially slowed construction. Logical investment choices in the building supply group include the *gypsum companies, Johns-Manville,* the great *lumber enterprises* and, by stretching definitions a little, the *aluminum companies,* for which construction provides the largest single sales outlet. Among the latter *Aluminium, Ltd.* is outstanding.

Also, under this heading, the automobile manufacturers should probably be included. Nowadays in this country everyone owns an automobile, and the habit of lavishing love on the automobile in the form of numberless extras seems to be gaining rather than diminishing. *General Motors* is again demonstrating its competitive strength by capturing an increasing share of a difficult market, and this fact, should provide a convincing argument for buying the stock, under present conditions of market weakness.

Relative manpower shortage, resulting in rising labor costs, provides a background favorable to machine builders, household gadget makers, companies catering to do-it-yourselfers, and espe-

cially makers of materials-handling equipment. In this category *Link-Belt* and *Yale & Towne* seem particularly worthy of your attention.

Labor shortage is a powerful stimulus to invention and ensures prompt usage of new inventions and techniques. The great electrical equipment companies are organized for invention, and *General Electric's* stock is obviously one of this country's premier investments—even at today's admittedly generous evaluations.

The chemical companies are also systematic inventors that seem likely to continue to give investors in their shares an excellent result. At the present time, because of its rising cash flow, and because it is the sole proprietor of what seems to be a new growth industry in the earliest phases of development—magnesium—*Dow* merits first choice.

Finally, we come to the matter of exploiting increasing raw materials scarcity. In the metals field it appears that the earth's crust probably contains proportionately less copper than any of the other widely used metals. Accordingly, aggressively managed mining companies with a preponderance of copper production would seem to provide the best means of exploiting this particular scarcity. An investment package consisting of *Anaconda, American Metals* and *Cerro de Pasco* would provide a good cross-sectional interest in low-cost copper mines throughout most of the leading copper producing areas in the world, with added interests in aluminum, zinc and metals fabrication thrown in for good measure. The stock of *Ventures, Ltd.* provides a more exotic cross-section of interests in metals so complex as almost to defy analysis, but appearing to offer substantial price appreciation opportunities. It seems worth mentioning that this would provide a participation in nickel mining, and published prices for nickel still seem to be unrealistically low.

Before concluding, it seems worthwhile to add that as long as the present remarkably high tax structure continues to exist in this country, powerful trends will be at work to favor stocks that are suitable for institutions to buy, and to favor the largest businesses over smaller ones. Therefore, increasing price-earnings ratios, which provide a happy multiplying effect on rising basic earnings trends, will most frequently be found among the larger companies.

We have now discussed the bases for arriving at fundamental decisions concerning common stock investment policy, and we have taken note of some of the factors which professional investment men should take account of in arriving at specific investment decisions. I think that in conclusion specific mention should be made of the "priceless ingredient" that characterizes all of the investment merchandise that we have talked of, and that "priceless ingredient" is the social environment in which American business operates. Our people are hard-working, both at work and in their leisure time. We are devoted to capitalist concepts, and our social fluidity is such that as a nation we have access to all of the talents and abilities in our population at whatever level they may be found. We are socially stable, and we believe as a general thing in individual advancement rather than in socialistic nostrums. We are as a nation responsive to idealistic concepts and cheerfully willing to shoulder the heavy burden which our role as the world's peacemakers imposes upon us. We should be very glad indeed that we have this kind of a country in which to work out our economic destinies.

*Continued from page 7*

# A Real Look at Credit Policy and The Federal Reserve System

far given evidence of being able to do so, although a sterner test may be in the making.

The questions which have been raised in behalf of "small business" about a policy of credit restraint are more difficult. Although I doubt if categorical proof can be produced, I suspect that the impact of a policy of credit restraint is greater on "small business" than on big business. This suspicion does not arise from reading reports of sample surveys, unexplained as to detailed method and techniques, but dressed up in the garments of scientific inquiry and statistical accuracy. I think that such reports hold a dubious place in economic analysis. On broader grounds, however, it seems fairly clear that "small business" has less access to alternative sources of funds when bank credit is not readily available and only less clear that its access to bank credit is likely to be more difficult under such circumstances. Access to bank credit is achieved primarily by reason of the credit worthiness of the borrower, long established customer relationships with the lender, and the profitability of the transaction. It may well be that big business has an edge in these respects, which becomes apparent when not everyone can get all of the credit that everyone wants.

### Credit Allocation

If this be so, however, it is only one aspect of our economic organization in which bigness has certain advantages not confined to access to bank credit. The social and political implications of this problem have troubled this country for a long time, and need some new thinking based less on emotional and inherited dislike of bigness than has been the case in the past. The Federal Reserve System, the instrument chartered by the Federal Government to exercise general credit control, should not be blamed for discharging its responsibility, even though it may seem at times to add to this problem. That responsibility has to do with the total supply of credit in relation to the needs of a growing economy, and with the preservation of stability in the purchasing power of the dollar. It does not reach through the commercial banking system to the ultimate users of credit, trying to say how much shall go to "small business" and how much to "big business." The allocation of credit to its final uses has been left to the private banking system, dealing directly through thousands of banks with millions of customers. It would take a great deal more "planning" and more "direction from above" than the country has heretofore tolerated to change this situation. As of now, we can only hope and expect that the size of a business will not be a major deterrent to obtaining necessary credit if the other ingredients of a good loan are present.

What may be happening is that only within the past few months, or weeks, the majority of smaller or so-called "country" banks have come to feel the full force of the general credit restraint that has been pressing on the larger banks, and the customers of those banks, for some time. If this be so, thousands of potential borrowers are probably feeling that "something new has been added" to their troubles, and the consequence is greatly increased public and political awareness of the working of a policy of credit restraint.

Aside from these natural and critical reactions to a restrictive credit policy, there are some paradoxes in the situation which have now come to the fore. Many big banks, through their branch systems, are engaged in small business. Big business and small business are here intimately related, and it is not the kind of relationship which can be cut off or resumed with each change in the economic wind. Credit worthiness, established customer relationships, and profitability continue to outweigh smallness or bigness in the allocation of available credit. Looked at in another way, banking is a small business in terms of the numerical majority of banking institutions. The thousands of small banks which dot the country cannot be charged directly with favoring big business in preference to small business in times of credit restriction. What is more likely is that during periods of credit ease, when many of the larger banks were building up their secondary reserves by buying government securities, including a substantial proportion of short-term securities, many of the smaller banks were reaching for the higher yields on mortgages and long-term securities. With the great increase in the demand for business loans during the past year, the larger banks have obtained substantial funds with which to accommodate their customers by a massive reduction in their secondary reserves. Many small banks may have found this more difficult and less profitable, because of the larger losses entailed in liquidating long-term securities in declining markets, and because of the smaller spread between yields on such securities and the yield on new loans.

I put this forward as an hypothesis which needs examination if we are going to look more fully into the question of the impact of a policy of credit restraint on small business. It would lead us into many fields of inquiry, such as to what extent the small independent bank is a bulwark of the American system of individual initiative and competitive enterprise, and to what extent our independent banking system may shield a considerable number of local monopolies. I must admit that I am intrigued by such questions.

### Broad National Inquiry

I hope others are more than intrigued. It is time we knew more about our whole financial apparatus. A broad national inquiry seems to me to be necessary. I do not have in mind such piece-meal inquiries as those concerning the Federal Reserve System and the Federal Open Market Committee which have marked the past few years, but an inquiry into the whole intricate and complicated arrangement of financing institutions which has developed during the past 40 years and particularly during the latter half of that period. This would be an inquiry to map the terrain rather than one to lead to specific legislative action. Without such a map, legislative action in specific areas may be confused and, at time, self defeating.

To serve such a purpose, I should think a Presidential commission of somewhat the same general character as the so-called Randall Commission, which studied our foreign economic policies, would be a useful device. When it had completed its work, Congressional attention could be given to particular areas in which legislative action might improve the functioning of our money economy. We cannot afford much longer—or we can only afford it because we are rich—to go ahead not really knowing what to expect of our central banking system, of our commercial banking system, of our savings banks and building and loan associations, of our insurance companies and pension trusts, and of all the other bits and pieces which we are using to try to keep our production facilities and our credit facilities in balance. The task would be a difficult one. The rewards could be commensurate with the difficulties.

# Denver & Rio Grande Certificates Offered

Halsey, Stuart & Co. Inc. and associates are offering $2,820,000 of Denver and Rio Grande Western RR. series U 3¼% equipment trust certificates, maturing semi-annually Jan. 1, 1957 to July 1, 1971, inclusive.

The certificates are scaled to yield 3.30% for all maturities. Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The issue is to be secured by the following equipment estimated to cost not less than $3,778,633: 12 Diesel-electric road switching locomotives; 100 50-ton box cars and 100 50-ton flat cars.

Associated in the offering are: McMaster Hutchinson & Co. and Peters, Writer & Christensen, Inc.

# New York Society of Security Analysts Elects New Officers

**Left to right: Nicholas F. Novak of Drysdale & Co., newly elected Treasurer of the Society; Edward S. Wilson, of Hallgarten & Co.; Miss Helen Slade; Nathan Bowen of Goldman, Sachs & Co., outgoing President of the Society; W. Sturgis Macomber of Reynolds & Co., newly elected President; Nicholas E. Crane of Dean Witter & Co., newly elected Vice-President, Gerson D. Lublin of H. Hentz & Company and Stephen L. Joseph of Bache & Co.**

The election of W. Sturgis Macomber as President has been announced by The New York Society of Security Analysts. Mr. Macomber, who will serve for the fiscal year commencing June 1, 1956, is with the firm of Reynolds & Co. and is also Vice-President-elect of The National Federation of Financial Analysts Societies. Mr. Macomber has just completed a term as Vice-President of The New York Society of Security Analysts and has held executive positions since 1951.

Other officers elected for the coming term are Nicholas E. Crane of Dean Witter & Co. as Vice-President; Lawrence R. Kahn of A. G. Becker & Co., Inc., as Secretary, and Nicholas F. Novak of Drysdale & Co. as Treasurer. Mr. Crane is Director-elect of the National Federation and during the past year has been Secretary of the New York Society. Mr. Kahn has been serving as Treasurer of the New York Society.

The New York Society of Security Analysts is the largest of the 20 regional societies comprising The National Federation of Financial Analysts Societies. The New York group has 2,273 members representing more than 700 brokers, security dealers, banks, investment companies and other organizations in the financial community. The New York Society of Security Analysts, which holds daily luncheon-meetings throughout the year that are addressed by a wide range of corporate executives, is now entering its 20th Anniversary Year.

# Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

**Abundant Uranium, Inc., Grand Junction, Colo.**
Feb. 23 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—319 Uranium Center, Grand Junction, Colo. **Underwriter**—Ralph M. Davis & Co., Grand Junction, Colo.

**Adams Express Co.**
May 2 filed 528,792 shares of common stock (par $1) 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.

★ **Agger Corp.**
May 28 (letter of notification) $36,994.54 (15,287 shares) of class A stock (par $1) and $73,989.08 of debentures in units of 50 shares of stock and $242 of debentures. **Price**—$363 per unit. **Proceeds**—Financing of diner installations, etc. **Office**—270 Park Ave., New York 17, N. Y. **Underwriter**—None.

**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 (6/4)**
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 Horse Racing Stables, Inc.**
May 11 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds** — For organizing and operating a racing stable. **Office**—Virginia and Truckee Bldg., Carson City, Nev. **Underwriter**—Columbia Securities Co., Inc. of California, Beverly Hills, Calif.

**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.

★ **Anderson Electric Corp., Birmingham, Ala.**
May 28 filed 35,000 shares of 60-cent cumulative convertible preferred stock (par $8.50), 20,500 shares of common stock (par $1) to be offered by the company and 46,440 shares of class B common stock (par $1) to be offered for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To repay $50,000 of bank loans and for working capital. **Underwriter**—Cruttenden & Co., Chicago, Ill.

★ **Apostolescu Universal Helicopter Co., Inc.**
May 23 (letter of notification) 75,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—55 West 42nd St., New York, N. Y. **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.

★ **Boston Edison Co. (6/13)**
May 25 filed 180,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeeds**—To repay bank loans. **Underwriter** — The First Boston Corp., New York.

★ **Brooklyn Union Gas Co.**
May 28 (letter of notification) up to 9,000 shares of common stock (no par) to be offered to employees under stock option plans. **Price**—At market ($33.12½ per share at May 24). **Proceeds**—To reimburse company for cost of any shares purchased. **Underwriter**—None.

**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.

★ **Capital Reserve Corp., Washington, D. C.**
May 25 filed (by amendment) an additional $2,000,000 in Potomac Plans for Systematic Accumulation of Common Stock of Potomac Electric Power Co.

**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. **Offering**—Withdrawn.

**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.

**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.

★ **Combustion Engineering, Inc.**
May 29 filed $15,000,000 of convertible debentures due 1981. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for working capital. **Underwriter**—The First Boston Corp., New York.

**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 being offered for subscription by common stockholders at the rate of $100 of debentures for each 30 shares of stock held as of May 22; 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.

★ **Commonwealth Telephone Co., Dallas, Pa. (6/18-22)**
May 25 filed 100,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—Eastman, Dillon & Co., New York.

● **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; rights to expire on June 26. **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.

★ **Consolidated Mercury Corp.**
May 21 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price** — 20 cents per share. **Proceeds**—For mining expenses. **Office**—41 East Second St., Winnemucca, Nev. **Underwriter**—Shelley, Roberts & Co., Denver, Colo.

**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.

**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.

# NEW ISSUE CALENDAR

**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 1 (Friday)**

Security Casualty Insurance Co._____Pfd. & Com.
(Intermountain Securities Co) $120,000

Universal Fuel & Chemical Corp._____Common
(Langley-Howard, Inc.) $300,000

**June 4 (Monday)**

Alunite Corp. of Utah_____Common
(Cayias, Larson, Glaser, Emery, Inc.) $240,000

Dibbs Aluminum Products, Inc._____Debs. & Com.
(Eisele & King, Libaire, Stout & Co.) $720,000

Downtown Parking Association, Inc._____Pfd. & Com.
(Blyth & Co., Inc.) $300,000

Greenwich Gas Co._____Common
(Offering to stockholders—to be underwritten by F. L. Putnam & Co., Inc.) $300,000

Inglewood Gasoline Co._____Common
(Bennett & Co.) $298,734

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)**

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.

Cullen Minerals Corp._____Common
(Lepow Securities Corp.) $300,000

Kay Lab._____Class A
(Shearson, Hammill & Co.) 364,280 shares

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 13 (Wednesday)**

Boston Edison Co._____Preferred
(The First Boston Corp.) $18,000,000

Devall Land & Marine Construction Co., Inc._____Com.
(Vickers Brothers) $300,000

Roadway Express, Inc._____Common
(Glore, Forgan & Co. and Fulton, Reid & Co.) $5,675,000

Securities Investment Co. of St. Louis_____Debentures
(Merrill Lynch, Pierce, Fenner & Beane) $7,500,000

**June 14 (Thursday)**

Reynolds Metals Co._____Common
(Reynolds & Co., Inc.) 67,595 shares

Thiokol Chemical Corp._____Common
(Offering to stockholders—to be underwritten by Lehman Brothers) 64,932 shares

United States Foil Co._____Class B
(Reynolds & Co., Inc.) 193,500 shares

**June 18 (Monday)**

Commonwealth Telephone Co._____Common
(Eastman, Dillon & Co.) 100,000 shares

Southeastern Fund_____Debentures
(Shearson, Hammill & Co. and Homer O'Connell & Co., Inc.) $1,000,000

Zapata Off-Shore Co._____Debentures
(G. H. Walker & Co.) $2,350,000

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)**

Donnelley (R. R.) & Sons Co._____Common
(Harriman Ripley & Co. Inc.) 573,575 shares

Public Service Co. of New Hampshire_____Bonds
(Bids 11 a.m. EDT) $8,000,000

Rohm & Haas Co._____Preferred & Common
(Bids 3:30 p.m. EDT) 4,810 shs. preferred and 79,213 shs. com.

West Coast Telephone Co._____Common
(Blyth & Co., Inc.) 170,000 shares

**June 20 (Wednesday)**

Halliburton Oil Well Cementing Co._____Common
(Lehman Brothers and Blyth & Co., Inc.) 350,000 shares

Ranco, Inc._____Common
(Smith, Barney & Co.) 216,950 shares

Union Chemical & Materials Corp._____Common
(Allen & Co.; Bache & Co.; and Reynolds & Co., Inc.) 200,000 shares

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 22 (Friday)**

Western Massachusetts Companies_____Common
(Offering to stockholders—to be underwritten by The First Boston Corp. and White, Weld & Co.) 92,237 shares

**June 26 (Tuesday)**

Elizabethtown Water Co. Consolidated_____Debens.
(Bids to be invited) $7,500,000

**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

**July 11 (Wednesday)**

Florida Power Corp._____Bonds
(Bids to be invited) $20,000,000

Pacific Power & Light Co._____Common
(Offering to stockholders—bids to be invited) about 300,000 shs.

**July 25 (Wednesday)**

Consolidated Natural Gas Co._____Debentures
(Bids to be invited) $30,000,000

**September 11 (Tuesday)**

Carolina Power & Light Co._____Bonds
(Bids to be invited) $15,000,000

**September 25 (Tuesday)**

Virginia Electric & Power Co._____Bonds
(Bids to be invited) $20,000,000

**October 1 (Monday)**

Tampa Electric Co._____Bonds
(Bids to be invited) $10,000,000

**October 2 (Tuesday)**

Columbia Gas System, Inc._____Debentures
(Bids to be invited) $30,000,000

**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) (6/11)**
March 30 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To repay bank loans, and for expansion and working capital. **Underwriter** — Lepow Securities Corp., New York.

**Dalmid Oil & Uranium, Inc., Grand Junction, Colo.**
April 16 (letter of notification) 2,700,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1730 North 7th Street, Grand Junction, Colo. **Underwriter**—Columbia Securities Co., Denver, Colo.

**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. **Offering**—Withdrawn—

★ **Devall Land & Marine Construction Co., Inc. (6/13)**
May 16 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For payments of notes, to purchase and equip three boats and working capital. **Office**—1111 No. First Ave., Lake Charles, La. **Underwriter**—Vickers Brothers, Houston, Tex.

**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.

★ **Donnelley (R. R.) & Sons Co. (6/19)**
May 28 filed 573,575 shares of common stock (par $5), of which 420,000 shares will represent new financing and 153,575 shares will be sold by certain stockholders. **Price**—To be supplied by amendment. **Proceeds**—For capital improvements. **Business**—Commercial printing. **Underwriter**—Harriman Ripley & Co. Inc., New York.

**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.

★ **Downtown Parking Association, Inc. (6/4)**
May 18 (letter of notification) 4,000 shares of common stock (par $25) and 4,000 shares of cumulative preferred stock (par $50) to be sold in units consisting of one share of each class of stock. **Price**—$75 per unit. **Proceeds**—For development of a parking building and facilities. **Office**—1333 American Bank Bldg., Portland, Ore. **Underwriter**—Blyth & Co., Inc., Portland, Ore.

**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).

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**Proceeds**—For expansion program. **Underwriter**—Hornblower & Weeks, New York.

**★ Elizebethtown Water Co. Consolidated (6/26)**
May 25 filed $7,500,000 of debentures due 1986. **Proceeds**—To redeem $103,000 first mortgage 5% 50-year gold bonds of Raritan Township Water Co. (assumed by company) at 105% and to repay bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. **Bids**—Tentatively expected to be received on June 26.

**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 being 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 being offered to a selected group of licensed general insurance agents in Georgia and South Carolina. **Price**—$5.50 per share. **Proceeds**—To purchase stock of First of Georgia Fire & Casualty Co. (to be formed) and for general corporate purposes. **Underwriter**—Johnson, Lane, Space & Co., Inc., Savannah, Ga., for 159,561 shares.

**Florida Sun Life Insurance Co.**
March 16 filed 32,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To expand company's business. **Office**—Fort Lauderdale, Fla. **Underwriter**—None. Offering will be made through James C. Dean, President of company.

**Fort Pitt Packaging International, Inc.**
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. **Price**—$3 per share. **Proceeds**—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. **Office** — Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., New York.

**Gas Hills Mining and Oil, Inc.**
Jan. 4 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price** — 25 cents per share **Proceeds**—For expenses incident to mining operations **Office**—Kemmerer, Wyo. **Underwriter**—Philip Gordon & Co., Inc., New York 6, N. Y.

**General 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.

**★ Grain Elevator Warehouse Co., Wilmington, Del.**
May 28 filed $6,302,950 of 5% convertible subordinated debentures due 1976, together with 126,059 shares of common stock (par 10 cents) to be offered for subscription in units of $50 of debentures and one common share by preferred and common stockholders of National Alfalfa Dehydrating & Milling Co. of record June 20, 1956 on the basis of one such unit for each preferred of National and one such unit for each 10 National common shares. **Price**—$50 per unit. In exercising the subscription rights, credit will be given toward the subscription price on the basis of $45 for each share of preferred and $15 for each share of common stock of National tendered as a part of the subscription. **Proceeds** — For capital expenditures and working capital. **Underwriter**—None.

**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.

**★ Greenwich Gas Co. (6/4)**
May 18 (letter of notification) 25,000 shares of common stock (no par) to be offered to stockholders. **Price**—$12 per share. **Proceeds**—To repay bank loans. **Office**—33 Greenwich Ave., Greenwich, Conn. **Underwriter**—F. L. Putnam & Co., Inc., Boston, Mass.

**★ Growers Container Corp., Salinas, Calif.**
May 28 filed 600,000 shares of common stock (par $1) to be offered primarily to individuals and firms who are engaged in or closely allied to the growing and shipping industry. **Price**—$3 per share. **Proceeds**—For working capital, capital expenditures and other corporate purposes. **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.

**★ Guaranty Mining & Development Co.**
May 22 (letter of notification) 275,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Officee**—E. 1739 Olympic, Spokane, Wash. **Underwriters**—William B. Mills, Wellesley, Spokane, Wash., and Joe L. Stillwell, Spokane, Wash.

**★ Gunkelman (R. F.) & Sons, Fargo, N. D.**
May 25 (letter of notification) 1,800 shares of 5% cumulative preferred stock (par $100). **Price**—$98 per share. **Proceeds** — For expenses incident to commercial grain business. **Underwriter**—W. R. Olson Co., Fargo, N. D.

**★ Halliburton Oil Well Cementing Co. (6/20)**
May 28 filed 350,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To repay bank loan and for working capital, equipment and plant programs. **Underwriters** — Lehman Brothers and Blyth & Co., Inc., both of New York.

**★ Hamlin Exploration & Mining Co.**
May 18 (letter of notification) 4,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office**—5661 Emile St., Omaha, Neb. **Underwriter**—None.

**Hard Rock Mining Co., Pittsburgh, Pa.**
Feb. 20 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—To purchase machinery and equipment and for working capital. **Office** — 377 McKee Place, Pittsburgh, Pa. **Underwriter**—Graham & Co., Pittsburgh, Pa.

**Harrison (D. L.) Corp., Dallas, Texas**
April 18 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds** — For equipment, raw materials and working capital. **Underwriter**—Garrett & Co., Dallas, Texas.

**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.

**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** — To be received up to 11:30 a.m. (EDT) on June 7 at Room 3250, 120 Broadway, New York, N. Y.

**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. (6/4)**
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.

**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.

**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. **Offering** — Expected today (May 31).

**● Kay Lab, San Diego, Calif. (6/11-22)**
May 23 filed 364,280 shares of class A common stock (par $1), of which 307,400 shares are to be offered to the public and 56,880 shares to 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. **Offering**—Expected week of June 11 or 18.

**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.

**★ Lay (H. W.) & Co., Inc., Chamblee, Ga.**
May 25 filed 200,000 shares of class A common stock (par 50 cents), of which 149,000 shares are to be offered by the company and 51,000 shares for account of certain selling stockholders. **Price**—$5.75 per share. **Proceeds**—To repay $300,000 of bank loans, retire 7,879 shares of 5.2% cumulative convertible preferred stock, and for working capital. **Business**—Produces food products. **Underwriter**—Johnson, Lane, Space & Co., Inc., Savannah, Ga.

**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.**
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.

**★ Lindly & Co., Inc.**
May 18 (letter of notification) 32,500 shares of common stock (par 10 cents). **Price**—At market (about $1.37½ per share). **Proceeds**—To underwriter, Aetna Securities Corp., 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 2⅓ 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.

**★ Marcus Transformer Co., Inc.**
May 21 (letter of notification) 12,000 shares of 7% cumulative preferred stock. **Price**—At par ($25 per share). **Proceeds**—For working capital, to liquidate short term debt and for expansion program. **Office**—32 Montgomery St., Hillside, N. J. **Underwriter**—None.

**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.

**★ Metron Corp.**
May 28 (letter of notification) 29,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For tools, equipment, inventory, etc. **Business** — Electronics components. **Office**—Union and Elm Sts., Lambertville, N. J. **Underwriter**—None.

**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.

**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 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.**
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 29 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. **Offering** — Expected today or tomorrow (May 31 or June 1).

**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.

**● 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 812,791 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**
May 7 filed 328,400 shares of common stock (par $1) being 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**—$15 per share. **Proceeds**—For investment. **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.

**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**—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 June 5, 1956; rights to expire on 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.

**★ Public Service Co. of New Hampshire (6/19)**
May 24 filed $8,000,000 of first mortgage bonds, series I, due 1986. **Proceeds**—To reduce bank loans. **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 up to 11 a.m. (EDT) on June 19.

**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**

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—For mining expenses. **Office**—316 Symes Bldg., Denver, Colo. **Underwriter**—Carroll & Co., Denver, Colo.

**★ Ranco, Inc., Columbus, Ohio (6/20)**
May 29 filed 216,950 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To American Motors Corp., which is the selling stockholder. **Underwriter**—Smith, Barney & Co., New York.

**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.

**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.

**★ Reinsurance Investment Corp., Birmingham, Ala.**
May 25 filed 2,985,000 shares of common stock, of which 2,485,000 shares are to be offered to public and 500,000 shares are to be reserved on exercise of options to be granted to employees of company. **Price**—To public, $2 per share. **Proceeds**—The first $3,000,000 will be used to purchase or organize a legal reserve life insurance company to be known as the "Reinsurance Company of the South"; the remainder will be used for other corporate purposes. **Underwriter**—Luna, Matthews & Waites.

**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.

**★ Research Mutual Corp.**
May 17 (letter of notification) 150,000 shares of common stock (par 50 cents). **Price**—$1.50 per share. **Proceeds**—For working capital, etc. **Business**—Distribution and sale of publications, and other products and services, via mail order. **Office**—50 Broad St., New York, N. Y. **Underwriter**—L. J. Mack & Co., Inc., New York, N. Y.

**★ Reynolds Metals Co. (6/14)**
May 24 filed 67,595 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To Estate of the late R. S. Reynolds and Mrs. Julia Louise Reynolds, his widow. **Underwriter** — Reynolds & Co., Inc., New York.

**★ Roadway Express, Inc., Akron, O. (6/13)**
May 24 filed 567,500 shares of class A common stock (par 25 cents). **Price**—$10 per share. **Proceeds**—To use $5,101,760.80 to exercise an option to purchase all of the 582,500 shares of common stock of this company owned by Carroll J. Roush and members of his family whose combined holdings constitute 50% of the total number of shares of common stock outstanding. **Business**—One of the four largest trucking companies. **Underwriters**—Glore, Forgan & Co., Chicago, Ill.; and Fulton, Reid & Co., Cleveland, O.

**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.

**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.

**★ Securities Investment Co. of St. Louis (6/13)**
May 24 filed $7,500,000 of sinking fund debentures due June 1, 1968. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

**● Security Casualty Insurance Co. (6/1)**
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.

**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.

**★ Southeastern Fund, Columbia, S. C. (6/18)**
May 25 filed $1,000,000 of 6% convertible subordinated debentures due 1971. **Price**—100% of principal amount. **Proceeds** — $325,000 will be used for the formation or acquisition of a wholly owned subsidiary fire insurance company; remainder, estimated at $550,000 will be added to working capital. **Underwriters**—Shearson, Hammill & Co. and Homer O'Connell & Co., Inc., both of New York.

**● 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.

**★ Suburban Finance Co., Inc.**
May 28 (letter of notification) 15,000 shares of capital stock (par $5). **Price**—$6 per share. **Proceeds**—For loans to individuals. **Office** — 224-09 Linden Blvd., Cambria Heights, L. I., 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. **Offering**—Expected today (May 31).

**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**—Statement has been withdrawn.

**● 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**—Statement has been withdrawn.

**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.

**★ Thiokol Chemical Corp. (6/14)**
May 28 filed 64,932 shares of capital stock (par $1) to be offered for subscription by common stockholders about June 14 at the rate of one new share for each six shares held; rights to expire on June 28. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for capital expenditures. **Underwriter** — Lehman Brothers, New York.

**★ Titanium Zirconium Co., Inc.**
May 21 (letter of notification) 17,000 shares of capital stock (par $1). **Price**—$9.25 per share. **Proceeds**—For expansion and working capital. **Office** — 1 Main St., Flemington, N. J. **Underwriter**—D. A. Lomasney & 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.

**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 Chemical & Materials Corp., Chicago, Ill. (6/20)**
May 25 filed 200,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—Allen & Co., Bache & Co. and Reynolds & Co., Inc., all of New York.

**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 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 Foil Co. (6/14)**
May 24 filed 193,500 shares of class B stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To Estate of R. S. Reynolds and Mrs. Julia Louise Reynolds, his widow. **Underwriter** — Reynolds & Co., Inc., New York.

**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.

**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. (6/1)**
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 Fund Distributors, Inc., New York. Statement effective May 28.

★ **Vero Chemical Co., Inc.**
May 14 (letter of notification) 175,000 shares of class A non-voting common stock. **Price**—At par ($1 per share). **Proceeds**—For the manufacture of chemical specialties. **Office** — 685 West Peachtree St., Atlanta, Ga. **Underwriter**—Franklin Securities Co., Atlanta, Ga.

**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 Coast Telephone Co. (6/19)**
May 28 filed 170,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

**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 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 Massachusetts Companies (6/22)**
May 29 filed 102,237 shares of common stock (par $1), of which 92,237 shares are to be offered for subscription by common stockholders of record June 21 on the basis of one new share for each 12 shares held; rights to expire on July 9. The remaining 10,000 shares are to be offered to employees. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters** — The First Boston Corp. and White, Weld & Co., both of New York.

**Western Securities Corp. of New Mexico**
Feb. 13 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To start a dealer or brokerage business. **Office**—921 Sims Bldg., Albuquerque, N. M. **Underwriter**—None.

**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 a selling stockholder. **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.

**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. **Offering**—Tentatively deferred. Statement effective Feb. 28.

★ **WPFH Broadcasting Co., Philadelphia, Pa.**
May 25 filed 150,000 shares of class A common stock (par $1) to be offered for account of the company; and 125,000 shares of class B common stock (par $1) for account of Paul F. Harron, President and controlling stockholder. **Price**—Of class A, $1.87½ per share; and of class B, at the over-the-counter market price at time of offering. **Proceeds**—For working capital and expansion. **Underwriter**—Boenning & Co., 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. (6/18-22)**
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. **Office** — Houston, Tex. **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.

● **Braniff Airways, Inc.**
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. On May 24, the company announced the number of shares to be offered is expected to be reduced and the offering date extended. **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.]

★ **Capital Airlines, Inc.**
May 28 it was announced corporation is considering the issuance of approximately $12,000,000 of convertible subordinated debentures. **Proceeds**—For expansion program. **Underwriters**—White, Weld & Co. and Carl M. Loeb, Rhoades & Co., both of New York.

**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 $18,000,000 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.

**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.

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**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.

**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.

**★ Eternalite, Inc., New Orleans, La.**
May 28 it was reported company plans to issue and sell about 200,000 shares of class A stock. **Price** — Around $4.50 per share. **Underwriter** — Vickers Brothers, New York.

**● 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 June 4. **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 on May 28 voted to increase the 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.

**★ Minneapolis Gas Co.**
April 16 stockholders approved an increase in the authorized common stock (par $1) from 1,700,000 shares to 2,500,000 shares. Previous offer to stockholders was underwritten by Kalman & Co., St. Paul, Minn.

**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 Pacific Ry.**
Bids are expected to be received by the company on June 14 or June 21 for the purchase from it of approximately $7,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**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.

**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.**
May 17 stockholders voted to increase 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. Company has no immediate plan to do any equity financing. **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.

**★ Popular Merchandise Co., Inc.**
May 28 it was reported company plans to register an issue of common stock. **Proceeds**—For expansion program. **Business**—Club plan mail order business. **Underwriter**—Shields & Co., New York.

**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.

**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.

**★ Rochester Telephone Corp.**
May 28 it was reported company has applied to the New York P. S. Commission for authority to issue and sell 40,000 shares of cumulative preferred stock (par $100). **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 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.

**★ Southwestern Resources, Inc.**
May 15 it was reported that the company plans to issue and sell 1,000,000 shares of common stock. **Price**—Around $5 per share. **Underwriters** — Southwestern Securities Co., Dallas, Tex.; and Mountain States Securities Corp., Denver, Colo.

**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.

**★ Sperry Rand Corp.**
May 23, H. F. Vickers, President, said the company is considering plans to offer to its common stockholders within the next few months the right to subscribe to one additional share of common stock for each 10 shares held on the record date. At March 31, 1956, there were outstanding 25,496,132 common shares. **Price** — To be determined by the directors shortly before the subscription offer is made. **Proceeds**—For expansion of manufacturing facilities. **Underwriters** — Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

**★ Stevens (J. P.) & Co., Inc.**
May 28 it was announced company plans to offer publicly sometime this summer $30,000,000 of debentures. **Proceeds**—To repay short-term bank loans and for general corporate purposes. **Underwriter**—Goldman, Sachs & Co., New York.

**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.

**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.

**★ U-Kan Minerals, Inc. (Kansas)**
May 28 it was reported company plans issue and sale of 600,000 shares of common stock. **Proceeds**—For oil and mineral development. **Underwriter** — E. R. Bell Co., Kansas City, Mo.

**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.

**★ United States Rubber Co.**
May 25 it was announced that stockholders will vote June 29 on amending the company's certificate of organization permitting it to issue convertible debentures, which would first be offered for subscription by common stockholders. It is estimated that $50,000,000 to $60,000,000 of new funds will probably be required. **Proceeds**—For maintenance of its business and properties and for working capital. **Underwriter**—Kuhn, Loeb & Co., New York.

**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 in near future of 70,000 shares of common stock. **Proceeds**—To selling stockholders. **Underwriter**—Granbery, Marache & Co., New York.

## Alexander Joins Nat'l Secs. & Research

NEW ORLEANS, La. — James R. Alexander has joined National Securities & Research Corporation as a wholesale representative for the National Securities Series of mutual funds in the states of Arkansas, Louisiana, Mississippi and western Tennessee, it was announced by Henry J. Simonson, Jr., President.

Mr. Alexander will make his headquarters in his home town of New Orleans.

## Cioffi With Gordon Graves

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Vincent Cioffi has become associated with Gordon Graves & Co., Inc., Pan American Bank Building. Mr. Cioffi was formerly an officer of G. F. Rothschild & Co., Inc. in New York City.

## With McInnes & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — L. Courtney Parkes has become associated with McInnes & Co., Inc., Huntington Medical Building. Mr. Parkes was formerly with A. M. Kidder & Co. in the past he was with Nichols & Co. and W. N. Estes & Co., Inc. in Nashville, Tenn.

## With Francis I. du Pont

MIAMI, Fla. — Albert Marzer is now connected with Francis I. du Pont & Co., 121 Southeast Second Avenue.

## Gerard Jobin Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Carl E. Springer has become affiliated with Gerard R. Jobin Investment Ltd., 242 Beach Drive, North.

## Now With Walter Gorey

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Sherwood B. Marshall has joined the staff of Walter C. Gorey Co., Russ Building.

## With H. L. Jamieson

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif. — Givon Wah Haw is now with H. L. Jamieson Co., Inc., 2144 El Cajon Boulevard.

## With Samuel B. Franklin

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Hans Van Belle is now connected with Samuel B. Franklin & Co. of Los Angeles.

## With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert D. Parra is now affiliated with C. Morton & Co., Russ Building.

## With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Andrew T. Niebergall, Jr. is now affiliated with Hamilton Management Corporation, 445 Grant Street.

## Honnold Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — George H. Garner is now affiliated with Honnold and Company, Inc., 524 Seventeenth Street.

## Joins Frank Edenfield

MIAMI, Fla. — Ray S. Popp has joined the staff of Frank L. Edenfield & Co., 8340 Northeast Second Avenue.

## Cohu Takes Up Wellington Idea

A new and interesting angle recently injected into Wellington Fund's "Oscar" contest has been quickly adopted by other investment firms.

The new idea was developed by Arthur M. F. Breyer, mutual fund manager of Cohu & Co. In a recent office bulletin, Mr. Breyer told his staff that if any Cohu representative won any of the three awards, the firm would pay his or her expenses to the Mutual Fund Sales Convention in Chicago, Sept. 20 through Sept. 22, 1956.

The firm will pick up the tab for entry fee, transportation, hotel and meals "and if there are three Cohu winners, our offer is good for all of them," Mr. Breyer promised.

The Wellington "Oscar" contest, launched last month, has received nationwide attention in the financial community. An Oscar and three cash prizes will be awarded for the best stories of 500 words or less on "My Most Interesting Sale of Mutual Funds." The contest is open to every registered retail representative of N.A.S.D. member firms having selling group agreements with three or more mutual investment funds.

First prize is a bronze plaque and $500 in cash. Second prize is $300 cash and third prize $200 cash. There is no limit on the number of stories that can be submitted and the story, or stories, need not be about Wellington Fund. Winners will receive their awards and read their award-winning stories at the Mutual Fund Sales Convention.







# Mutual Funds

By ROBERT R. RICH

## Annuity Bills Clear Assembly

The controversial variable annuity bills, which would permit life insurance companies to sell annuities based on common stocks, passed the New Jersey Assembly this week, and are expected to go to the State Senate for its vote the middle of June.

By a vote of 35 to 12, the Assembly passed the enabling bill, authorizing any New Jersey life insurance company to set up a segregated account to be known as a variable contract. Two companion bills were also passed. The bills were introduced into the New Jersey legislature at the request of Prudential Insurance Co. of America, nation's second largest insurance company. Similar bills did not get out of committee last year.

Meanwhile, the New York Stock Exchange, the American Stock Exchange and the National Association of Investment Companies have registered strong protests to the bills. At the very least, they insist public hearings on the bills be held before legislative action is completed in the New Jersey Senate.

Prudential Insurance Co. presently is taking the position that ample public hearings were held last year on the bills; that the necessary corrections were made in the present bills; and that they are now a matter of concern solely to the New Jersey legislature.

Under the variable annuity legislation, life insurance companies would make payments reflecting the value of money at the time of payment rather than a fixed sum determined when the contract is made. Annuity premiums would be invested in common stocks rather than fixed income securities.

Under such a contract, the annuitant would bear the risk of market fluctuations and income yield of underlying common stocks.

Life insurance companies, could they sell variable annuities, would not be subject to "Statement of Policy" restrictions covering mutual funds; would pay no capital gains tax; and would pay an income tax on ordinary income dividends of less than 10%.

Opposition to the bills by Wall Street is based on inadequate regulation and on competitively unfair tax advantage. The variable annuity contracts which the current legislation would allow insurance companies to sell would be very similar in fact to mutual fund shares.

Meanwhile, the Prudential Insurance Co. is on record as saying their 22,000 agents could be in the field selling these new contracts within 60 days after the bills become law.

In opposition, G. Keith Funston, New York Stock Exchange President, said that "a great deal of care and thought must be given to the type and nature of regulation necessary to safeguard the public in the sale of variable annuities." He said the sale of such annuities "should not be permitted without assurance the public will receive the same protection as it now has under those Federal and state laws which have been developed to protect the public in the sale of securities."

Frederic W. Ecker, Metropolitan Life Insurance Co. President, commented that, in the case of variable annuities, the risk which has been traditionally borne by insurance companies is transferred to the annuity holders.

He said that during the period of retirement of the contract holder, the insurance company would make no guaranty as to any dollar amount that would be paid to the annuitant. He said the annuity would depend on the accumulated income and the then market value of the common stock fund.

**OPEN-END COMPANY STATISTICS—MONTH OF APRIL, 1956**
**126 OPEN-END FUNDS***

(In 000's of $1)

| | Apr. 30, 1956 | Mar. 31, 1956 | Apr. 30, 1955 |
|---|---|---|---|
| Total net assets | $8,615,458 | $8,555,494 | $6,602,310 |
| Month of— | April 1956 | March 1956 | April 1955 |
| Sales of shares | $107,539 | $109,005 | $95,799 |
| Redemptions | 40,810 | 37,157 | 35,628 |

**Holdings of Cash, U. S. Governments and Short-Term Bonds**

| | | | |
|---|---|---|---|
| April 30, 1956 | $435,021 | Dec. 31, 1955 | $437,956 |
| March 31, 1956 | 508,565 | April 30, 1955 | 337,988 |

**Accumulation Plans—**

| Month of— | April 1956 | March 1956 | April 1955 |
|---|---|---|---|
| Number of new accumulation plans opened in period (87 funds reporting) | 14,716 | 15,355 | 8,195 |

## Investors Stock Fund Assets At New High

Total net assets of Investors Stock Fund, Inc., mutual fund affiliate managed by Investors Diversified Services, Inc., rose from $133,357,772 as of Oct. 31, 1955 to $180,979,343 as of April 30, 1956, an increase of $47,621,571 for the first half of the current fiscal year, Joseph M. Fitzsimmons, Chairman of the Board, announced in the fund's semi-annual report. All share figures given in the report were adjusted to reflect the two-for-one split which was approved by the shareholders at their annual meeting held April 25, 1956, and became effective April 26, 1956.

Net asset value per share of the fund was $14.06 on April 30, an increase of $1.91 over the net asset value of $12.15 on Oct. 31, 1955, the Chairman reported. Dividends paid or declared during the period increased to 20½ cents per share compared with 18 cents per share for the like period a year ago, and were derived entirely from investment income.

Shares outstanding increased from 10,973,435 on Oct. 31, 1955 to 12,871,456 on April 30, 1956. Number of shareholders increased from 37,000 to 43,000 in the same six months. The 1956 figures were in every instance the highest recorded at the close of any annual or semi-annual fiscal period.

Market value of the investments held by the fund on April 30, 1956 exceeded cost by $53,984,275, a gain for the period of $19,104,277.

Investments in common stocks at the end of the six months under review comprised 93.13% of the fund's assets and were distributed as follows: Durable manufactures 22.32%, of which 4.50% was in building materials and 4.20% in electronics; non-durable manufactures 23.40%, of which 9.59% was in chemicals and 5.62% in drugs; petroleum and natural gas 20.08%; other minerals 2.48%; transportation 4.53%; services 2.80%; banks 1.72%.

Convertible preferred stocks and bonds brought the total securities investment to 98.47%. The remaining 1.53% was in cash and other assets.

## American Mutual's Gains Due in Part to Merger

Assets of American Mutual Fund, Inc. reached an all-time high of $56,226,176 on April 30, 1956, the end of the first half of the current fiscal year, according to President Jonathan B. Lovelace. New highs were also set in net assets per share, net income, and number of shareholders.

Net assets increased by $29,044,513 during the six-month period from the $27,181,663 total at Oct. 31, 1955. This increase of over 100% in net assets reflected the acquisition, through merger, on Feb. 1, 1956 of the assets of Pacific-American Investors, Inc., the purchase of shares in the fund by old and new shareholders, and the increase in market value of securities owned.

Total net assets of $56,226,176 at April 30, 1956, were equal to $9.48 for each of the 5,928,156 shares of capital stock outstanding. This compares with total net assets at April 30, 1955, of $22,319,890, equal to $8.39 a share on the 2,660,928 shares outstanding at that date.

Net income, excluding realized gains on sales of securities, in the six months ended April 30, 1956, was $598,709, equal to approximately 12.8 cents a share on 4,674,821 average number of shares outstanding during the period. This compares with net income similarly computed of $308,787 in the corresponding six months ended April 30, 1955, equal to approximately 12.1 cents a share on the 2,551,232 average number of shares outstanding during that period, after adjustment for the two-for-one stock split effective Jan. 21, 1955.

The merger of American Mutual and Pacific-American was effected through the issue of 2,385,444 shares of American Mutual capital stock. The number of shareholders of American Mutual was 14,958 at April 30 of this year, compared with 6,032 at Oct. 31, 1955.

## Simonson Foresees High Business Level

The National Securities Series of mutual funds, sponsored and managed by National Securities & Research Corp., continued their growth over the last 12 months and at the close of the fiscal year ended April 30, 1956, showed new highs in the number of shareowners, shares outstanding and total net assets, according to the sixteenth annual report, released for publication today.

Combined net assets of the seven mutual funds aggregated $283,786,512 at the end of April, compared with $233,865,304 on April 30, 1955, while the number of shareowners increased to 107,182 from 95,184 a year ago and the number of shares outstanding totaled 39,633,792, versus 33,564,356.

In his message to shareholders, H. J. Simonson Jr., President, of National Securities & Research Corp., stated that "record levels for employment, personal income, construction, plant and equipment outlays and consumer expenditures point to a high level of business activity in 1956."

However, Mr. Simonson added, "it should be noted that certain individual industries and companies that sparked the prosperity such as home building and automobile production, have levelled off or declined. It should be further noted that other activities, such as industrial, commercial and public works construction and the output of producers' durable equipment, are being stepped up to expand aggregate production for a growing population. In our opinion, the over-all outlook is favorable."

Each of the National Securities Series of mutual funds paid during the last fiscal year, four quarterly distributions of net investment income to shareowners, as well as distributions of securities profits. Distributions of net investment income and securities profits by the seven mutual funds aggregated $12,786,914 and $10,659,229 respectively, in the recent fiscal year, compared with $11,335,163 and $5,001,498 in the previous fiscal year.

"An increasing number of shareowners continue to accept securities profits distributions in additional shares of asset value instead of cash," Mr. Simonson reported. More than 73% of the shareowners accepted additional shares for the 1956 fiscal year-end distribution, he added.

The total number of shareowners who have established open accounts providing for future periodic investments or who have directed the reinvestment of quarterly distributions in shares, continues to grow, Mr. Simonson stated. As of April 30, last, 27,000 shareowners had established such accounts, he said.

# Public Utility Securities

By OWEN ELY

## Brooklyn Union Gas Company

Brooklyn Union Gas has a long record as one of the largest independent gas retailers, having been incorporated in 1895 in the merger of a number of older companies. During the late 1930's and 1940's the company encountered sharply higher fuel costs and lags in obtaining rate readjustments. The stock dropped from its 1929 high of 124 to a 1938 low of 5—the dividend rate having declined $2.50 to 20c. In 1947 there was a small deficit, followed by omission of the dividend in 1948 which, however, was resumed in the following year.

Since that date the company has had better sailing. Natural gas was obtained early in 1951 and earnings moved from $1.69 in 1952 (the year of conversion to straight natural gas) to $2.50 in 1954, $2.70 in 1955 and $2.90 for the 12 months ended March 31, 1956.

About 13c of the 12 months' gain was attributed to relatively cold weather. However, the company was able to expedite the sale of house heating units to 8,443 last year, largely due to the 10% cut in house heating rates initiated last April. This rate cut resulted in a loss of revenue approximating $750,000 in 1955 or about 19c a share after taxes, but was more than recouped.

Gas sales for heating purposes are also important in the commercial field; commercial sales last year followed the steady growth pattern of recent years and accounted for 17% of firm volume sold. Industrial sales also increased, among the factors contributing to this improvement being the promotional off-peak rate, a high level of manufacturing activity and a substantial growth in industrial space heating.

Competitive costs for heating a small home per annum in Brooklyn are now estimated as follows:

| | |
|---|---|
| Coal | $163 |
| Oil | 158 |
| Gas | 154 |

The company is currently installing some 9,000 units a year, but saturation for one and two family homes is still only about 20%. The best possibilities for installation of added units is in new homes, and in old homes when present equipment wears out.

The company considers the possibilities for further expansion as most favorable, considering the low saturation of gas house heating in the territory served and the satisfactory gas supply situation that now exists. Since 1946, when the supply was critical, the number of additional house heating customers has been limited by order of the New York Public Service Commission. From time to time, as the gas supply improved, the restriction was eased, and in February, 1956, the Commission granted complete exemption from the restrictions of this order.

The company's cost of gas has been rising gradually, last year the cost being 42c per mcf compared with 39c in the previous year (including the small amount of gas produced). However, conversion to natural gas has given the company much better control of operating expenses. Since 1951 they have been able to reduce the number of employees 22%, and payroll costs 34%.

The gas supply in 1952 was 70 million cf a day but in 1955 increased to 129 million cf, including additional gas obtained from Tennessee Natural Gas Pipeline. This will include 106 million cf firm supply and 23 million representing winter supply from storage, supplied mainly by Transcontinental. Transcontinental is searching for additional storage facilities near New York.

Regarding sale of appliances other than for house heating, the company is hopeful of recovering some lost refrigerator business, and the new gas driers and incinerators seem promising. The outlook for centralized air-conditioning remains dependent on the final development of new gas units by Servel, Coleman, etc.

The company is currently writing off the cost of converting manufactured gas facilities to natural gas which amounts to about $2,576,000 a year. By the end of 1962 this will all have been written off. Elimination of this item should have a favorable effect on future earnings; and currently it improves the cash flow and along with depreciation and retained earnings is almost adequate to take care of current construction costs. Capital expenditures averaged about $4 million during 1951-1955; $7 million is estimated for 1956, and an average of $10 million in 1957-60. The company does not plan any financing this year, but will probably issue mortgage bonds in 1957-58.

Capitalization at the end of 1955 was as follows:

| | Millions | % |
|---|---|---|
| Mortgage Debt | $42 | 37 |
| Debentures and Notes | 18 | 16 |
| Common Stock Equity (1,863,000 shares) | 54 | 47 |
| | $114 | 100 |

Brooklyn Union Gas has been selling recently around 33 and based on the present $1.80 dividend rate, yields 5.5%. The present payout is about 62% compared with the company's general policy of paying out 75%. However, some shrinkage in earnings may occur during the balance of the year. The stock is currently selling at 12.2 times last year's earnings and 11.4 times the earnings for the 12 months ended March, which is well below the industry average.

# Resources of Banking System Seen Ample To Meet Growing Economy's Credit Needs

**Messrs. Collins and Nadler examine gold stock, legal banking reserves and capital funds and find no limitations in meeting expected rapid growth of the economy. Dollar is believed strong enough to be cut from gold tie; banking reserve and bank capital restrictions are viewed capable of safe reductions. In view of foreign minimum working balance needs and our favorable international current account balance, the N. Y. U. finance economists do not fear an outflow of gold.**

The resources of the American banking system will be fully adequate to meet the credit needs created by the rapid growth of the economy that may be expected during the coming decade, according to a bulletin entitled "Bank Resources and Economic Growth," issued by Dean G. Rowland Collins, Director, and Dr. Marcus Nadler, Research Director, of the Institute of International Finance of New York University.

G. Rowland Collins Marcus Nadler

The NYU study analyzes the factors that under certain circumstances might place a limit on the credit expansion power of the commercial banks namely, the nation's monetary gold stock, the legal reserves imposed on banks, and the banks' capital funds.

With regard to the gold stock, the Institute's bulletin points out that, despite the abandonment of convertibility, gold still forms the basis for the credit expansion power of the Federal Reserve Banks which are required to maintain a minimum reserve of 25% in gold certificates against their notes in circulation and deposits. On Dec. 28, 1955, however, the amount of gold certificates held by the Federal Reserve Banks above the legal reserve, together with the Treasury's nonmonetized gold, totaled $9,670 million, which could support a fourfold expansion of currency and Federal Reserve credit. If this expansion were effected by the Federal Reserve Banks through buying government securities in the open market and paying with deposits on their books, the member banks would acquire $38,680 million of reserves. This amount would enable the member banks to expand deposits through making loans and investments by $241,750 million, on the basis of the current average legal reserve of about 16% against demand deposits of all member banks. These additional deposits would be 71% greater than total existing deposits of all member banks (exclusive of interbank deposits), which on Oct. 26, 1955, amounted to $141.172 million. Moreover, the credit expansion power of the banking system could be further increased if Congress were to reduce the gold certificate reserve requirement or permit its indefinite suspension by the Board of Governors. The Board could also reduce the reserve requirements of the member banks to the legal minimum and thereby increase their multiple credit expansion power. Finally, Congress could lower the stipulated legal minimum reserve ratios for member banks.

Since, however, gold may be withdrawn by foreign governments and central banks it is of the utmost importance, the bulletin states, to inquire as to the possibility that the United States might lose a substantial amount of gold. This question can best be answered by analyzing the international financial position of this country. At the end of 1954 the United States long-term investments abroad exceeded foreign long-term investments in this country by $28.6 billion. On a short-term basis, however, the United States is a large net debtor. At the end of September 1955, foreign owned short-term assets in the United States aggregated $13.4 billion. On the same date the total short-term indebtedness of the rest of the world to the United States amounted to $1.4 billion. The United States, therefore, despite its over-all creditor position, was a net debtor on short-term account in the amount of $12 billion. Hence, it is at least theoretically possible for the United States to face an outflow of gold of about $12 billion, which exceeds by $2.3 billion the total amount of free gold held in the country at the end of 1955.

In practice, however, the amount of gold that the United States might lose in any one year would hardly be more than a fraction of the total net foreign short-term debt of the country. In the first place, many foreign governments, central banks, commercial banks, and business enterprises have to maintain minimum working balances in the United States in order to finance the large volume of their transactions with this country. Secondly, if economic and military aid granted by the United States Government to foreign countries is excluded, the current accounts of the United States balance of payments show a substantial excess of income over payments.

Thirdly, the gold reserve requirements imposed on the Federal Reserve Banks can be changed by Congress. This was done on June 12, 1945, when the reserve ratios were reduced from 40% and 35% against notes and deposits, respectively, to 25% of the combined total. It must not be assumed, moreover, that a reduction in the gold certificate reserve requirement would necessarily result in a deterioration of the exchange rate of the dollar. In no major foreign country is the central bank under the obligation to maintain a minimum ratio of gold backing for the currency or to sell gold at a fixed price. Finally, in view of the position of the United States dollar as the world's strongest currency, a large-scale conversion by foreign governments of dollar assets into gold can hardly be envisaged at this time.

In discussing the legal reserves of commercial banks the Institute's study points out that the present reserve requirements enable the Federal Reserve Board to create a substantial volume of excess reserves for the member banks if the need for increasing the credit expansion power of the banks should arise. If, for example, the Board of Governors should reduce the reserve requirements to the statutory minimum they would convert $7,650 million of required reserves into excess reserves, on the basis of the average amount of reserves required against the average amount of demand and time deposits of all member banks in the last half of December 1955. The $7,650 million of excess reserves could support about $79 billion of additional demand deposits or $98 billion of demand and time deposits. This amount alone is ample to meet all the foreseeable requirements of the economy in the future.

Moreover, it should be noted that even at the statutory minimum the reserve requirements are high compared with those of other leading countries. For example, in England, the joint stock banks by tradition, not by statutory compulsion, keep a reserve against their deposit liabilities of about 8% consisting of balances with the Bank of England and vault cash. The reserve requirements of the chartered banks in Canada may vary at the discretion of the Bank of Canada between 8% and 12%. In this case, too, vault cash may be counted as part of the reserves. Since the reserve requirements were enacted by Congress they could be lowered if the need arose.

With regard to the third potential limiting factor in credit expansion, namely, the adequacy of bank capital, the bulletin states:

The question is often raised whether the capital resources of the banks can be increased sufficiently to keep pace with the growth of the economy, particularly since the ratio of capital, surplus, and undivided profits to deposits of the commercial banks has decreased from about 11% in 1940 to less than 8½% in 1955. This decline in the ratio is due primarily to the rapid increase in the volume of bank deposits during the war resulting from the purchase of government obligations. At the same time, the banks were not in a position, either through retained earnings or through the sale of additional stock, to increase their own resources to a point where the ratio of their capital funds to deposits would remain at the traditional 10%. The problems involved, briefly, are: (1) Is the ratio of capital funds to deposits a correct indicator of the adequacy of a bank's own resources as a protection of deposits? (2) Can the banks increase their capital funds if the need should arise?

The ratio of capital funds to deposits is of little significance. The function of a bank's capital resources is to absorb losses on assets acquired by the bank and thus to protect the deposits. It is obvious that when a bank holds mainly riskless assets the ratio of capital to deposits may safely go to a very low level. Hence, in recent years it has become standard practice to relate capital resources to risk assets; i.e., assets other than vault cash, deposits with Federal Reserve Banks and domestic banks, items in process of collection, and government securities.

At the end of November 1955, capital resources of the commercial banks constituted 15.2% of total risk assets, or a ratio of 1:6.6. The ratio of $1.00 of capital funds to each $6.60 of risk assets is considered satisfactory since it could absorb losses of up to 15.2% resulting from depreciation of the risk assets. Moreover, among the so-called "risk" assets are many that for all practical purposes may be deemed riskless and are so regarded by the bank supervisory authorities. Among such assets are VA-guaranteed and FHA-insured mortgages, loans secured by life insurance policies, savings banks passbooks and government and municipal securities, prime banker's acceptances, and loans secured by stock exchange collateral.

If the assets which for all practical purposes are riskless were eliminated in calculating the ratio of capital funds to risk assets, the ability of the banks to acquire additional risk assets would obviously be very great. Moreover, the bad debt reserve that every bank maintains should be considered as part of the bank's own capital resources. Reserves against mortgage loans should also be included in the capital structure, as well as unallocated and hidden reserves in general.

As the demand for credit grows, most banks are able to increase their capital funds. Usually banks prefer to increase their own resources through plowing back of earnings. In recent years, however, prices of bank shares have risen considerably because of increased earnings and dividends, and generally they are now selling at or above book value. This makes it more attractive for the management of individual banks to sell additional stock to present or new stockholders. During the past year substantial amounts of such shares have been sold, and most of them were soon quoted above the issue price. Commercial banks also can increase their capital resources by holding down the amount of cash dividends and paying part of the dividends in stock. Finally, should the demand for bank credit increase to a point at which the banks would consider their capital resources inadequate, the probability is that money rates would then be high and the earnings of the banks would improve. An increase in bank earnings would automatically be reflected in the market price of the shares, and this would facilitate the sale of new stock. It may, therefore, be concluded that there is no shortage of bank capital at the present time, that none can be envisaged in the near future, and that inadequacy of capital resources of the commercial banking system is not likely to be an obstacle to long-range economic progress.

# 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) | June 3 | §96.5 | *97.3 | 96.4 | 95.8 |
| Equivalent to— | | | | | |
| Steel ingots and castings (net tons) | June 3 | §2,375,000 | *2,396,000 | 2,373,000 | 2,312,000 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil and condensate output—daily average (bbls. of 42 gallons each) | May 18 | 7,071,200 | 7,028,950 | 7,129,900 | 6,676,350 |
| Crude runs to stills—daily average (bbls.) | May 18 | ¶7,848,000 | 7,911,000 | 7,436,000 | 7,329,000 |
| Gasoline output (bbls.) | May 18 | 25,550,000 | 26,403,000 | 24,599,000 | 24,552,000 |
| Kerosene output (bbls.) | May 18 | 2,055,000 | 2,263,000 | 2,044,000 | 2,165,000 |
| Distillate fuel oil output (bbls.) | May 18 | 11,630,000 | 11,462,000 | 11,982,000 | 10,557,000 |
| Residual fuel oil output (bbls.) | May 18 | 8,220,000 | 8,244,000 | 8,182,000 | 8,084,000 |
| Stocks at refineries, bulk terminals, in transit, in pipe lines— | | | | | |
| Finished and unfinished gasoline (bbls.) at | May 18 | 186,753,000 | 187,708,000 | 192,933,000 | 170,677,000 |
| Kerosene (bbls.) at | May 18 | 19,931,000 | 19,332,000 | 17,867,000 | 24,144,000 |
| Distillate fuel oil (bbls.) at | May 18 | 68,495,000 | 64,945,000 | 61,926,000 | 76,109,000 |
| Residual fuel oil (bbls.) at | May 18 | 33,414,000 | 33,119,000 | 32,829,000 | 43,386,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | May 19 | 778,997 | 777,606 | 763,437 | 769,879 |
| Revenue freight received from connections (no. of cars) | May 19 | 664,222 | 665,911 | 679,867 | 665,391 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:** | | | | | |
| Total U. S. construction | May 24 | $310,263,000 | $300,211,000 | $525,963,000 | $402,699,000 |
| Private construction | May 24 | 150,293,000 | 137,096,000 | 347,686,000 | 289,598,000 |
| Public construction | May 24 | 159,970,000 | 163,115,000 | 178,296,000 | 113,101,000 |
| State and municipal | May 24 | 138,131,000 | 108,564,000 | 163,676,000 | 83,802,000 |
| Federal | May 24 | 21,839,000 | 54,551,000 | 14,620,000 | 29,299,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | May 19 | 9,800,000 | *10,020,000 | 9,900,000 | 9,142,000 |
| Pennsylvania anthracite (tons) | May 19 | 420,000 | 402,000 | 553,000 | 518,000 |
| **DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100** | May 19 | 122 | 129 | 113 | 115 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | May 26 | 10,927,000 | 10,875,000 | 10,867,000 | 9,976,000 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.** | May 24 | 273 | 279 | 236 | 204 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | May 22 | 5.179c | 5.179c | 5.179c | 4.797c |
| Pig iron (per gross ton) | May 22 | $60.29 | $60.29 | $60.29 | $56.59 |
| Scrap steel (per gross ton) | May 22 | $49.67 | $50.33 | $55.50 | $34.00 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | May 23 | 45.450c | 45.650c | 45.925c | 35.700c |
| Export refinery at | May 23 | 43.975c | 43.625c | 46.250c | 36.150c |
| Straits tin (New York) at | May 23 | 97.500c | 97.750c | 98.875c | 91.375c |
| Lead (New York) at | May 23 | 16.000c | 16.000c | 16.000c | 15.000c |
| Lead (St. Louis) at | May 23 | 15.800c | 15.800c | 15.800c | 14.800c |
| Zinc (East St. Louis) at | May 23 | 13.500c | 13.500c | 13.500c | 12.000c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | May 29 | 95.26 | 94.92 | 92.93 | 96.65 |
| Average corporate | May 29 | 104.83 | 104.83 | 104.83 | 108.70 |
| Aaa | May 29 | 108.16 | 108.16 | 107.62 | 112.19 |
| Aa | May 29 | 106.92 | 106.74 | 106.74 | 110.15 |
| A | May 29 | 104.48 | 104.66 | 104.83 | 108.88 |
| Baa | May 29 | 100.32 | 100.32 | 100.49 | 104.14 |
| Railroad Group | May 29 | 103.47 | 103.64 | 103.64 | 107.09 |
| Public Utilities Group | May 29 | 105.17 | 105.17 | 105.00 | 109.24 |
| Industrials Group | May 29 | 106.04 | 105.86 | 105.86 | 109.97 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | May 29 | 2.86 | 2.89 | 3.05 | 2.75 |
| Average corporate | May 29 | 3.46 | 3.46 | 3.46 | 3.24 |
| Aaa | May 29 | 3.27 | 3.27 | 3.30 | 3.05 |
| Aa | May 29 | 3.34 | 3.35 | 3.35 | 3.16 |
| A | May 29 | 3.48 | 3.47 | 3.46 | 3.23 |
| Baa | May 29 | 3.73 | 3.73 | 3.72 | 3.50 |
| Railroad Group | May 29 | 3.54 | 3.53 | 3.53 | 3.33 |
| Public Utilities Group | May 29 | 3.44 | 3.44 | 3.45 | 3.21 |
| Industrials Group | May 29 | 3.39 | 3.40 | 3.40 | 3.17 |
| **MOODY'S COMMODITY INDEX** | May 29 | 412.2 | 420.3 | 420.5 | 398.1 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | May 19 | 239,754 | 251,309 | 241,807 | 236,922 |
| Production (tons) | May 19 | 285,921 | 294,894 | 281,098 | 279,415 |
| Percentage of activity | May 19 | 97 | 99 | 99 | 97 |
| Unfilled orders (tons) at end of period | May 19 | 536,619 | 583,953 | 557,227 | 578,264 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100** | May 25 | 108.94 | 109.08 | 109.06 | 106.74 |
| **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 | May 5 | 1,505,610 | 1,493,979 | 1,711,897 | 1,198,335 |
| Dollar value | May 5 | $82,759,993 | $80,669,715 | $90,602,135 | $61,643,937 |
| Odd-lot purchases by dealers (customers' sales)— | | | | | |
| Number of orders—Customers' total sales | May 5 | 1,220,665 | 1,149,154 | 1,389,593 | 1,005,245 |
| Customers' short sales | May 5 | 5,958 | 6,222 | 8,609 | 7,046 |
| Customers' other sales | May 5 | 1,214,707 | 1,142,932 | 1,380,984 | 998,199 |
| Dollar value | May 5 | $63,540,360 | $57,937,557 | $70,967,466 | $50,704,445 |
| Round-lot sales by dealers— | | | | | |
| Number of shares—Total sales | May 5 | 274,080 | 262,000 | 342,490 | 245,430 |
| Short sales | May 5 | ------ | ------ | ------ | ------ |
| Other sales | May 5 | 274,080 | 262,000 | 342,490 | 245,430 |
| Round-lot purchases by dealers— | | | | | |
| Number of shares | May 5 | 590,860 | 609,670 | 653,300 | 447,300 |
| **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 | May 5 | 506,510 | 522,760 | 661,650 | 508,460 |
| Other sales | May 5 | 13,300,590 | 13,297,780 | 14,101,860 | 11,845,600 |
| Total sales | May 5 | 13,807,100 | 13,820,540 | 14,763,510 | 12,354,060 |
| **ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:** | | | | | |
| Transactions of specialists in stocks in which registered— | | | | | |
| Total purchases | May 5 | 1,769,500 | 1,600,890 | 1,881,630 | 1,515,570 |
| Short sales | May 5 | 334,240 | 341,490 | 403,300 | 271,420 |
| Other sales | May 5 | 1,420,770 | 1,341,180 | 1,460,050 | 1,327,750 |
| Total sales | May 5 | 1,755,010 | 1,682,670 | 1,863,350 | 1,599,170 |
| Other transactions initiated on the floor— | | | | | |
| Total purchases | May 5 | 351,740 | 322,810 | 406,940 | 263,730 |
| Short sales | May 5 | 23,600 | 22,000 | 39,990 | 36,300 |
| Other sales | May 5 | 288,680 | 300,650 | 409,510 | 302,890 |
| Total sales | May 5 | 312,280 | 322,650 | 449,500 | 339,190 |
| Other transactions initiated off the floor— | | | | | |
| Total purchases | May 5 | 651,931 | 541,445 | 633,258 | 505,656 |
| Short sales | May 5 | 63,540 | 68,110 | 93,720 | 103,100 |
| Other sales | May 5 | 769,829 | 706,535 | 806,002 | 547,096 |
| Total sales | May 5 | 833,369 | 774,645 | 899,722 | 650,196 |
| Total round-lot transactions for account of members— | | | | | |
| Total purchases | May 5 | 2,773,171 | 2,465,145 | 2,921,828 | 2,284,956 |
| Short sales | May 5 | 421,380 | 431,600 | 537,010 | 410,820 |
| Other sales | May 5 | 2,479,279 | 2,348,365 | 2,675,562 | 2,177,736 |
| Total sales | May 5 | 2,900,659 | 2,779,968 | 3,212,577 | 2,588,556 |
| **WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):** | | | | | |
| Commodity Group— | | | | | |
| All commodities | May 22 | 114.4 | 114.3 | 113.7 | 110.2 |
| Farm products | May 22 | 91.2 | *90.8 | 88.6 | 91.8 |
| Processed foods | May 22 | 102.3 | 101.8 | 101.2 | 103.1 |
| Meats | May 22 | 81.1 | 79.6 | 77.5 | 84.2 |
| All commodities other than farm and foods | May 22 | 121.7 | 121.8 | 121.4 | 115.6 |

*Revised figure. ¶Includes 853,000 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 |
|---|---|---|---|
| **BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of April:** | | | |
| New England | $34,202,468 | $19,847,491 | $35,119,569 |
| Middle Atlantic | 82,912,848 | 87,931,061 | 81,747,900 |
| South Atlantic | 42,741,264 | 48,521,484 | 44,085,131 |
| East Central | 127,956,638 | 94,016,006 | 102,254,681 |
| South Central | 83,340,551 | 87,614,619 | 95,164,823 |
| West Central | 36,165,613 | 31,041,504 | 46,303,002 |
| Mountain | 22,036,024 | 24,454,605 | 23,288,665 |
| Pacific | 94,737,762 | 109,355,083 | 93,209,258 |
| Total United States | $524,093,168 | $502,781,853 | $521,173,029 |
| New York City | 33,453,589 | 52,512,472 | 49,939,864 |
| Outside New York City | 490,639,579 | 450,269,381 | 471,233,165 |
| **BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of April:** | | | |
| Manufacturing number | 186 | 224 | 154 |
| Wholesale number | 92 | 122 | 93 |
| Retail number | 463 | 572 | 484 |
| Construction number | 153 | 150 | 106 |
| Commercial service number | 91 | 102 | 66 |
| Total number | 985 | 1,170 | 903 |
| Manufacturers' liabilities | $17,142,000 | $15,649,000 | $12,653,000 |
| Wholesale liabilities | 4,090,000 | 5,439,000 | 3,871,000 |
| Retail liabilities | 10,772,000 | 12,430,000 | 10,765,000 |
| Construction liabilities | 6,967,000 | 7,089,000 | 6,450,000 |
| Commercial service liabilities | 2,900,000 | 2,015,000 | 2,229,000 |
| Total liabilities | $41,871,000 | $42,622,000 | $35,968,000 |
| **BUSINESS INVENTORIES—DEPT. OF COMMERCE NEW SERIES—Month of March (millions of dollars):** | | | |
| Manufacturing | $47,400 | *$46,900 | $43,300 |
| Wholesale | 12,600 | 12,500 | 11,600 |
| Retail | 23,800 | 24,200 | 22,600 |
| Total | $83,800 | *$83,600 | $77,500 |
| **COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:** | | | |
| Consumed month of April | 721,577 | 916,396 | 695,188 |
| In consuming establishments as of April 28 | 1,585,268 | 1,730,102 | 1,811,937 |
| In public storage as of April 28 | 14,681,596 | 15,462,034 | 11,223,120 |
| Linters—Consumed month of April | 152,527 | 151,622 | 151,622 |
| Stocks April 28 | 1,373,396 | *1,459,140 | 1,736,805 |
| Cotton spindles active as of April 28 | 19,290,000 | 19,350,000 | 19,160,000 |
| **COTTON SPINNING (DEPT. OF COMMERCE):** | | | |
| Spinning spindles in place on April 28 | 21,960,000 | 21,997,000 | 22,280,000 |
| Spinning spindles active on April 28 | 19,290,000 | 19,350,000 | 19,160,000 |
| Active spindle hours (000's omitted) April 28 | 9,324,000 | 11,740,000 | 8,854,000 |
| Active spindle hours per spindle in place April | 466.2 | 469.6 | 450.1 |
| **DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100—Month of April:** | | | |
| Sales (average monthly), unadjusted | 95 | 104 | 101 |
| Sales (average daily), unadjusted | 97 | 98 | 100 |
| Sales (average daily), seasonally adjusted | 104 | 107 | 103 |
| Stocks, unadjusted | 130 | 125 | *119 |
| Stocks, seasonally adjusted | 124 | 122 | 114 |
| **EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of April:** | | | |
| All manufacturing (production workers) | 13,097,000 | *13,157,000 | 12,816,000 |
| Durable goods | 7,654,000 | *7,645,000 | 7,457,000 |
| Nondurable goods | 5,443,000 | *5,512,000 | 5,359,000 |
| Employment Indexes (1947-49 Avge.=100)—All manufacturing | 105.9 | *106.4 | 103.6 |
| Payroll Indexes (1947-49 Average=100)—All manufacturing | 156.8 | *158.3 | 146.7 |
| Estimated number of employees in manufacturing industries— | | | |
| All manufacturing | 16,728,000 | *16,769,000 | 16,255,000 |
| Durable goods | 9,763,000 | *9,738,000 | 9,418,000 |
| Nondurable goods | 6,965,000 | *7,031,000 | 6,837,000 |
| **LIFE INSURANCE PURCHASERS—INSTITUTE OF LIFE INSURANCE—Month of March (000's omitted):** | | | |
| Ordinary | $3,003,000 | $2,588,000 | $2,778,000 |
| Industrial | 587,000 | 524,000 | 590,000 |
| Group | 1,022,000 | 595,000 | 462,000 |
| Total | $4,612,000 | $3,707,000 | $3,830,000 |
| **MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of March (millions of dollars):** | | | |
| Inventories— | | | |
| Durables | $27,433 | *$27,009 | $24,112 |
| Nondurables | 19,958 | *19,888 | 19,220 |
| Total | $47,391 | *$46,897 | $43,332 |
| Sales | 27,082 | *27,224 | 25,976 |
| **METAL OUTPUT (BUREAU OF MINES)—Month of March:** | | | |
| Mine production of recoverable metals in the United States: | | | |
| Gold (in fine ounces) | 135,829 | *131,284 | 150,739 |
| Silver (in fine ounces) | 3,269,173 | *3,012,601 | 3,626,942 |
| Copper (in short tons) | 98,045 | *89,182 | 93,769 |
| Lead (in short tons) | 31,164 | *27,754 | 31,315 |
| **MONEY IN CIRCULATION—TREASURY DEPT.** | | | |
| As of March 31 (000's omitted) | $30,339,000 | $30,163,000 | $29,800,000 |
| **MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of April:** | | | |
| Total number of vehicles | 654,333 | *689,982 | 881,840 |
| Number of passenger cars | 552,881 | 583,169 | 753,434 |
| Number of motor trucks | 101,081 | *106,379 | 127,887 |
| Number of buses | 371 | 434 | 519 |
| **PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of March (in billions):** | | | |
| Total personal income | $314.9 | *$313.3 | $295.7 |
| Wage and salary, receipts, total | 217.3 | *216.3 | 202.6 |
| Commodity producing industries | 94.5 | *94.0 | 87.8 |
| Distributing industries | 57.5 | 57.3 | 53.6 |
| Service industries | 28.9 | 28.7 | 27.0 |
| Government | 36.4 | 36.3 | 34.2 |
| Less employees' contribution for special insurance | 5.7 | 5.7 | 5.1 |
| Other labor income | 7.3 | 7.2 | 6.8 |
| Proprietors and rental income | 49.3 | *49.3 | 48.5 |
| Personal interest income and dividends | 28.7 | *28.4 | 25.5 |
| Total transfer payments | 18.0 | 17.8 | 17.4 |
| Total nonagricultural income | 300.9 | *299.0 | 280.9 |

# Our Reporter's Report

The current holiday week found the corporate new issue market slowed down to a walk. The only new offering of consequence was that of Mountain States Telephone & Telegraph Co., which came out just before the recess.

**Although syndicates sponsoring several of the recent large issues to reach market were able to announce closing of the subscription books, it was indicated that fair-sized lots of such offerings were still around in dealers' hands.**

The latter took down their allotments in full but the process of moving such merchandise to the ultimate buyer was evidently not quite as substantial as might be implied by the closing of group books.

**Nevertheless the market, generally speaking, was viewed as in good shape for the large volume of business on tap in the week ahead. Evidently distributors of new securities, in taking down their full commitments of recent offerings, were inclined to view that the Federal Reserve, as suggested, may act to ease money conditions a bit in the next few weeks or months.**

At any rate there appeared to be no hesitation about taking on a bit of retail inventory presumably in the belief that such monetary action would, if it develops, tend to ease the fear among institutional buyers that the Federal is committed to a really "tough" credit policy.

### Next Week Busy

Thrusting aside a host of smaller prospects next week shapes up, nevertheless, as potentially one of the busiest periods since the turn of the year.

Unless as present plans are changed by conditions marketwise, investors will have the opportunity of making a selection or selections among at least eight corporate undertakings ranging in size from $10 million up to $75 million.

**The sum total of these projects foots up to a neat $223 million plus, which should afford the portfolio managers an opportunity to look the field over. And as a bit of added flavor the two largest will be handled via the negotiated route and will carry maturities of 15 and 22 years.**

### Finance Firms Lead

Largest on the immediate forward roster is C.I.T. Financial Corp.'s $75 million of 15-year debentures to permit the big loan company to make advances to its subsidiaries. It should be along about next midweek.

**Right behind comes Household Finance Corp. which, through its bankers, will offer for public subscription $50 million of 22-year senior sinking fund debentures to obtain capital for general purposes.**

A third negotiated offering involves $15 million of 25-year sinking fund debentures for U. S. Plywood Corp., which will use the proceeds to finance purchases of timber lands and for expansion of manufacturing facilities.

### Commonwealth Edison

The balance of the impending issues are due to be marketed over the competitive bidding route. Among these the largest is Commonwealth Edison Co., of Chicago's, $40 million of 30-year first mortgage bonds.

**This issue is part of a broad over-all program projected by the big utility to finance extensive new construction which it has on the drawing boards.**

The remainder of the calendar consists of $10 million issues each for Potomac Edison Co., Indianapolis Power & Light and Southern Gas Corp., and one of $13 million for Milwaukee Gas Light Co.

## With Columbia Securities

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Harley K. Delp, Stanley F. Mattoon, Philip J. McArdle and Edward D. Mitchell have been added to the staff of Columbia Securities Company, Inc. of California, 225 South Beverly Drive.

# Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Take a look at the Commodity Credit Corp., which is just about to get an annual transfusion of $2 billion of the taxpayers' money. It is the principal but not the only sinkhole into which the nation's financial resources are disappearing in support of farm products which are acquired and then are given away to foreign countries, to the domestic poor, are bartered for foreign products, or are just plain stored at a cost of about $1 million a day.

Commodity Credit both buys farm products at artificially high prices, thereby supporting them, and makes loans on farm commodities to farmers. These loans are "without recourse." That means if the value of the commodities is less than the loan on them, farmers can turn them over to the government and have their "loans" canceled. If the commodities rise above loan value, farmers can sell them and repay the loan, pocketing the difference.

**In other words, it is a deal whereby if the coin comes down heads, the farmer wins; if it comes down tails, the government loses.**

Commodity Credit is not the only source of dissipation of the national finances for farm price supports. There are several others. For instance, one-third of customs receipts are earmarked for buying up surplus crops and giving them away. Congress additionally appropriates direct cash for the school lunch program. Under "Public Law 480" of the 83rd Congress, the "Foreign Trade and Development Act," additional provisions are made for the giving, selling abroad below cost, and bartering away of acquired farm surpluses, over and above similar powers already and previously vested in CCC to do these same things.

### Launched in 1930's

Commodity Credit Corp., was launched in the 1930's with a modest "allocation" of $500 million from that former great second Treasury of the United States without benefit of clergy, so to speak, the Reconstruction Finance Corp. The government has always pretended that CCC was an asset, making leans and storing commodities, so instead of appropriating it funds for its purposes, gave it what was called, "loan power." Here is how the "loan power" of the CCC has grown, by years:

1938 to $900 million.
1940 to $1.4 billion.
1941 to $2,650 million.
1945 to $4,750 million.
1950 to $6,750 million.
1954 to $8.5 billion. (March 1954)
1954 to $10.5 billion. (August 1954)
1955 to $12 billion.
1956 to $14 billion. (in process of enactment)
1957 to $??? (more will be asked)

**Under present infusions of loan power, to which will be added the $2 billion additional, by June 30, 1957, CCC will have a total of outstanding obligations to the Treasury of $13.5 billion. In other words, the Treasury's computed investment in CCC will be that 13.5 billion.**

### Loss Is Greater

That would seem to suggest that all this particular sinkhole has lost has been a modest $13.5 billion gross, less whatever, if anything, is ultimately realized on the liquidation of the CCC inventory of commodities and loans.

This is not the case however.

Over the years, CCC has turned its commodities over to foreign outlets as a part of lend-lease, for UNRRA, and other foreign give-aways. It has turned over its butter to the military services, various foods for school lunch programs, and so on. In almost every case, Congress appropriated to CCC all or most of its investment in these commodities.

**Furthermore, Congress now appropriates annually, the year after the annual or oftener infusions of borrowing power, sums directly to make certain losses good. For instance, the estimated loss for the 12 months ended March 1, 1956, were officially given as $2.7 billion, all to be reimbursed to CCC. This reimbursement is as complex and esoteric as the financial jugglings of an expert crook, but only because Congress one year passed one law, the next year another law, and so on, providing an almost incomprehensible pattern of CCC finances.**

Thus the latest annual loss computed at $2.7 billion is being made up by $1,787 million of outright current appropriations, and the balance by reinfusions of funds under a crazy-quilt of other laws.

However, the fundamental fact of the CCC life is that in spite of these reimbursements for losses, CCC's funds continue always to rise. It is a reasonable supposition that charge-offs of losses made good in many ways, are as large as the now estimated "obligations" of June 30, 1957.

### Two Years Ago

This recalls 1954, when Under Secretary of Agriculture True D. Morse was asking for the first infusion of "borrowing power" of that year. A member of the House Banking Committee asked Mr. Morse what CCC losses had been. At that time there was in the neighborhood of $1,250 million of losses that had not been reimbursed, so Mr. Morse gave that figure, and the members of the committee oohmed and ahh'd about wasn't it wonderful that an agency which had done so much to help agriculture keep its income, had cost so little.

**Mr. Morse neglected to advise the committee that several billion of dollars worth of tobacco, cotton, butter, et. al., had been given away during the war and that Congress had restored CCC's losses on these commodities, as well as most other losses.**

### Another Next Year

CCC, however, will need another transfusion of borrowing power in the Spring of 1957, Mr. Morse advised the Banking committee recently. The current $2 billion being appropriated, he cautioned, would take care only of 1956 crops, and "we will probably have to review the situation in the early part of the next Congress in the light of conditions as they exist at that time," he said. Also, in the Spring of 1956, he said, additional borrowing power will be required to cover obligations under the soil bank.

In other words, the new "soil bank" plan will be started out under the financial juice of "borrowing power" by CCC before it is powered by direct Treasury appropriations.

Rep. Donald Nicholson (R., Mass.) asked Mr. Morse how long CCC will have to keep getting a billion or so a year of added borrowing power.

**"We had hoped that the last (1955's raise from $10 billion to $12 billion) increase in borrowing power might be the last we would need," Under Secretary Morse responded. "However, these very large crops of 1955, as we have reported indicate that not only do we need this (current) additional $2 billion, but that we will have to take another look at the situation with the next Congress.**

"We have asked for certain legislation (the soil bank, since passed) that would help get the situation better in hand and some of that legislation is still pending.

"If we get the soil bank in operation, if the law is passed enabling that program to go forward, I think we can look forward over a period of years, to lesser use of borrowing power on the part of the CCC."

Thus the Under Secretary of Agriculture admitted for the record that even the soil bank would not diminish the deposits in the CCC sinkhole until after some vague period of years. Rep. Nicholson, however, was not satisfied, and asked Mr. Morse to be more specific.

**"There is no way to predict a future on it." replied Mr. Morse. "It will depend in part on laws and it will depend upon the weather, and it will depend on the extent to which farmers continue to intensify their cropping operations."**

### Eisenhower Lukewarm

President Eisenhower finally got around a week ago to issuing the "give me the enactment of my program" statement which was due sooner or later. The story of that statement is that, at least for the present, the President is not very much worried whether or not Congress "buys" very much more out of his 1956 political sales catalog.

This contrasts with two years ago, when the Congressional elections were coming up. In June 1954 the President not only demanded of the lazy Congress that it enact all, just all of its program, but that it turn to and get going. This time the President issued an off-hand statement through his assistant Press Secretary, and obviously didn't pay much attention to the statement. Two years ago the President went over the heads of the Congress with a full-dress TV show, properly staged, to impress 160 million people how important it was for their welfare that his many-sided welfare program be enacted into law.

**The President's almost careless and off-hand reminder of Congress of his offerings of political merchandise does not preclude a possibility that later, before the end of the session, Mr. Eisenhower will act like he really means it.**

Meanwhile, sentiment on the Hill is that Eisenhower has learned what Truman learned, that to display your wares is about as effective in the political sales campaign as the actual enactment by Congress.

*[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


"——Oh!——so that's what a stock pool is!"

## Business Man's Bookshelf

**Automation — What's Ahead?**—12 page brochure summarizing results of a recent survey by the American Society of Tool Engineers — American Society of Tool Engineers, 10700 Puritan, Detroit 38, Mich. (paper) single copy sent on request to executive officer of a company, when requested on company letterhead; additional copies $5 each.

**Can Properity Be Sustained?**—Neil H. Jacoby—Henry Holt & Company, 383 Madison Avenue, New York 17, N. Y. (cloth) $3.

**Contribution of Life Insurance to Social Security in the United States**—Reprint from International Labor Review—Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper) on request.

**Educational and Training Opportunities for the Life Underwriter** — Advisory Council on Life Underwriter Education and Training, 855 Asylum Avenue, Hartford 5, Conn. (paper) 25 cents.

**Life Insurance Facts for Business Women** — Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper) on request.

**List of Worthwhile Life Insurance Books** — Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper) on request.

**Memorandum to Small Business:** Summary of information on Group Life Insurance for Employees; Insured Pension Plan for Employees; Group Accident and Sickness Insurance for Employees — Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (free to libraries).

**Yearbook of Railroad Information**—1956 Edition—Eastern Railroad Presidents Conference, 143 Liberty Street, New York 6, N. Y. (paper) on request.