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EDITORIAL

As We See It

What is known as Federal Reserve policy has become a national issue, not to say a political issue, upon which a great many — some of them with no knowledge or understanding whatever of the subject — find themselves moved to take positions. Changes in the discount rate and in open market operations have, of course, always been a subject of great interest to the financial, and to some extent, the business community, and after the event steps taken have not infrequently become topics of rather bitter debate. The situation as it now has worked itself out is, however, very nearly if not quite unique in some of its aspects. For the first time in many years, the Federal Reserve authorities have really acted independently of the Government in taking steps almost certainly not approved in most Administration quarters, and found themselves supported, although disagreed with, by the most influential figures in the Federal Government. This in itself seems to be something new under the sun, new at least for the years since the New Deal placed a dead hand upon the system.

But let no one suppose that this takes either Federal Reserve policy or the Federal Reserve system out of politics in any but a purely technical, perhaps Pickwickian, sense. Legislators, Government officials and even members of the Board of Governors of the Federal Reserve System agree quite generally that the so-called full employment act regards the System as part and parcel of the Government which is therein charged with keeping business going at full tilt. Political philosophers and others may split hairs as to what the relationship between the System and, for example, the Treasury ought to be, but

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The Investment Outlook

By JOHN H. McGINNIS*

Trust Officer, Republic National Bank of Dallas

In summarizing factors influencing investment outlook, Mr. McGinnis anticipates: (1) non-residential construction will remain high for remainder of 1956 and residential activity to show signs of pickup; (2) pick-up in new car sales; (3) no "really substantial decline" in consumer durable purchases; (4) no reason to anticipate a business collapse; and (5) except for unduly heavy position, no need for equity retreat. Suggests caution, selectivity and careful review of continuing soundness of stocks held; precedence be given to oils, utilities, chemicals, and banks and insurance companies that serve growing areas. Finds preferred stocks in past year have served to guarantee income stability, and signs of bond price low point.

As another year greeted economists and investment analysts on Jan. 1, 1956, its Pandora's box of economic and investment ills must have had a very familiar, almost shopworn appearance. It contained fretfulness over the rate of construction, residential as well as commercial and it contained concern over the levels of automobile production. To these were added the worrisome mounting of consumer credit and fears that too much inventory accumulation was going on. International tensions were as taut as they had been ever since United Nations' forces and the Chinese Communists stopped shooting at each other in Korea, and an almost constantly rising stock market hardly had a calming effect on the nerves. Declining farm income was again rated as possibly the real Achilles heel in an economy with several possible vulnerable spots. Indeed, the only different thing 1956 brought that its immediate predecessors had not was the added prob-

John H. McGinnis

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*An address by Mr. McGinnis before the Annual Credit Convention, American Institute of Banking, Dallas, June 6, 1956.

Consequences of Automation

By DR. NEIL CAROTHERS

Dean Emeritus, College of Business Administration, Lehigh University

In discussing the economic consequences of automation, Dr. Carothers points out that automation is merely one step in an endless process of improvement in machine production—to make more goods with less labor—and that consumer savings resulting from lowered prices not going into increased demand may go into new types of goods not previously available, or into demand for more personal services. Observes that the ideal of a greater production at a cheaper price with fewer workers is seldom realized inasmuch as more workers are required than before.

No other economic development of our time has so fired the popular imagination as this thing called "automation." The general public, without any clear understanding of what it is, regards automation as the final realization of the pushbutton economy, with an endless stream of goods pouring out of complex machines operated by very few workers.

Neil Carothers

Just what is automation? First, the word itself. It is a pretentious and artificial word, coined by a Ford executive, to describe the latest development in technological progress. Actually automation is merely one more step in an endless process, the development of equipment to produce goods in greater volume with declining cost. It began some 30,000 years ago when the cave man learned how to chip a stone into an axe head. For thousands of years the process was irregular and haphazard. The steam engine, the dynamo, and the machine tool, all less than 200 years old, made technological progress regular and systematic.

These inventions made the modern factory system, with its assembly-line, conveyor-belt method of moving the product mechanically from one stage to another, while the worker stands in one position. Automation is merely an improvement in the assembly-line method.

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PICTURES IN THIS ISSUE—Candid pics taken at the Annual Outing of the Municipal Bond Club of New York at the Westchester Country Club, appear on pages 25 to 28 incl.

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

Atlantic Refining Company — Gerald S. Colby, Analyst and General Partner, duPont, Homsey & Co., Boston, Mass. (Page 2)

Purity Stores, Ltd.—Carl W. Stern, President, Stern, Douglass & Co., Inc., San Francisco, Calif. (Page 2)

GERALD S. COLBY

Analyst and General Partner
du Pont, Homsey & Company, Boston, Mass.
Members: New York Stock Exchange and Boston Stock Exchange

Atlantic Refining Co.

At the present time, and in view of the recorded rise in stock prices since September 1953, the stock I like best must be one that appears behind the market and one with enough substance to provide defensive qualities as well as profit potential. Atlantic Refining is such an issue, currently at about 40 on the New York Stock Exchange.

Gerald S. Colby

Company reported $148.4 million of sales in the first 1956 quarter, for net income of $12.2 million, equal to $1.32 per common share as compared to $142.6 million of sales, net of $9.8 million, equal to $1.06 per share in the like period a year earlier, bringing last 12 month net to $4.52 per share as compared to $4.25 in the 12 months representing the 1955 fiscal year. Average net per share for the years since 1950 inclusive amounts to $4.67 per share. Using the last 12 month earnings, last fiscal year earnings, or the average of last five years, price to earnings ratio remains comparatively the same, and a low multiple compared to that of available oil stocks representing companies of like size.

Dividends have been paid annually without interruption since 1927, the current indicated $2 rate in effect since 1953. In the past ten years, dividend payments represent about 34% of reported earnings; in the past five years the ratio has improved to about 40% of earnings. Finances, reflecting the sale of $55 million 3¼% notes in 1954, added to working capital, appear good with current assets 2.8 to 1 over current liabilities allowing working capital of $93½ million. Book value of the stock at the year end was $45.86 per share.

Marketing area is concentrated in the Atlantic Seaboard states through 11,000 retail outlets, most of which are independently operated, supplied by refineries in Port Arthur, Texas, and Philadelphia, crude oil production supplying an average of about 53% of refinery requirements since 1946, 51.7% in 1955.

Atlantic completed a major refinery expansion program in 1954. This does not mean that the concern will discontinue investments in refinery improvements, but more that it will be able to step up to a higher level its expansion of production facilities to close the 48½% gap existing last year between production and requirements. Steps have already been taken in this direction as indicated by the $30 million of expenditures for exploration and recovery of crude oil last year, as compared to $22 million for this purpose as recently as only two years ago.

In addition, management is apparently wide awake to possibilities of increasing crude production through the acquisition of existing properties when available on a reasonable basis. The concern has completed negotiations to acquire oil and gas properties of the Houston Oil Co. of Texas for about $200 million, $125 million of this sum to be paid out of production over a ten-year period. Net to Atlantic under this deal will not fully accrue annually until the payments are completed, except for possible recoveries on undeveloped acreage acquired with the deal, and through use of a 750 mile pipeline system. We have operating figures for Houston last year, but not the actual report. Estimating daily crude production on the basis of known increase in annual production, it appears that acquisition of Houston will add some 14,987 barrels daily to Atlantic 101,518 barrel daily production in 1955, bringing immediate potential to 116,505 barrels, approximately 59.5% of requirements on the basis of last year's figures. At the end of 1954, Houston had an undivided half interest in 883,000 acres, and varying interests in about 573,000 acres in Texas, Louisiana, and other states, with about 829 producing wells.

United States and Canadian production of Atlantic increased moderately last year, from 87,307 barrels in 1954 to 88,964 in 1955. The exploratory program was extended vigorously, a high point being offshore operations. Atlantic now holds 159,000 net acres in a total 480,000 acres held jointly with others. Wells drilled to date in this acreage have been 60% successful; in 1955, eight were successful out of 13 drilled. Company brought in what it considers a very significant well in Montana, from wildcatting, which may be the opener of a substantial production field, and in a group venture in Saskatchewan in which it holds a 20% participation, brought in two new wells, besides 20 development wells. Exploration work is to continue in Venezuela and Cuba, plans are being pursued for participation in exploratory work in Turkey, and applications are being made for concessions in Guatemala.

In view of the more impressive plans for expansion, it would appear that Atlantic Refining would in the future be more likely to approximate gains of other leading oil shares under sympathetic market conditions. The better current yield than average, and the lower price to earnings ratio should add to defensive characteristics during unsettled markets, making "AFI" a suitable vehicle for long-term accumulation.

CARL W. STERN

President, Stern, Douglass & Co., Inc., San Francisco, Calif.
Members: New York Stock Exchange and San Francisco Stock Exchange

Purity Stores, Ltd.

We who live in California are constantly seeking securities which should participate in the area's dynamic growth of population and property values. Purity Stores, Ltd., is in an excellent position over the years to do this, and, therefore, is my present choice for "The Security I Like Best." Quoted at time of writing around 24, or 12.3 times its 1955 earnings. Purity Stores, at the end of 1955, was operating 100 retail food markets in California in an area extending from Santa Barbara to the Oregon border, of which about ⅓ are in the San Francisco Bay Area.

Carl W. Stern

Until 1955, the company had no public ownership, and, therefore, little was known of it in the financial world. The only people really aware of this fine company were the thousands of California housewives who daily flocked to their modern neighborhood Purity store to buy groceries for their families. These housewives know that at Purity they will get top quality foods and more per dollar spent than in almost any other grocery chain in the West.

From an original investment of $200,000 30 years ago—later represented by preferred stock which has since been retired—the company's net worth has grown to about $11,400,000, all of which represents retained earnings. In addition, it has paid out a total of over $3,500,000 in cash dividends.

Unlike most food chains, Purity owns most of its store properties. At the end of 1954, the net carrying value of its property was about $8,000,000. During 1955, five new stores were built, some of which replaced older ones, and others were remodeled. In 1956, 10 new stores will be built, four of which will replace existing stores. In addition to having just opened a large new store with the latest and most modern food merchandising facilities in the fabulous new Stanford (University) Shopping Center near Palo Alto, Calif., plans are being completed for similar stores in the new Hayward and Sunnyvale Shopping Centers. The company will also spend $1,500,000 to build a modern warehouse in Millsdale Industrial Park (near San Francisco Airport), which, because of its strategic location, will greatly increase the efficiency of truck movements to and from stores.

Although 1955 store increases and changes, while substantial appear to have involved a relatively smaller proportion of fixed assets, the net property account increased more than $1,967,000, or over 23%. This strongly suggests that a current appraisal of property, plant, and equipment would materially exceed the Dec. 31, 1955 carrying value of less than $10,000,000.

Purity's sales have been steadily growing. In the year ended December 1955, they increased to almost $93 million from 1954's $88 million. Aided by California's dynamic growth, sales were running at a rate of 6.7 times 1940 dollar volume.

Purity's management team has earned its outstanding reputation for operating efficiency, which is clearly shown by comparing Purity's results with the other food chains. Purity's pretax net income as a percentage of sales (3% including LIFO adjustments in 1955) is considerably higher than other large food chains — twice that of Safeway (1.4%).

The earnings of Purity Stores, Ltd., have followed the sales growth. The company reported $1.70 per common share in 1954, and, although there were exceptionally competitive marketing conditions and higher costs in 1955, its earnings per share increased to $1.95. At the recent market of 24, Purity is selling at 12.3 times 1955 earnings, which is quite

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Electronic Industry's Outlook

By ERNEST B. GORIN*
Vice-President and Treasurer, Radio Corporation of America

Picturing an exceedingly bright long-term outlook for the electronics industry, Mr. Gorin says that its growth rate will be at a faster pace than most other industries, with volume of sales in 1965 to be 66% over the $11 billion record of 1955, an increase dollarwise of $18 billion. Describes this year's color set mass production preparation and estimates RCA will sell 200,000 of the 300,000 units expected to be produced. Projects industry sales of color sets from 700,000 in 1957 to 5,200,000 in 1960.

It would seem appropriate at the outset to establish what comprises the electronics industry as we shall discuss it. For simplicity of definition, I would like to consider the industry as comprised of all products and services which depend upon the electron-tube for their present existence.


Ernest B. Gorin

By this definition, the principal categories of last year's $11 billion electronics business at retail value include radio and television receiving and transmitting apparatus, broadcasting revenues, industrial and communications equipment, defense electronics, and servicing and replacement parts.

Impact of Electronics

While electronics has been hailed as one of the scientific wonders of the 20th Century, its stature as an industry became discernible little more than a decade ago—and it still is far from a fully developed industry.

The world has only recently begun to appreciate the importance of the electron. Today, we know for instance that all modern methods of communication depend on the electron . . . that all modern types of mass entertainment, including motion pictures, phonograph recording and reproduction, radio broadcasting and television, owe their existence to the electron . . . that transportation in its modern concept depends on electronic devices for its great speed and dependability.

We know too that the electron is the prime factor in most modern instruments of war—the key to radar, guided missiles, detection and warning systems, signal controls and military communications. We hear that electronic devices are essential in nuclear instruments of destruction. And, conversely, scientists tell us that the electron is the partner of the atom in the highly commendable Atoms for Peace Program.

Six-Fold Growth

In the past nine years, the electronics industry has experienced a six-fold growth — attaining in 1955 an annual business volume in excess of $11 billion. This was brought about largely by these factors: (1) the phenomenal advance of television; (2) the continuing interest of the public in radio and recorded music stimulated by new applications of technical improvements; (3) a high level of military electronics needs, and (4) the expansion of the industrial electronics market.

Even as television grew so rapidly, radio and phonograph sales — which in 1946 represented almost 72% of sales of electronic products—rose in nine years from $800 million to $1.2 billion in 1955. But in 1955, these sales represented only 10% of the greatly enlarged total industry sales.

Income from broadcasting in 1946, principally radio, was about $350 million. Last year total radio and TV broadcasting revenues exceeded $1.5 billion. In 1946, there were 1,059 radio broadcasting stations and only six TV stations in operation in the United States. In 1955, AM and FM broadcasting stations totaled 3,200 and TV stations more than 400.

Defense electronic products last year accounted for roughly $2½ billion of the industry's volume as compared with only $100 million just nine years ago. Servicing and installation of electronic products — of particular importance in both the past and projected growth of television—now provide revenues totaling $2.6 billion, as compared with some $300 million in 1946.

Today, television alone is a $3.8 billion industry, of which $1.8 billion represents retail sales of sets, $1 billion broadcasting and $1 billion installation and service. By 1965, projections indicate that this business will have more than doubled, to $8.2 billion, segregated between TV receiver sales of $2.1 billion at retail, broadcasting of $3.5 billion, and installation and service of $2.6 billion.

Black and White TV Sets

In 1947, retail sales of black and white totaled just 173,000 units, this volume grew steadily until 1950, when the public purchased six million receivers. The retail market remained at this level through 1953, and then in 1954 and 1955, set sales jumped to 7.5 million units. For the current year it seems reasonable to expect a small decrease in black and white unit volume with a somewhat larger decline in dollar sales as a result of the imminence of large-scale color and the growing demand for relatively low-priced portables and second sets.

For the next several years, our estimates of the industry indicate

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

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Bankers' Views on Loan Policies

By ROBERT L. GORDON*

Vice-President, Bank of America National Trust and Savings Association

Bank official reviews survey results of following factors governing loan policy decisions in meeting legitimate needs of deserving depositors and in exercising selectivity: bank deposits' makeup, phase of business cycle and economic outlook, money availability, Central Bank's attitude, community and client responsibility, and profit potential. Reports great apathy shown for loans to Finance Companies.

Lending today is divided among a few general categories — Commercial, Consumer and Real Estate being the three principal divisions within each of which are numerous break-downs. The Real Estate and Consumer categories have already been treated. Within the Commercial category are short term business loans, revolving credit lines, loans to Finance Companies, loans to Brokers, collateral or security loans to individuals or businesses, term loans, commodity loans, loans on accounts receivable, formula loans, and so on. There are many others. I have been told by some of my associates that in our bank we make over 100 different kinds of loans. I have been willing to accept that although I must confess that I have suspected that maybe 30-, 60- and 90-day loans were considered three of the total number. One could increase that endlessly by adding 120 day loans, 121 day loans and so on *ad infinitum.* Right now I am in the process of making a loan that will be taken down within 216 days of commitment and be repaid within 61 months of take-down. I must tell our statistician of that one. I'm sure that there is not another loan in our whole bank just like that one, and he can add one more figure to his total.

Robert L. Gordon

This is all very silly, but it points to the extent to which banks have gone to put money to work. The founder of our bank, Mr. A. P. Giannini, used to refer to a commercial bank as a "Department Store of Finance," and how well he spoke is attested by what I have just been saying and by what many of you have seen in your own institutions. I can't help but liken the task of the Chairman of the Finance Committee of a bank to that of the merchandise manager of a department store. Keeping the inventory in balance is no easy task — nor is keeping the loan portfolio in balance a job for one whose wisdom is short and whose inexperience is long. Knowing what to buy and in what quantities—knowing what types of loans to make and in what quantities — these are the tasks of trained men.

*An address by Mr. Gordon at the Annual Credit Conference of the American Institute of Banking, Dallas, Texas, June 4, 1956.

Selectivity Setting In

During 11 years of post-war business hysteria, with very few minor exceptions, everything has been going up. In our field deposits have been increasing and loans have been increasing and everything else has been increasing right along with them. Until relatively recently, selectivity has been an unknown element in banking. We haven't needed to be selective. We have been ballooning in every phase of our business. We needed loans, we needed deposits, we needed earnings—we wanted them badly—we had to have them — and we got them. This is not to criticize. We are business men. We are not philanthropists, at least in our official corporate capacities. We are in business to lend money. We are in business to make money. When we cease to lend we cease to earn. The driving urge to make more and more money has pushed some of us farther than we would have preferred to go—and it all happened so fast. . . . It really didn't happen fast at all. It is just that time passes quickly and by the time we awakened, our situations had materially changed.

When the older among us studied economics and banking we learned the desirability of maintaining what we knew as a balanced portfolio. This is a moot point, this "balanced portfolio" matter. You may remember the time when one school of thought felt that a bank should have no more than 25% to 30% of its deposit liability invested in loans of all kinds. Then the character of our loans changed and our loan portfolios began to contain sizable proportions of loans guaranteed by agencies of the United States Government. Some of us said to ourselves that "the old order changeth"—"such loans are the equivalent of government bonds so we can deduct them from our loan totals when considering the ratio of loans to deposits." At about that time we began to feel that a loan to deposit ratio of maybe 50% (when including the FHA's, etc.) was satisfactory and sound. Today that ratio in some banks exceeds 60%. With the increase of the rediscount rate some banks found it expensive to borrow and rates began to go up. The spiral continues spiralling. It hasn't been a hurried thing at all—rather a slow, deliberate, almost relentless movement upward like mercury in a vial under heat until it explodes out the top.

Banking Philosophy

I must emphasize the fact that loan policy is something purely personal with each institution. There are numerous things that affect it. I know one banker whose banking philosophy has resulted in a loan portfolio equivalent to a maximum of 10% of his deposit liability. Another expressed himself as recently as three weeks ago to the effect that, and I quote him,

"It is high time that banks stopped serving as a storehouse for money and government bonds. The high loan ratios prevailing today are to my liking."

These two are, of course, extremes but they point up the play of the personal factor in bank loan policies. It seems perfectly natural that banks controlled by a single strong personality may, in many instances, reflect more extreme policy determination than may banks managed by committees, as many of them are. For the purpose of this discussion I believe we may eliminate the extreme situations.

A prominent American banker, addressing the 44th annual meeting of the Association of Reserve City Bankers at Palm Springs, Calif., in April 1955 pointed to several things that tend to mold loan policy. Not the least of the lot was the profit potential. He stated that his bank had during the late '30s changed from a restrictive policy of making crop production loans to farmers only in those instances where the bank held a mortgage on the farm, to a broader policy of budgeted crop production loans as a regular feature of their lending policy in the agricultural areas in which they operated. He stated that they realized that this change in policy would be likely to increase losses from this type of loan. He meant dollar increase and not percentage increase. What we are interested in is what induced that bank to change its policy. Here is the banker's explanation of the reasons for the change. I am using his words:

"First of all, we had become fully appreciative of the broad nature of our responsibility to the communities we served. Secondly, we saw in this type of loan another area of potentially profitable business, and by increasing our profits we could serve better our depositors, employees and stockholders."

Responsibility and Profit

It isn't important whether the profit possibility or the community responsibility idea developed first. No one can convince a banker that he is without responsibility to the area he serves, and all of us who have been in banking for any length of time know that the obligation to one's depositors must be and is always in the forefront of a banker's mind.

One of our leading bankers permitted me to read his bank's state-

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The State of Trade and Industry

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Business Failures

Total industrial output for the nation as a whole showed some expansion in the period ended on Wednesday of last week with a modest gain evident in electric power, automobiles, coal and food products. Compared with the like week of 1955, it was moderately higher.

With respect to employment, it was noted that initial claims for unemployment insurance declined 6%, but were 7% higher than a year ago. Alabama and California reported the most noticeable reduction in claims.

Meanwhile, the Bureau of Employment Security of the United States Department of Labor reported that initial claims for state unemployment compensation benefits fell by 5,000 to 202,300 in the week ended May 26. The reduction, which is an indicator of fresh unemployment trends, was reported in 29 states.

Initial claims a year ago totaled 198,300. In the week ended May 19, the total of workers drawing state jobless pay rose by 5,400 to 1,257,000. The total a year ago was 255,000.

The Labor Department further reported the number of auto workers made idle by layoffs rose by 18,000 to 185,000 in the week ended May 26.

This was one of the largest week-to-week increases in idleness since the department's Bureau of Employment Security started keeping close tabs on auto layoffs three months ago. The figure for the week ended May 26 represents a gain of 48,000 over the layoff tally of four weeks earlier and an increase of 105,000 over the figure for the week ended Feb. 25, when the Bureau released its first auto layoff summary.

If labor negotiations are settled peacefully, a let-down in the third quarter is inevitable, but the market's expected softness will be only relative, states "The Iron Age," national metal working weekly this week.

Consumers of hot-rolled sheets, plates and structurals already are beginning to benefit somewhat from the easing in cold-rolled sheet and strip. Mills that several months ago scorned hot-rolled sheet business are actively soliciting it now. The same goes for light plate—some sheet mills are now happy to turn out a tonnage of plate.

Meanwhile, continues this trade weekly, demand from the oil and gas fields continues to hold up the tubular end of the steel business. There's no such thing as heavy inventory in oil country goods and line pipe. Some users are literally living out of freight cars.

Even those steel users who are now heavy on inventory and adopting a lethargic attitude toward new commitments from the mills are admittedly taking a gamble. If steel labor talks go awry, it will be every man for himself after the strike is over.

The mills, this trade authority points out, are now telling their customers there can be no guarantee of delivery after July 1. This is not because of pessimism over the labor outlook. It's simply a realization that if there is a strike, no matter how brief, steel order books will be a mess for weeks afterward.

Steel demand from automotive companies is not likely to improve until production of new models gets underway, declares this trade magazine.

In its review of the automotive industry for last week, "Ward's Automotive Reports," stated that it was necessary to go back to October, 1954, to uncover a period which yielded fewer United States vehicles.

Domestic production lines, lulled by a Memorial Day respite, were expected by "Ward's" to turn out 75,589 cars and 16,961 trucks as against 108,630 cars and 21,678 trucks in the week preceding.

It said that during the week of Oct. 25-30, 1954, a session smacked with changeovers to 1955 models, 68,649 cars and 18,754 trucks were built.

All car makers participated in last week's schedule slashing.

Studebaker did not produce a car the past week, while Packard lines functioned only Monday and Tuesday. Activity was scheduled to resume on Monday of this week at both divisions.

American Motors started turning out its "big" cars on Monday. None has been assembled since April 23. At the same time, though, Rambler production will cease for five days, this trade weekly noted.

Business failures fell 16% to 985 in April, the lowest monthly

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Promising Future Prospects of American Economic Progress

By DR. JOHN PHILIP WERNETTE*
Professor of Business Administration
Editor, "Michigan Business Review"
University of Michigan

Michigan University Professor forecasts for the year 1960 a population of 174 million, $2,120 average per capita income, $255 billion total bank deposits, and in projecting these figures, over 10-year intervals, expects in the year 2000 a population of 304 million, $4,320 average per capita income, and $910 billion total bank deposits. Anticipates very bright prospects for continued prosperity, higher standard of living, and complete turnabout in the cultural pattern from one dominated by grim economic necessity to one where the problem of making ends meet "is going to be solved for an entire people," providing the listed ten factors that could interfere with this do not occur.

All of us are interested in national prosperity. Every banker, businessman, and jobholder knows that when business is good, and expanding, jobs are plentiful, and earnings go up. On the other hand, if business slumps, even the hardest-working folks may get laid off. Wives are interested, too. They are the family purchasing agents. (The experts say that women control the purchases of 85% of all the consumer goods sold in the United States). They are naturally concerned with family incomes, employment, and prices.

J. Philip Wernette

In today's troubled world, the strong American economy—its industrial system, its agricultural, all that goes to make it up—is the shield of the free word against communist aggressions. If that shield were to be weakened it would be a matter of concern to all of us. If instead it is going to be strengthened, this is a heartening fact.

Furthermore, we are concerned as parents and the lucky ones as grandparents about the kind of country in which our children and grandchildren and their children are going to live. Is it going to be a better land and a land of continuing promise, or is it going to be a land of doubt and difficulty?

The Growth of American Prosperity

One way of predicting future developments is to study past trends. What do they show?

In the year 1800, Thomas Jefferson was elected President of the United States. How prosperous were the American people in those "good old days"? The average per capita income was about $300 a year, in today's dollars. This figure was not the income per worker; but per person — men, women and children.

The average American had enough to eat—but it was simple food, with little variety. Clothing was home-made, textiles mostly hand-woven, and dwellings were small—many being one-room log cabins. No electric lights, automobiles, radios, television, electric refrigerators, gas or electric ranges, washing machines, or electric irons.

One hundred years later, in 1900, per capita income had risen to $800. There still were no home radios or television sets. Some people, however, had electric lights, telephones, and plumbing; and there were 8,000 "horseless carriages" in the nation. (Although few people thought that the contraption was here to *stay*.)

This was a pretty good gain—an increase of $500 in average per capita income in a century.

But it was small compared to what was coming!

In the next half century, average per person income went up by $1,050—to $1,750! (All these figures, remember, are in today's dollars—no financial jugglery!)

Was this gain in per capita income secured by working longer hours? No! As a matter of fact, the average work week got *shorter*. Accurate figures for Thomas Jefferson's time are lacking; but the average man (most of them were farmers) possibly worked 80 hours a week.

By 1850, the average work week had dropped to 70 hours. In 1900, it was 60 hours; and in 1950, only 40!

But: The Great Depression

The historical record of development in the United States is amazing. Our history, however, was marked by one very severe reversal which many of us remember—the Terrible '30s, when the country had the worst depression that it had ever experienced

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*An address by Dr. Wernette before the 36th Annual Conference of the National Association of Mutual Savings Banks, Washington, D. C., May 8, 1956.

Observations . . .

By A. WILFRED MAY

GUEST PRIVILEGES AND STRATEGY

The question whether the Soviet's top level team of Communist leader Nikita S. Khrushchev and Premier Nikolai A. Bulganin shall be invited to this country is important for a variety of reasons. But to this observer the most crucial aspect is that the public's apparently preponderant favoring of such a bid manifests the prevalent ever-growing Western proclivity for wishful thinking concerning this mid-Century's threat to its safety.

A. Wilfred May

It is remarkable that those advocating such a bid are among those who at the same time most volubly proclaim the need for realizing that the current Kremlin smile actually augurs no good —merely indicating the necessity for keeping our guard up against a foxy change in the aggressor's strategy.

They take no issue with the gist of this week's forceful testimony by General Alfred Gruenther, retiring NATO Commander, to the effect that far from there being anything in the new Soviet line to justify any lowering of our defenses, the Kremlin is streamlining for "atomatic strategy."

Also, they freely admit (particularly when reminded of the undeniable details) the *logical* impropriety of honored-guesting, with the inevitable fan-fare, the heads of this Soviet police-aggressor state. They know that they are individuals who—irrespective of whatever show they deem best to put on now—directly participated in the continued enslavement of Estonia, Lithuania, and Latvia; and the ruthless impingement of Communist domination on Czechoslovakia, Poland, Hungary, Romania, Bulgaria, and Albania, with the liquidation of millions of their inhabitants. They do not deny these gentlemen's horrible complicity with the exiling of many millions of human beings of the satellite nations as well as the "home land" to slave labor camps.

Our well-meaning men of good will must further realize that the Kremlin's new Stalin-disclaimer line is irrelevant; that Khrushchev selfrighteously condemns Stalin only because he practiced his outrages against the wrong people and at the wrong time; that the present leaders must fully share Stalin's guilt as his willing and efficient henchmen and executors of his criminal acts throughout the years.

The Record of Abused Privileges

Moreover, our appeasing citizens of good will admit the impropriety of welcoming here the chiefs of those many other Soviet visitors who have violated the most elementary rules of decency under cover of "guest privileges." The spying under cover of the UN, and the threats and coercion inflicted by Soviet thugs on the five Russian sailors here, forcing their redefection last April 7, are clear-cut examples of such exploitation.

They know that both Bulganin and Khrushchev only this week openly flaunted our visa rules, terming fingerprinting (ours but not theirs) an indignity reserved for criminals.

Our appeasers must know that even the Kremlin's new top hierarchy also seeks to overthrow our system. They can not laugh off the embracing of the extreme faith by the new foreign minister, Shepilov, as expressed in an interview with Stewart Alsop last year: "From our point of view it is as inevitable as night follows day that the capitalist system will be replaced by the Socialist system."

Many, if not most, of the present would-be Soviet welcomers will admit its inconsistency with their own former objections to any exchanges, here or abroad, with dictators Franco or Tito. Nor would they have laid down the red carpet for Hitler.

"Public Relations" Strategy

How come, then, our inconsistent and dubious attitude favoring hospitality for the Russians? The justification takes the course of "strategy" — an international extension of our characteristic over-emphasis on "public relations." It is another manifestation of our current proclivity to guide our behavior, not in accord with the ethics of a situation, but with how others will react. Specifically, we are subjecting our behavior and our sense of decency more and more, as pawns, to the dictates of a supposed great diplomatic chessboard; to trying to out-smart the smart in currying to world opinion.

May not this practically result in the disaster of out-smarting ourselves, in addition to prostituting our moral fibre? Instead, might we not actually gain in international respect, and perhaps also in genuine "prestige," in carrying through on a morally correct stand, letting the chips fall where they may—in lieu of frantically playing the propaganda game, which is stacked against us in any event?

* * *

One major public misconception does evidently surround the Russian's projected visit. It is frequently being advocated here on the ground of promoting discussion, negotiation and idea interchanges "all to the good." But actually the proper place for such negotiation and interchange is the serious conference table, of a systematic Geneva or Paris meeting. A far cry from the fan-fare of parades, receptions, Mayors' luncheons, and the rest of the public-show gadgets surrounding our process of honoring international guests!

FHLB Notes on Market

Public offering of two note issues of the Federal Home Loan Banks totaling $161,000,000 principal amount was made on June 5 by the Federal Home Loan Bank Board through Everett Smith, fiscal agent of the Banks and a nationwide group of securities dealers. The issues comprise $105,000,000 of 3½% series L-1956 consolidated non-callable notes dated June 15, 1956 and due Oct. 15, 1956, and $56,000,000 of 3⅝% series B-1957 consolidated non-callable notes dated June 15, 1956 and due Feb. 15, 1957. Both issues are priced at 100%.

The purpose of the offering to refund $145,000,000 of 3% series G-1956 notes maturing June 15, 1956, and to provide funds for making additional credit available by the Federal Home Loan Banks to their member institutions.

Upon completion of the financing and the retirement of the notes due on June 15, outstanding consolidated note obligations of the Banks will total $929,240,000.

McCormick Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Allen V. Bennion, James K. Connell, Stanley Goldblum, Hazel K. Henderson, Elias L. Hernandez, Jack A. Morgan, Joseph Nepote and Lawrence B. Vaughan have been added to the staff of McCormick and Company, Security Building.

Three With Calif. Inv.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—J. Leland Anderson, Charles F. Moon, Jr., and James R. Choate have joined the staff of California Investors, 3932 Wilshire Boulevard.

Investment Policy Today

By J. C. LUITWEILER
Hayden, Stone & Co., Members, New York Stock Exchange

Market adviser lists the several factors to which recent market breaks have been attributed, pointing out that they were all known of previously. Maintains while recent severe breaks provided some selected buying opportunities, on major strength, the market should be considered on a historical plateau, and commitments reduced. Warns investor against trouble ensuing from following emotional impulses.

Two men were seated at luncheon last week discussing their investments in aircraft stocks and how badly these stocks had acted lately. Said one:

James C. Luitweiler

"I just cannot explain it in the light of these companies' excellent earnings and their prospects. There have been two Congressional investigations this spring of the aircraft industry. One sought to find out whether the companies were making too much money on their government contracts—and no adverse action resulted from this inquiry. The other Committee seemed to feel the companies were dragging their feet and they should get a move on to bring us up abreast of Russian production. Some of our companies have government contracts that will keep them busy for several years to come besides large contracts for the commercial airlines. Their earnings should be better this year than last year, and last year's fully justified their prices earlier in the year." And he concluded with a groan: "I suppose I shall just have to **sweat** it out."

Said the other: "I agree with what you say about these companies and I differ only in your concluding remark. For my part I shall just **wait** it out."

This is not a dissertation on the aircraft companies, their outlook or their present price levels. The quotations above are to illustrate the different approach of people to their investment decisions. The first was a highly emotional reaction; the later a purely intellectual one. If the market drops further and faster, as it has lately, the screws turn tighter on the first men's nerves and he is very apt to sell his stocks at the very bottom of a reaction—only, perhaps, to buy them back later at higher prices! One who decides how to invest his money or "disinvest" it on the emotional plane usually makes serious mistakes.

Emotional Losses

There are probably more losses made in the stock market through decisions under emotional stress than through bad judgments. There is an old saying that "The rich get richer and the poor get poorer." If this be so it is probably because the rich make their investment decisions on a purely intellectual basis while the poor make theirs on hunches and fears.

The action of the stock market last week illustrates this. On Monday, May 28, the Dow-Jones Industrial average had dropped some 11% in less than two months time from its high of 1956; more than it did in the reaction to the startling news of President Eisenhower's heart attack last October. It was a good example of emotional reaction upon the part of a great many people. In the following two days there was a recovery of some 4% which the New York "Times" financial page heralded with the banner headline: "**Stocks Register $4 Billion Rally.**"

No New Causes

What has happened in the past two months to justify all this? Little that wasn't rather clearly known, or predictable, two months ago.

The automobile industry is in a slump. True. But this was easily foreseen last December when it was evident the industry had over-sold the public with ballyhoos, excessive credit extensions and what-not. They could not expect to induce the public forever to turn in last year's car for a jazzed up new model. They had mortgaged the industry's future, and it was evident they had to let down for a spell and allow the public to catch its breath and save some money to pay off its automobile loans. But the automobile is as much a part of our present economy as a house or clothing. It is no passing fad. The automobile companies will sell their full quota of cars again and make profits for their stockholders.

The authorities tightened their screws on the home building industry that last year put up over 1,300,000 new homes, many sold on easy credit terms. This too could not go on forever. It was freely predicted last fall that 1956 would see only a million building starts instead of 1,300,000. Now a million homes a year is no small under-taking and the industries that cater to it should not fare too badly.

Steel Strike Possibility Long Scheduled

The steel companies are operating near capacity, but we hear talk of the possibility of a strike at the end of this month. It was known **last year** that the contracts between the companies and the unions would expire in June, 1956, and that the unions were going to bargain for as much as the automobile unions got last year—and more if they could get it.

Manufacturers and dealers inventories in many lines are piling up at a rate that gives concern, for this is often a prelude to a let-down in the country's over-all production levels.

Meanwhile it was also known at the end of the year that industry as a whole was going to spend more money in expansion this year, and next, than ever before in its history!

Again let it be said: This is **not** an appraisal of the aircraft stocks, the automobile company stocks, the steel company stocks or the stocks of building material companies. Let each holder or would-be buyer decide for himself, with the aid of what financial advice is available to him, whether such stocks look attractive or unattractive at current prices. This is rather an attempt to explain the abrupt changes in the market's direction. Properly understood, an investor will avoid the serious losses such sharp declines cause, as well as take advantage of them when they occur to make profitable purchases.

At the high levels the stock market reached earlier in the year there was ample ground to believe that many stocks had reached unreasonably high levels. When many of our leading stocks are selling at 20 to 30 times their annual earnings, it is small wonder that professional buyers stand aside, as they did, awaiting lower prices. Factors already mentioned and others have led some conservative investors to feel a mild recession this year, or next, similar to that of 1953-54, is not unlikely, so a greater degree of caution is called for in appraising companies' future earning power.

Bull Market Selectivity

Economists rather agree that our country is not in for a major depression in the near future. The essence of our economy is rapid change. Inventions, discoveries, technological improvements and rising labor costs affect profoundly the fortunes of business enterprises; some favorably, others quite the contrary as they feel the competition of their more enterprising competitors. A study of the chart action of thousands of stocks will show that many hundreds of them appear to have reached their highs last year, or even before, and are not likely this year to pass these high marks. Others have forged steadily ahead this year and appear not to have yet spent the full force of their forward movement. Such a state of affairs is always present in the later stages of a bull market which has run as many years as this one.

When one owns particular stocks, or is considering buying them, such fundamental factors as those mentioned above, as well as the market course of the stock over the past few years, should be carefully weighed. One may then decide calmly and intelligently what stocks appear a sound and attractive investment in the light of this evidence. He may equally well decide that there has been a fundamental change in the outlook for a company whose stock he owns and that its earning power is becoming impaired and its prospects clouded. He should not hesitate to sell such a stock regardless of what it cost him.

The Immediate Outlook

When to buy or sell is usually a matter of the condition of the general market. It is easy to say now that there were splendid opportunities earlier in the year to sell stocks! And certainly last month's break would appear to have been a favorable opportunity to buy certain stocks that qualify under the abovementioned criteria. However, on major strength I would regard the market as being on a historical plateau, and reduce commitments particularly in the case of those securities where one has lost confidence.

United Securities Co. Formed in Greensboro

GREENSBORO, N. C.—United Securities Company has been formed with offices in the Southeastern Building to engage in an investment business. Robert B. Dixon is a principal of the firm. Mr. Dixon was formerly a partner in McDaniel Lewis & Co. in charge of the corporate trading department.

Wilson Lee Joins Stroud & Co. in NYC

Stroud & Company announce that Wilson D. Lee has become associated with them as Manager of the Municipal bond department of their New York office, 120 Broadway. Mr. Lee was formerly with American Securities Corporation.

Arthurs, Lestrange Admit

PITTSBURGH, Pa.—Robert C. Downie will become a partner in Arthurs, Lestrange & Co., 2 Gateway Center, members of the New York and Pittsburgh Stock Exchanges.

A Frasch Look at Mexican Sulphur

By IRA U. COBLEIGH
Enterprise Economist

An updated account of the impact of Mexican production, present and prospective, on the Sulphur industry; plus some notes on up-and-coming individual producers.

Ask most people about sulphur, and the only product using it they immediately mention is matches. True, matches and fireworks require sulphur, but far more important are the uses of this beneficial brimstone in the manufacture of steel, paper, fertilizer, detergents, chemicals, plastics, vitamins, and rubber. The Egyptians, a thousand years before Moses made his famous bulrush landing, used sulphur as a cosmetic, and for the vivid paints that adorned their temples; and to bleach the linens in which they wrapped their time-resisting mummies. That was roughly five thousand years before sulphuric acid, in which form the mineral is now most widely employed, was even heard of.

Ira U. Cobleigh

Sulphur is found in many places throughout the world: in Italy, India, France, Africa, Mexico and the United States; principally, however, in geological formations called pyrites, and domes. It is also produced as a by-product of smelting other minerals such as zinc, copper or cobalt. By all odds the most important source, however, is from salt-domes, from which the mineral is sluiced to the surface in liquid form by injecting countless tons of superheated water and the application of compressed air. This major method of production is known as the Frasch process, which is responsible for most of the world's sulphur (and, incidentally provides the title for this article).

So far only about 22 major sulphur-bearing salt domes have come into commercial production. Seventeen of these are in the Gulf Coast area of the United States, and Texas and Louisiana have been accounting for about 80% of the world's annual production, with **Freeport Texas Sulphur Company**, and **Texas Gulf Sulphur Company** (the largest), together, virtually dominating the industry.

Within the past five years, however, something new has been added—the known reserves of 5 already proven sulphur bearing salt-domes, and the great promise of further major dome discoveries on the Isthmus of Tehuantepec, State of Vera Cruz, Mexico, roughly 275 miles southeast of Mexico City. Here, sparked by the early discovery and investment made by three brothers named Brady, is unfolding a new empire in brimstone. Ninety million tons of reserves have already been defined, and continuous exploration now underway may well cause the disappearance of the world sulphur shortage, which was a continuing phenomenon of the postwar decade.

Let's take a swift look at this broad yellow-tinged jungle acreage, Southwest of the Gulf, and spend the next few paragraphs pronouncing sulphur with a Mexican accent.

First to get into actual production was **Mexican Gulf Sulphur** with a 1,482 acre concession centering in the San Christobal Dome. There, the company has a plant with capacity, upon completion, of 200,000 tons a year. Mexsul has suffered some setbacks due to technical and managerial difficulties and delay in completion of shipping docks at Coatzacoalcos (a river port near the Gulf of Mexico). Production was 57,000 tons for the first nine months of 1955 but is believed to be at a very much higher rate this year. Earnings are getting nearer the black column and the common (1,068,052 shares outstanding) has speculative appeal at around 4½, in the Over-the-Counter market. There has been some talk of merger of this property with another we shall mention, **Gulf Sulphur Corporation.** Their properties adjoin.

A much larger enterprise, and the second company to enter Mexican production, is **Pan American Sulphur Company,** which, in a 23,500 acre concession, has developed the Jaltipan Dome. Plenty of water for the Frasch process is available from the Chacalapa River, which flows right through the property, and the plant is only 25 miles from company deep-water docks. Present reserves are estimated at above 30 million tons, a figure which should be greatly expanded by further drillings, and on the basis of test coring records now at hand.

Nineteen fifty-five was the first full year of operations. Around 400,000 tons were produced; and the plant is presently delivering about 2,200 tons a day. Ultimate expansion of plant to a million tons a year capacity should result in sizable cost reductions. Eliminating non-recurring charges from 1955 figures, it would be possible to calculate per share net at around 60c on the 1,894,991 common shares. A fair projection for this year would be a net of $2.50 per share, which might permit a $1 or better dividend. Current asset position is excellent with (March 1, 1956) $4 million in cash, and $10 million in stockpiled sulphur. Common sells at 27½ in the Over-the-Counter market and there's an attractive 5% Convertible bond (convertible at $25) which sells at 116. Pan American has the virtues of being well managed, a low cost operation, and in profitable and expanding production.

Gulf Sulphur Corporation came into the news recently because the Brothers Brady, who put it together, sold their majority stock (58.8%) to Bear Stearns & Co. of New York and E. J. Hudson (President of Hudson Engineering Corp.) of Houston, Texas. (The same group also bought 15% of Mexican Gulf Sulphur stock from the Brady's at the same time.)

Gulf Sulphur, through a wholly-owned subsidiary, has 7,414 acres of Mexican sulphur concessions. Exploration on the Salinas Dome has brought estimated proven reserves to over 13 million tons and actual production is beginning presently. Two 800-ton barges have been purchased to transport the product to new docks being built at Coatzacoalcos. Gulf has an extremely efficient operation requiring less than 2,000 gallons of water per ton of sulphur. Common of Gulf is of two varieties—1,950,000 shares of voting, and 400,448 shares of Class B common of identical corporate status, but without voting rights. Common sells around 11¼. There is also a 5% debenture due July 1, 1970, selling at 108, convertible into common at $11 1/9; and a series B 5% debenture convertible into "B" common at $10, selling at 112 (both conversion rates apply through Jan. 1, 1963). Gulf is a sound looking property with an upward curve in earning power appearing to lie ahead.

Texas Gulf Sulphur Co., the world's largest producer, has also moved onto the Isthmus of Tehuantepec with a concession, just south of the Gulf Sulphur production area. A dome has been defined and production is expected to begin this year. Special equipment has been built by Texas Gulf—a floating plant that can deliver 1 million gallons of super heated water right out of the Coachapa River on which it will float. This rig is somewhat reminiscent of off-shore oil barges in that, if the present dome runs dry, the barge can push on to another location with great ease. This plant could produce some 400 tons of sulphur per day.

One of the most interesting companies in the area is **Texas International Sulphur Company** which has, by far, the largest land concession from the Mexican Government—123,000 acres. Two features of this concession are of special interest (1) a flat 10% royalty to the Mexican Government, on sulphur actually sold (most sulphur concessions require royalty payment when the stuff is actually produced), and (2) a five-year period for exploration. At the end of this time, International must turn back all but 17,000 acres; meanwhile, it can pick out the choicest sections by exploration. Dr. J. Brian Eby, renowned geologist, and consultant to the company, has already reported the existence of about 5 million tons beneath only a 300-acre strip which he has explored and investigated.

Exploration takes money, however, and International has provided in part for this by acquisition of 50 producing oil wells in Texas with over 8 million barrels in net reserves and providing a gross cash income of around $50,000 a month. It is further reported that the company is concluding some private financing.

Because of the extent of its land spread, and the adjacency of its concessions to four major producing domes, considerable speculative romance attaches to the 2,863,000 common shares of Texas International now outstanding and quoted around 3. M. A. (Mike) Macris, a young and spectacularly successful financier, is President, and the board of directors contains names of some eminence.

Here has been swiftly presented a rough sketch of principal companies active in the development of sulphur in Mexico. Depending on price, and world demand, for this useful yellow mineral, some of these Vera Cruz properties may attain great success. Sulphur is one of the few businesses where you prosper best when you're in hot water! This Frasch process is the cheapest known method of surfacing sulphur, costing on the average around $10 a ton, versus a current price of about $28.

Sutro Bros. Branch

PALM BEACH, Fla. — Sutro Bros. & Co. have opened a branch office at 316 South County Road under the direction of Walter D. Floersheimer.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Robert B. Riester is now with Coburn & Middlebrook, Incorporated, 100 Trumbull Street.

Coburn Middlebrook Adds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Hubert J. Scanlon has been added to the staff of Coburn & Middlebrook, Incorporated, 109 Church Street.

Philip Collins Joins Cruttenden & Co.

CHICAGO, Ill.—Philip T. Collins has become associated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Collins was Vice-President of Herbert J. Sims & Co., Inc. in charge of the Chicago office.

J. F. Fogarty With Stern Brothers & Co.

KANSAS CITY, Mo.—John F. Fogarty, Jr., has become associated with Stern Brothers & Co., 1009 Baltimore Avenue, members of the Midwest Stock Exchange. Mr. Fogarty was formerly Vice-President of Zahner and Company.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter (No. 18) dated June 1, containing comments on uranium guarantee extension, atomic Navy, guided missiles, atomic aircraft — Atomic Development Mutual Fund, Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Bull Market Near Peak—Anthony Gaubis—copies on request —Anthony Gaubis & Company, 122 East 42nd Street, New York 17, N. Y.

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

Dividend Payers—List of Securities which appear attractive in the current market—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Foreign Investment, Trade Deficit and Growth of Consumer Credit in Canada—Study—E. M. Saunders Limited, Victory Building, Toronto 1, Ont., Canada.

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

Municipals—"Manual of Municipals" by Winthrop Corvin—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. —$3.50 per copy.

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

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

Real Estate Securities—Bulletin—Amott, Baker & Co. Incorporated, 150 Broadway, New York 38, N. Y.

Tobacco Industry—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Utility Stocks and Capital Growth—Analysis—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

* * *

American Brake Shoe Co.—Analysis—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

American International Minerals Corporation — Bulletin — Vickers Brothers, 52 Wall Street, New York 5, N. Y.

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

American Telephone & Telegraph Company—Data—Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin are data on **Consolidated Edison Co. of New York; Middle South Utilities, Inc., Northern Natural Gas Company, United Gas Corporation,** and **Colgate Palmolive Co.**

Bowater Corporation—Report by Chairman—Secretary-Treasurer, The Bowater Corporation of North America Ltd., 1980 Sherbrooke Street, West, Montreal 25, Que., Canada.

British Petroleum Company Limited of London, England—Report—Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

Broadway Hale Stores Inc. — Memorandum — Waggenseller & Durst Inc., 626 South Spring Street, Los Angeles 14, Calif.

Burmah Oil Company Ltd.—Bulletin—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Chicago North Shore System, Inc.—Special report—Taylor & Co., 105 South La Salle Street, Chicago 3, Ill.

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

Cornbelt Insurance Company — Analysis — Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Delhi-Taylor Oil—Analysis—Ferris & Co., First National Bank Building, Dallas 1, Texas.

Detroit Gray Iron Foundry Co.—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich.

Diamond Match Company—Review—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Electric Storage Battery Company—Analysis—Newborg & Co., 25 Broad Street, New York 4, N. Y.

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

W. R. Grace & Co.—Analysis—Gruntal & Co., 25 Broad Street, New York 5, N. Y.

Great American Life Underwriters, Inc.—Memorandum—Ralph B. Leonard & Co., 25 Broad Street, New York 4, N. Y.

Hagan Corporation—Analysis—Blair & Co. Incorporated, 105 South La Salle Street, Chicago 3, Ill.

Harsco Corporation—Brochure—D. M. S. Hegarty & Associates, Inc., 39 Broadway, New York 6, N. Y.

Joy Manufacturing—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Las Vegas & Clark County, Nev.—Economic and industrial analysis—Duff, Anderson & Clark, 208 South La Salle Street, Chicago 4, Ill.

P. R. Mallory & Co. Inc.—Analyical brochure—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Minnesota Power & Light—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Gulf Oil.**

National Airlines—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is an analysis of the **Gillette Company** and a list of 40 "sheltered" stocks.

Oilgear Company—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is an analysis of **Texas Eastern Transmission Corp.**

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

Permian Basin Pipeline Company—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y. Also available is a detailed study of **Northern Illinois Gas Company.**

Radio Corporation of America—Analysis—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y. Also available is an analysis of **Sylvania Electric Products.**

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

G. D. Searle & Co.—Analysis—available to members—American Institute of Management, 125 East 58th Street, New York 16, N. Y.

Sherritt Gordan Mines Ltd.—Data in current issue of "Investment Review"—Burns Bros. & Company Limited, 44 King Street, West, Toronto 1, Ont., Canada. Also in the same issue are analysis of **Ontario Jockey Club Ltd.** and comment on the Canadian picture. Also available is an analysis of **Dominion Steel and Coal Corporation, Ltd.**

Stancan Uranium—Bulletin—Crerie and Company, Texas National Bank Building, Houston 2, Texas.

Standard Oil of Indiana—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y. Also available is the current issue of "Monthly Investment Letter" with a list of selected common stocks and data on **American Telephone & Telegraph, Caterpillar Tractor, National Distillers, Outboard, Marine & Manufacturing, Southern Company** and the **Worthington Corporation.**

Sun Chemical Corporation—Analysis—Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y.

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

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

COMING EVENTS

In Investment Field

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 19, 1956 (New York City)
American Stock Exchange Five & Twenty Club golf tournament and dinner at Sunningdale Country Club, Scarsdale, N. Y.

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.

Keeping Up with the Outlook

By LINDELL PETERSON*

President, Mortgage Bankers Association of America

President, Chicago Mortgage Investment Company

Despite present tight money market, Mr. Peterson expects a good building year, compared to past standards, with housing starts between 1.1 and 1.2 million. Opines: (1) forces of expansion are far from spent; (2) future business and consumer credit demands will remain strong; (3) mortgage borrowing by commercial and industrial enterprises are certain to be higher than 1955; (4) without any boost from the Federal Reserve, added savings should provide some mild relaxation of credit, and (5) supply of funds, at relatively high interest rates, will be sufficient to assure a GNP for the year at a higher rate than the first quarter. Supports freely moving interest rates, use of FNMA as an instrumentality of last resort, and strengthening FHA.

As I have travelled about since I became head of the Mortgage Bankers last November, I have usually been called upon to give my impressions of the current mortgage situation and the outlook for the rest of 1956. On every occasion, I have had quickly to check both where we were at the moment and where we might be a few months off before I dared to speak.

Lindell Peterson

Actually, in all the time I have been in the mortgage business, I have never seen so many or such rapid shifts in conditions in so short a period.

When trends are as quickly modified as they have been recently, forecasting becomes a more than usually hazardous enterprise. To see the present prospect with any clarity requires a kind of economic radar that is not yet on the market. The best we may do is to try better to understand how we got on the spot where we now find ourselves, keep as close a watch as possible on the unusually complex set of forces now at work, and steer among them as carefully as we can.

One thing at least does seem pretty clear—what in midwinter looked as if a real change might be taking place in the relationship of supply and demand in the money market was simply a lull between two great waves of demand. I think most of us had concluded some time ago that 1956 would be a year of large, and perhaps steadily increasing, demands for investment funds, but I doubt if many of us expected the accumuation to mount as suddenly as it has. Certainly I didn't.

What apparently has happened is that the revival of the boom, which was clearly notable by late March, has run head into a well-jammed credit system. The prospective increase in savings was still only in its beginning; savings institutions were still making heavy payouts on last year's commitments (for example, the mortgage acquisitions of life insurance companies during the first three months of the year were higher than for any previous corresponding period); and the commercial banks, already heavily in debt to the Reserve Banks, faced unseasonally heavy demands from business.

In the initial turn of events, the Federal Reserve simply held the pressure already imposed and let the situation develop as the demands for credit abruptly increased. The rise in the discount rates of the Reserve Banks (April 12) came only after the yields on Treasury bills had risen to a 20-year high, and on long-term governments, corporate bonds, and local government issues, to the highest levels since the squeeze of 1953.

The movement in the discount rate, therefore, was the reflection rather than the cause of a condition. This does not mean, that it was without subsequent influence. Although rates on loans from commercial banks had been edging upward prior to the Reserve action, the prime rate of commercial banks in New York and many parts of the country promptly went from 3½ to 3¾% on April 13. Rates on bankers' acceptances rose ⅛ of a point, and all types of call money went to 4%. With this, all the evidences of a tight money situation were in.

Building Economy

Basically, the present high cost of money is the result of a bulging economy. During the first quarter of the year, the gross national product reached an annual rate of $399 billion, a gain of $1.7 billion above the first quarter of last year and $23.7 billion above the first quarter of last year. Industrial production, aside from the the automotive industry, moved ahead in March, and even with the drop in automotive production counted in, made a slight advance (144 to 145) on the FRB index (unadjusted), over February. Wholesalers' sales in February (March figures not yet available), after adjustment for seasonal and work-day differences, increased slightly over January. First quarter retail sales were above 4½% greater than in the same period a year ago.

At the same time, prices were moving upward. Wholesale prices stepped up 2.5% in a year's time. Over the March-to-March period, the prices of nonfarm commodities increased 4.7%. Industrial raw materials as a whole went up around 8%, metals and metal products, 11%, with iron and steel up 10% and the nonferrous metals up 20%. Building materials, taken by themselves, rose 6.2% over a year's time. Building costs, according to the composite index of the Department of Commerce, were about 5% higher than a year ago.

Prices are continuing to rise, particularly those of industrial raw materials and building materials; and further increases appear to be ahead. Steel, for example, will certainly cost more by mid-summer, and that increase will be transmitted all down the line. Wage increases now in prospect in other industries will, under existing circumstances, be similarly translated into product prices.

As prices climbed, so did inventories. During 1955, such inventory growth as occurred was mainly in raw materials and goods in process. At the retail level, stocks in relation to sales remained generally below those of 1954. This year, while working stocks of raw materials have continued to build up, there has also been more accumulation of finished goods. The current trend has begun to have some of the aspect of speculation hedging against future price increases.

I have gone into this in some detail, because it is necessary for us, as mortgage men, to recognize that we live in a larger world than that limited by our own operations and that what goes on everywhere else has an affect on what we are able to do ourselves. When we recognize this, we can see that the economy is working at or close to capacity and is unable, on its own, to offer strong resistance to upward price pressure. Credit restraint and a conservative fiscal policy offer the only available brakes.

The kind of situation we are in was well-described in the President's January Economic Report: "If credit on easy terms were available to everyone at a time when the economy is already working close to capacity, the consequence would be a scramble for limited resources and a cumulative bidding up of prices. If taxes were simultaneously reduced, this inflationary process would only be speeded up. A government that sought to prolong prosperity by such devices would be taking a road that all too often has ended in disaster." An April 18 staff memorandum released by the Joint Congressional Committee on the Economic Report comments in the same vein: "On balance, the changes in economic indicators in recent months reinforce the view that over-all restrictive government policy continues to be warranted."

For the present, it may be concluded that restraint will be the keynote of policy and that, on the whole, even Congress may accept the situation. How long the restrictive policy will persist is another question. It may be confidently said that neither the Federal Reserve nor the Administration itself has any bias in favor of restraint as a mode of life and

Continued on page 30

*An address by Mr. Peterson at the Northwestern Mortgage Clinic, Mortgage Bankers Association, Seattle, May 18, 1956.

The Weakness of Sterling

By PAUL EINZIG

In appraising the recent weak trend in sterling, Dr. Einzig discerns a possible blessing in disguise if it will induce, at last, drastic measures to deal with the fundamental cause of inflation, i. e., non-stop wages spiral, instead of the futile performance of treating the symptoms.

LONDON, Eng. — Towards the end of May the development of a weak trend in sterling added yet another worry for the Government, on top of its growing concern over the wages spiral, the actual or pending labor disputes, and the general inflationary situation. Until recently sterling remained remarkably steady, and the Treasury was able to increase its gold reserve month after month since December. The weakening trend of sterling foreshadows less favorable gold movements even though it may have developed too late to affect the figure for May. Yet Britain could ill afford to lose much gold, and there is good cause for the Government to worry about this latest deterioration of the exchange situation.

Dr. Paul Einzig

One of the explanations of the unfavorable change is in accordance with the rules in the old-fashioned textbooks which regard the balance of payments as the main factor determining exchange rates. There is indeed a great deal in that time-honored rule. It is not sheer coincidence that since the turn of the year there was an improvement until recently both in the British trade balance and in sterling. And it would not be surprising to see a deterioration of trade figures to follow the relapse of sterling, even though there may be a time lag owing to normal delays in payments for imports and exports.

Another explanation, which is also in accordance with the classical rules, is that the rising trend of money rates abroad has diverted from London some funds which were attracted there in February as a result of the increase in the British bank rate. In particular the recent increases in the bank rates in the United States and in Germany may have made a difference from this point of view. If so, it only goes to show the futility of trying to defend the gold reserve by attracting foreign funds with the aid of a high bank rate. There is a limit beyond which this policy could not be pursued. And in any case the presence of a large amount of "hot money" is a source of weakness, not strength.

U. S. Recession

There is a much more popular explanation of the weakness of sterling which is that it is due to fears of a business recession in the United States. Such a recession would result in a fall in British exports to the United States. What is even more important it would force American manufacturers to pay more attention to their export market, and the chances are that American exports would then expand largely at the cost of a decline in British exports in general. Even the vague anticipation of such developments is sufficient to generate pessimism manifesting itself in a decline in sterling and a setback on the London Stock Exchange affecting particularly Government loans.

The reason why this psychological factor is capable of producing such a pronounced effect is that even in the absence of it the British economic situation would be far from strong. It is true, for some months prices remained reasonably stable. But during the last month there was a further sharp rise in the cost of living, and there are indications that this rise will continue owing to the substantial increase in the price of coal from June 1, and to the series of wages demands which are being pressed with increasing vigor by the trade unions.

Equities and Inflation

Industrial equities were affected to a relatively less extent than Government loans by the adverse tendency towards the end of May. This is because the continuation of inflationary conditions is now generally taken for granted. Evidently the Government's disinflationary measures have not been sufficient to check the wages spiral. Unless more drastic steps are taken, this means not only higher wages but also larger turnovers and higher profits. Taking a short view, that it is a bull point for equities, even though the adoption of additional disinflationary measures might at any moment affect them unfavorably. Moreover, they would be bound to suffer through a sharp decline in Wall Street or through a trade recession in the United States.

The overwhelming importance of the trend of wages on the economic situation is at last beginning to be realized. Some years ago Professor Hicks, in an address before the British Association for the Advancement of Science, put forward a theory that, instead of being on the gold standard, we are now on the wages standard. This means that the volume of credit and the trend of prices, which depended on the size of the gold reserve when we were on the gold standard, now depends on the level of wages. It is utterly futile to tackle the symptoms of inflation unless we are able and willing to deal with the fundamental cause, which is the non-stop rise in wages. So long as purchasing power continues to expand as a result of the unending succession of wages increases, no amount of credit restriction or high bank rate can discourage industrial firms from producing to the limit of their capacity, from expanding their capacity with the aid of capital investment, and from putting on the prices of their products any wages increases.

Wages Spiral Must End

The effectiveness of the Government's measures is not indicated by the trend of the volume of bank loans or deposits, or by the behavior of sterling and of the gold reserve, or even by the trend of prices, but by the ability of these measures to check the wages spiral. From this point of view the result has been to date entirely negative. Possibly it was because of the slight improvement in the position regarding sterling, the gold reserve and prices, that the Government has been reluctant to take really drastic measures to break the wages spiral. If so then the weakening of sterling and the deterioration of the gold position and the balance of payments position which probably accompanies it, may yet prove to be a blessing in disguise. In face of an acute menace, Mr. Macmillan stands a better chance of overruling his more timid colleagues in the Cabinet, who have hitherto opposed drastic measures on the ground that the situation was not sufficiently grave to justify them.

Davis Trading Mgr. For S. D. Fuller & Co.

Martin Davis has become associated with S. D. Fuller & Co., 39 Broadway, New York City, as manager of the trading department. Mr. Davis, a member of the Security Traders Association of New York, was formerly with F. Eberstadt & Co.

Amott, Baker Opens Branch in Detroit

DETROIT, Mich.—Amott, Baker & Co., Inc., members of the New York Stock Exchange, have announced the opening of a Detroit, Mich., office in the Penobscot Building. H. N. Cannon is the manager of the new office.

Robt. Bowser Joins Chace, Whiteside Co.

BOSTON, Mass.—Robert Bowser has become associated with Chace, Whiteside, West & Winslow, Inc., 24 Federal Street, members of the Boston Stock Exchange. Mr. Bowser was previously an officer of A. W. Smith & Co., Inc.

Karl K. Lowe Opens

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Karl K. Lowe is engaging in a securities business from offices at 1808 Wishon Avenue.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Harwood O. Benton, Milton Louie and Robert F. Setterfield are with Mutual Fund Associates Incorporated, 506 Montgomery Street.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

PENSACOLA, Fla. — Cornelius M. Sullivan is with Merrill Lynch, Pierce, Fenner & Beane, 37 West Garden Street.

From Washington Ahead of the News

By CARLISLE BARGERON

Jesse Jones who died a few days ago in Houston, Texas, was one of the most remarkable men who ever served in Washington, those who served as President being no exception. Throughout the New Deal he exercised influence second only to Roosevelt's and most of the time his was a counter influence. Indeed, it is due largely to him that we came through that economic revolution with as much of what is called the private enterprise system or the American way of life as we did.

Carlisle Bargeron

The New Dealers' greatest ambition, perhaps, was to get control of the country's credit system. And Jesse Jones was responsible, in my opinion, and in the opinion of a man in much better position to know, Congressman Jesse Wollcott, veteran of the House Banking and Currency Committee, for their not getting it.

Throughout the New Deal, the New Dealers were after his scalp as head of the gigantic Government lending agency, the Reconstruction Finance Corporation. But in his canny way Jones had built up so much influence with Congress they were never able to accomplish it. Jones had built up so much influence, in fact, that often the New Dealers had to rely upon him to get their pet measures through. He made them dependent upon him. It was not only that in those uncertain and suspicious times, that Congress had confidence in him but he had the knack of doing little favors for members of Congress such as granting loans to their worthy constituents.

In those days it was frequently said that we had two Governments in Washington, the New Deal and Jesse Jones. And I am afraid the restraining influence he exercised upon the former will never be fully appreciated. He gave an interesting accounting or history of the $50 billion which he administered in righting this country's keel, after the depression of 1930, in a book which he wrote with Edward Angley, shortly after he retired. It is an amazing story of how he loaned money to laundries, dude ranches, to banks and railroads and recovered enough of it to show a handsome profit.

In the political and ideological bellicosity of the time, Jones was frequently the target of leftist abuse. He never lost his temper nor returned the attack. He moved in his own quiet, poker-faced way, seemingly unperturbed. Throughout the war, Henry Wallace, Vice-President, and head of the Board of Economic Warfare, and his aide, a fellow named Milo Perkins, were always complaining to the press that Jones was losing the war because he wouldn't let them run wild in spending, particularly in the matter of what was called "preclusive buying." Under this phrase Wallace and his aide wanted the authority to go about the world, in Spain, in Latin America, and whenever they saw anything in the shop windows, so to speak, to buy it up to keep the Germans from getting it. They had the authority all right but Jesse Jones wouldn't let them have the money.

Shortly after the 1944 Presidential election, Roosevelt, heady with his fourth-term victory, sought to move in on Jones. It was a clash of the Titans.

Jones, several years before, had come to be Secretary of Commerce as well as Chairman of the Reconstruction Finance Corporation. In 1944 Roosevelt ditched Wallace as his running mate but after the campaign he decided that Wallace had been so loyal that he had to do something for him so he named him Secretary of Commerce. Congress promptly passed legislation again dividing the two agencies and retaining the lending authority for Jones.

The RFC was created by Herbert Hoover and Jones was one of its earlier members. But it remained for him, becoming Chairman under Roosevelt, to activate it, and make it probably the most powerful Government agency that ever existed in this country. Certainly no single agency ever had so much impact on the country's economy. It still exists, but only in skeleton form, to clean up the books.

Harriman Ripley Group Offers Utility Bonds

Harriman Ripley & Co. Inc. on June 5 headed an investment banking syndicate offering $10,000,000 of Potomac Electric Power Co. first mortgage 3⅝% bonds, due June 1, 1991, at 101.094% and accrued interest, to yield 3.57%. The underwriters won award of the issue at competitive sale on June 4 on a bid of 100.38%.

Net proceeds from the sale of the bonds, and from the concurrent sale of 281,435 additional shares of common stock to shareholders, will be used by the company to reimburse its treasury for a portion of the construction expenditures previously made in 1956, and to carry out, in part, its current construction program.

The new bonds will be redeemable at optional redemption prices ranging from 104.60% to par, plus accrued interest.

Potomac Electric Power Co. is engaged principally in the generation, distribution and sale of electric energy in the District of Columbia and in contiguous areas in Virginia and Maryland. The service area of the company consists of about 643 square miles, and as of Dec. 31, 1955 the population of the service area was approximately 1,410,000, of which 855,000 are esimated to have been in the District of Columbia, 534,000 in Maryland and 21,000 in Virginia.

In an unaudited statement of operations for the 12 months ended March 31, 1956, the company showed operating revenues of $59,864,085 and net income of $8,961,995.

Named Directors

William F. Machold, partner of Drexel & Co., and Elbridge T. Gerry, partner of Brown Brothers Harriman & Co., were elected members of the Board of Directors of The Hanover Shoe, Inc. it was announced.

Future Impact of Atomic Energy On American Aluminum Industry

By HERMAN E. BAKKEN*
Vice-President, Aluminum Company of America

Mr. Bakken discusses the expected slow development of atomic energy for aluminum production; the current positive trend in locating in areas of low-cost fossil fuels; the many uses to which aluminum can be employed in atomic plants; and the profitable employment of radioactive isotopes. Believes that eventually atomic energy will be used extensively by the aluminum industry.

The aluminum industry is a large consumer of electric power. A rounded-out figure that may be used to denote the quantity of electric power required to produce aluminum is one kilowatt-year for each 1,000 lbs. of metal. Thus, when one reads that Consolidated Edison, New York, plans to build a nuclear power plant to generate 236,000 kw., then one may add three ciphers to 236,000 and read directly the amount of aluminum in pounds that 236,000 kw. is capable of producing in a year's time. In 1955, the aluminum industry in the United States used approximately 31.3 billion kwhr. to produce 1,565,784 tons of metal. This represents roughly 5% of the total number of kwhr. produced in the United States that year.

H. E. Bakken

The electrolytic process of aluminum production is, in many respects, a delightful one to the electrical engineer, for in terms of load factor, it is a very efficient consumer of electricity. Aluminum smelting plants operate continuously. As a matter of fact, power failures or extended power interruptions may cause serious difficulties in operation. While this is a disadvantage on the one hand, it may on the other hand be considered an advantage, for generating capacity can be employed on a virtually continuous basis.

Slow Development

In a setting such as this, the aluminum industry might be expected to reach out to welcome atomic energy, a developing new source of electric power . . . and, I am sure the aluminum industry does welcome it. A large expansion in this young aluminum industry is freely predicted. It would appear, however, that the use of electric power from atomic sources is destined to develop somewhat slowly in the aluminum industry. But eventually, it appears likely that a large or major portion of the energy required will be generated from the energy release of the atom.

Perhaps I should repeat that the aluminum smelting process — as practiced throughout the world — employs principally electric power, as distinguished from so-called propulsion power or process power for heat applications. A statement made some time ago by Dr. Lawrence B. Hafsted appears to be pertinent at this point. He said, "The reason that atomic energy does not provide electric power a thousand times cheaper is really quite simple. There is no known way whereby this energy can be released directly in the form of electricity. It is necessary to go through the stage of converting it into heat energy. There already exists heat energy available to generate electric power from competitive sources such as coal and oil. The fuel cost in electric power is only 20% to 35% of the total cost. Thus, even if the fuel costs were eliminated, the impact on the price of electric power to the consumer would be very limited."

The foregoing will serve to account for the current positive trend in our industry toward building new metal production in areas of low cost fossil fuels.

The discovery of a new procedure that would release energy from the atom directly into electricity would greatly hasten the time when atomic energy could be used extensively in the production of aluminum as well as in other industries dependent on electric power.

Bauxite Processing Abroad

In considering the future impact of atomic energy on aluminum, a natural subject to discuss is the use of reactor-based power at locations adjacent to bauxite ore deposits. In 1955, roughly three-quarters of all the aluminum produced in the United States was produced from imported bauxite. Increasingly, foreign governments are asking that processing of their bauxite be undertaken within their countries. Many factors must be considered and weighed most carefully before any great change in the present practice of importing bauxite can take place, quite apart from availability of electric power. Major technological developments in the atomic power field will have to be made before we may expect any extensive use of reactor-based power near bauxite ore deposits.

Atomic Uses of Aluminum

Important uses for aluminum will develop as commercial atomic energy plants are built. Such uses may be the cladding of fuel elements in the reactors themselves, or the provision of channels for movement of coolant. Aluminum has important advantages for these applications—in cost, formability, strength and corrosion resistance. The extent to which aluminum will actually be employed in reactor construction is presently unknown. Prototype reactors are now being built that differ widely in aluminum-using possibilities.

Another rather interesting item that might have moderately high commercial use is Boral sheet in the shielding of reactors. This sheet is an aluminum sandwich with boron carbide in the center. Boral has a very high cross section for neutrons.

Should the sterilization of food in cans by the use of gamma rays from radioactive isotopes prove advantageous over the use of heat, then a large market may develop for aluminum in containers, since aluminum is more easily penetrated by gamma rays than is tinplate. Even a small percentage of the application would result in a large impact on the use of aluminum.

Radioactive Tracer Program

The impact of atomic energy has been felt in the aluminum industry in other ways than through the direct utilization of atomic power. A by-product of nuclear developments is the myriad of radioactive isotopes that are produced in atomic reactors. Since the inception of a radioactive tracer program in my company, we have had nearly 200 shipments of radioactive materials from AEC installations, comprising more than 15 different radioactive isotopes. In our plants, these materials are used in sensitive thickness gauges and liquid level indicators. In our laboratories, they are used in one way or another in almost every phase of our research activities, from studies of metal flow—where areas of an extrusion are "tagged" in order to establish the complex flow pattern—to electrolysis, where the nature of the ions that carry electric current can be established through the use of radioactive tracers. The measurement of tool wear, using radioactive cutting tools, is almost routine in our shops; and the determination of trace elements in our raw materials and products by radioactivation analyses is straightforward. Other uses are in the fields of corrosion, alloy development, lubrication and studies of gases in metal. The employment of radioactive isotopes is expected to increase. One writer, dealing with nuclear radiation technology, has said in effect that the investment in radio isotopes and associated equipment can be relatively modest—whereas the earnings resulting from their skillful use is potentially very great.

Summary

It has been pointed out that aluminum produced by an electrolytic process is a large consumer of electric power, and that the operation of this process fits in well with the characteristic continuous energy output of a reactor. Some reasons have been let forth that make it appear that the use of atomic energy for aluminum production will develop slowly. Examples have been given of some new applications for aluminum resulting from the atomic energy development. Some examples of the use of radioactive isotopes have been provided. In the future atomic power promises to be used extensively by the aluminum industry. Our civilization may be considered fortunate in that modern science and engineering have brought to us a new source of energy.

*An address by Mr. Bakken before the National Industrial Conference Board Meeting, May 17, 1956.

Ely With Bache

PALM BEACH, Fla.—Bache & Co., members of the New York Stock Exchange, have announced that Valentine A. Ely has joined their Palm Beach office, located at 271 South County Road, as a registered representative.

Mr. Ely has been identified with the financial industry for a number of years and was a member of the New York Stock Exchange for 11 years. He is a graduate of the Taft School and Williams College.

Robt. P. Erb Opens

(Special to THE FINANCIAL CHRONICLE)

RITTMAN, Ohio — Robert P. Erb is engaging in an investment business from offices at 136 North Main Street.

Forms Shaw & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN MARINO, Calif.—Allen E. Shaw is conducting a securities business from offices at 2304 Huntington Drive, under the name of Shaw & Co. He was formerly an officer of Pacific Coast Securities Co.

Schwabacher Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jack H. Chalkley, Jr., Charles J. Lennihan, William H. Pabst, Jr., and John C. Rodgers have been added to the staff of Schwabacher & Co., 100 Montgomery Street at Sutter, members of the New York and San Francisco Stock Exchanges.

Atomic Investment Future

By NEWTON I. STEERS, JR.*
President, Atomic Development Mutual Fund, Inc.,
Washington, D. C.

Mr. Steers analyzes twenty atomic stocks and concludes prices are currently at reasonably high price-earnings ratios and dividends are not unreasonably low. Believes (1) atomic industry is moving ahead rapidly and is on threshold of extremely accelerated expansion; (2) uranium production will reach $500 million in 1958 and, regardless of civilian demand, the military cannot afford to let the free world's uranium industry die in 1962; (3) the future of thorium is bullish; (4) fission plants will be amortized before they have to compete with fusion-using plants; (5) uranium may be applied in heating U. S. industry; (6) U. S. firms will get a substantial share of foreign power and research reactor business; (7) 6-mill kw atomic power can be accomplished by 1965, and (8) President Eisenhower's $1 billion uranium gift may entail an investment from $4 to $32 billion. Lists firms engaged in major varieties of reactor designs, and points out utilities will not risk their atomic development outlays.

At the outset I would like to state a two-fold thesis. First, the atomic industry is moving ahead rapidly and gives every indication that it is just embarking on a period of extremely rapid expansion. Second, the prices of atomic stocks by and large are currently capitalized at fairly high but not unreasonably high price-earnings ratios and fairly low but not unreasonably low dividend yields. In connection with the second part of my thesis which I will examine first, I have prepared the accompanying table of 20 "atomic stocks." Some people would omit some of my stocks; some people would add others. But I think nearly any analyst would include most of them. They happen to be the stocks which have been, or currently are (or both) major commitments of Atomic Development Mutual Fund, Inc. These stocks were picked without regard to whether they are in our opinion currently overpriced or underpriced and of course, therefore, may or may not be included in the Fund's current portfolio; and if included, the extent may vary considerably.


Newton I. Steers, Jr.

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

This table shows the high for each stock in 1953, 1954, 1955 and the price as of May 3, 1956. It also shows the percentage increase, in each case as compared with the 1953 high. An equal number of dollars in each stock would have produced an 88% increase in 1954 highs as compared with 1953 highs. The Dow Jones Industrial percentage increase was 37.5%. This of course does not correspond since this was the high for the average and not for each of the stocks in the average. The 1955 highs were 143% over the 1953 highs, while the Dow Jones Industrial figure is 66%. Finally as of May 3, when this table was prepared, the atomic average percentage gain over 1953 was back down from 143% to 129% while the Dow Jones Industrials have climbed on up to 75%.

Such figures show that atomic stock investors may have done very well for the last couple of years but also raise the question as to their future. The atomic stocks as of May 3 had an average price-earnings ratio of 18.4, ranging from 9.2 for North American Aviation to 35 for Vitro Corp. Yields average 2.9% ranging from zero on several stocks to 5.7% on Homestake Mining. To appraise these ratios and yields it is necessary to return to the first part of my two-fold thesis—**the atomic industry is moving ahead rapidly and gives every indication that it is just embarking on a period of extremely rapid expansion.** For completeness' sake I will just mention all segments of the atomic industry, discussing the ones of investment importance in somewhat greater detail.

TABLE I
Representative Atomic Stocks

	1953 High	1954 High	1954 High % Over 1953 High	1955 High	1955 High % Over 1953 High	5/3/56	5/3/56 % Over 1953 High	Recent Price-Earns. Ratio	% Yield
Climax Molybdenum	43	59¾	39.0	30¾	87.8	71½	66.3	10.5	5.1
Vanadium Corp. (a)	22⅝	40¾	80.2	47½	109.9	54½	140.9	10.9	4.0
Gunner Mines	13¾	11	— 14.5	21½	56.4	16⅛	17.3	---	--
Foote Mineral (b)	16⅔	54½	227.1	51½	209.1	49½	198.2	32.3	.8
Lindsay Chemical (c)	19	38	100.0	48	152.6	56	247.4	18.7	--
Lithium Corp. (d)	5.95	34	471.4	39½	563.9	34½	479.8	21.6	--
Homestake Mining	41	52	26.8	48	17.1	36	— 12.2	16.1	5.7
Beckman Instruments	17	27½	61.8	29⅜	72.8	28	64.7	24.0	--
Consol. Electrodynamics	15	31½	110.0	31¼	108.3	24¼	61.7	29.0	1.6
General Dynamics (e)	23½	41⅛	75.0	80	240.4	62	163.8	14.6	3.6
Union Carbide	75	89	18.7	116¼	55	127	69.3	25.1	2.7
Vitro Corp.	7⅞	20	153.8	29	268.0	24½	211.1	35.0	--
Westinghouse Electric	52	80¾	55.3	83¼	60.1	58	11.5	23.6	3.4
United Aircraft (f)	33.58	52⅞	57.4	74¼	121.1	70	108.5	11.6	4.2
North American Av.	22¼	52¼	134.8	92¼	314.6	93½	320.2	9.2	5.0
Combustion Engineering	48½	61½	26.8	79½	63.9	86½	78.4	16.3	3.5
Newport News Shipbldg.	34	49½	45.6	78¾	131.6	57½	69.1	9.3	5.4
El Paso Natural Gas	37¼	41¾	12.1	54½	46.3	50	34.2	14.7	4.4
Anaconda Co.	45¾	52	13.8	83	81.4	79	72.7	10.4	5.4
Babcock & Wilcox (g)	15¼	25⅛	65.0	38	149.2	42	175.5	15.9	2.3
Averages (i)	29.4	45.7	88.0	60.3	143.0	56.0	128.9	18.4(h)	2.9
Dow-Jones Industrials	294	404	37.5	488	66	514	75		

(a) Adjusted for 2 for 1 split in 1954. (b) Adjusted for 3 for 1 split in 1954. (c) Adjusted for 5 for 1 split in 1954. (d) Adjusted for 5% stock dividend in 1955. (e) Adjusted for 2 for 1 split in 1955. (f) Adjusted for 3 for 2 split in 1955. (g) Adjusted for 3 for 1 split in 1956. (h) Excluding Gunnar Mines. (i) Averages are computed by dividing column sums by number of items in column. This results in price averages based on an equal number of shares in each stock. Percentage averages are based on an equal number of dollars at each stock.

Radioactive Materials

These materials are used in several ways all of which of course stem from the fact that the rays given off are identifiable and measurable. On the one hand the radioactive materials can be used as "tracers" or "tagged" atoms as in research in the fields of medicines biology, agriculture, and industry. Here the tagged atoms can be differentiated from untagged, chemically identical atoms so that important mechanisms of plant and animal life are being revealed for the first time.

One ingenious application is in determining the date of death of things which lived many centuries ago. Cosmic rays make a certain percentage of the carbon in living things radioactive. When you die, you quit eating and thereafter ingest no more radiocarbon. Radiocarbon has a half life of 5,600 years and upon death, decay of the radiocarbon proceeds and so your body after 5,600 years has just half as much radiocarbon in it as when you died. For example, Egyptian mummies have been actually measured and shown to have half as much radioactive carbon in them as presently living people. By measuring the radioactivity you can determine how long it has been since the life processes have ceased.

Another type of use is where the rays are not used to distinguish one atom from another but depends on the ability of the rays to pass through various materials without appreciably affecting the materials. Thickness gauges operating on this principle are now widely used.

Still another way to use the rays depends on the fact that under certain circumstances the rays will affect very appreciably the materials which they strike. Food preservation, grain deinfestation, chemical reaction promotion all these depend on the ray's active energy. One diabolically ingenious use of the ray's destructive properties has been in the eradication of screw-worm flies from a limited area in the Carribean Islands. This use depends upon the fact that the female fly mates but once in her entire life span but this extreme form of chastity is not characteristic of the male fly. A large number of the male flies were irradiated with Cobalt-60 and then distributed by airplanes to areas of high infestation. The philandering males were of course sterile and by mating with the female, the possibility of offspring was effectively eliminated.

According to Dr. Willard F. Libby, AEC Commissioner, "Isotopes have already proven to be of great benefit to mankind, and by them alone, it is clear enough that we will be repaid for all the effort and expenditures made to date on our gigantic atomic energy project. Even if atomic power and the other peaceful uses were never to materialize and even if there were no use in armament, we could still calculate our benefits from isotopes to be of fair return on the dollar investment made."

As investment analysts however, you are presumably more interested in ways to make money out of atomic energy. Although the AEC now estimates that $200 million per year is saved to American industry by the use of radioactive materials, and this figure is expected to reach $1 billion by 1963, these materials are used too widely to permit investment in their application. Investment in their production is possible and Abbott Laboratories, Nuclear Instrument and Chemical and Tracerlab are all active in helping to distribute these useful scientific tools. However these materials are rather low-priced and gross sales amount to only about $2 million.

Radiation Instruments

A larger field is that of radiation instruments. These instruments of course are necessary in all the various applications of radioactive materials. Furthermore, they are used in quantity in connection with reactor operation and control. Since both of these applications of radiation instruments are growing rapidly, the radiation instrument business itself is also growing rapidly. There are now more than 100 companies producing more than a thousand types of instruments with an annual volume approaching $40 million, double that of 1952. Instrument-makers include Atomic Instrument, Victoreen, Daystrom, Beckman and Consolidated Electrodynamics.

Uranium

The annual volume of free world uranium production in 1958 is expected to approximate $500 million. We now anticipate that the production will be divided up approximately as follows:

United States	27%
Canada	39%
Union of South Africa	26%
Misc., incl. Australia, Belgium Congo, and Portugal	8%
	100%

I use 1958 because the capacity of the industry to produce is in the process of transition to a greatly increased capacity.

It was not so long ago that the subject of uranium supply was a matter of great concern, but there is no question that the government's guaranteed price program here and in Canada has furnished the incentive which has resulted in the discovery of very large uranium deposits. It is now apparent that at least for a few years civilian atomic power need not be hamstrung by uranium fuel shortage.

On the demand side there has been some fear that for one reason or another demand will be so much less than supply that a price decline will ensue. Those who fear a decline in demand have variously assigned their fears to: (1) competition from thorium; (2) displacement of uranium fission by controlled fusion not utilizing uranium; (3) decline in military demand.

Thorium

Personally I am very bullish about the future of thorium. However, there is no doubt that the subject got out of focus at Geneva. It is not possible for thorium to displace uranium although it is possible for it to supplement uranium. What role it will play is still a matter for disagreement among the experts. It appears that thorium may have application in thermal breeders, but on the other hand it may be that thermal breeders will not play so significant a role in the future as fast breeders in which thorium is not expected to be utilized. Additional complications in the total picture arise from the fact that thorium may be used in other ways such as in alloying magnesium to improve its heat resistance and other properties.

Fusion

On the subject of controlled fusion I have found that I cannot assume that all are even familiar with the term even though others ascribe to it a disproportionate importance. For our purposes it is perhaps necessary only to say that in a sense fusion consists of forcing small atoms together thus combining and fusing them to form new atoms. In a sense this is just the reverse of fission which consists of splitting or fissioning of large atoms. It is of course well known that the H-bomb is dependent on the fusion process but in this application the process proceeds in an uncontrolled manner. On the military side it should

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Banking and Monetary Reforms To Preserve Private Enterprise

By ROBERT DE FREMERY
Vice-President, ONOX, Inc., San Francisco, Calif.
Member, Monetary and Credit Committee
National Association of Manufacturers

In urging the eradication of bank credit and the gold standard, to maintain monetary stability without financial controls, Mr. de Fremery proposes: (1) commercial banking be based upon checking deposit with 100% cash reserves, and savings and loan department utilizing bond sales in place of deposits; (2) a "population standard;" (3) overcoming transitional cash reserve deficiency by retiring bank-owned governments with fiat money; (4) extending this reform to all lending institutions; and (5) altering money supply with population changes. Claims this will assure: no inflation or deflation, stable money supply, non-collapsible money market, and no soft or dishonest money.

An increasing number of articles and speeches have been devoted to the question of whether we should give the Federal Reserve Board standby controls over instalment credit. One need not look far to find the reason we are being asked to sanction these ever-increasing government controls. Wm. McChesney Martin, Chairman of the Federal Reserve Board, stated the reason very clearly as follows:

Robert de Fremery

"It should be borne in mind that expansion in commercial banking operations creates new supplies of money in contrast to other financial institutions which lend existing funds." (Testimony before Senate Banking Committee.)

In other words, we must distinguish between the lending of credit, i.e., "new supplies of money" and the lending of "existing funds." If all loans were made with existing funds, there would be no valid reason for any government interference, regulation, or control of the lending of those funds. The lending of bona fide savings is merely the lending of a surplus. That is a civilized process that should be encouraged. It should not be controlled and regulated by the government. Nor should there be any fear over the volume of debt arising from such lending. It is desirable that all our resources — including bona fide savings—be put to maximum use.

Why then do we tolerate government interference in the money market? Why all these "credit controls?" Why all this concern over the volume of debt? Because—as Mr. Martin pointed out—when our commercial banking system expands its operations, it does so by lending "new supplies of money" (bank credit), rather than by lending existing funds.

The importance of this fact can not be over-emphasized. Our entire price structure today is in terms of bank credit originating from earlier expansions of commercial bank operations. Over 90% of what we are using as money is nothing but bank credit. And because our past experience with bank credit has shown that it is highly unstable, and that undue fluctuations in its supply can have disastrous effects upon our economic system, we have been forced to accept ever-increasing government controls of our banking system.

Need we fear these controls? Yes. No man or group of men should have the power to arbitrarily manipulate the supply of money or to determine the channels into which savings should flow. The power to change the supply of money is a tremendous power. It is the power to force debtors into slavery; it is the power to dispossess people of their property; it is the power to rob people of the value of their savings. And the power to determine the channels into which savings should flow is the power to control the entire economic system. The existence of such powers is totally incompatible with the survival of freedom—both economic and political. And yet, under the existing banking system, if we do not grant these powers to the Federal Reserve Board, a semi-public agency, then they will remain in the hands of our commercial banks and market forces which in the past produced such violent fluctuations in the supply of money (bank credit) as to nearly destroy our free enterprise system.

Dilemma Confronting Us

That is the dilemma that confronts us. How can we preserve the monetary stability that is needed for the proper functioning of a free economic system without being forced into a financial dictatorship that is incompatible with the survival of our free economic system?

If we keep in mind the basic cause of our dilemma, we should have no trouble figuring a way out of it. If the basic justification for government controls of banking stems from the fact that an expansion in commercial banking operations creates new supplies of money, then why not convert our commercial banks into institutions that can lend only existing funds? If this could be done without unduly upsetting our financial markets, and if some provisions can be made for additions to the supply of money as needed to serve an expanding population, then we could enjoy monetary stability without the threat of a financial dictatorship.

Why Change Banking?

There are many good reasons why we should seriously consider making such a change in our banking system. In the first place, this reform is the next logical step in the evolution of banking. Over 100 years ago—after the era of wildcat banking—it was recognized that banks should not have the power to issue their own notes. That power was taken away from the banks. What we failed to realize at that time was that the power to create deposits-subject-to-check is equivalent to the power to issue notes. So although one-half the weakness in our banking system was corrected, the other half remained—as has been amply demonstrated by the many bank panics suffered since that time.

Now that almost all students of the subject agree that there is no basic difference between notes and checks, we should complete the reform of our banking system by making it unlawful for banks to create deposits—*taking care to first monetize the existing volume of bank credit (now being used as money) so as to prevent a severe deflation.*

A second important reason for making such a change is that bank credit is a fundamentally dishonest type of money. The lending of bank credit is tantamount to the lending of an imaginary surplus. The bank deposits so created are fictitious. The banker—by lending his credit payable in money on demand — places himself in the position of promising to do something that is physically impossible to do. And the further bank credit is extended—the more precarious the position of the banker becomes — until finally confidence is lost and the whole flimsy structure of bank credit collapses.

Bank Credit Causes Inflation

A third important reason for making such a change is that the use of bank credit as a substitute for money is a most unsound procedure. The commonly accepted definition of money is that it is a medium of exchange and a standard of value. Bank credit—even though used as money—is merely a promise to pay money. This is a very important distinction that is too often overlooked. Bank credit is a shortsale of money. And like shortsales of anything else, shortsales of money upset the true value relationship between money and the goods and services to be exchanged for money. In other words, bank credit causes inflation. Prices are inflated whenever they are higher than they ought to be. And if our money is diluted with bank credit, then prices are higher than they ought to be. This concept of inflation is a little different from the orthodox conception of inflation—but it is far more meaningful. No understanding of the cause of deflations (depressions) is possible unless we have a correct understanding of what constitutes inflation.

There are those who believe that once bank credit has been allowed to expand, nothing can be done to prevent a collapse (that is, nothing economically sound and consistent with a free economic system). The Austrian school — best represented by the writings of Ludwig von Mises — takes this stand as evidenced in the following statement:

Ludwig von Mises

"There is no means of avoiding the final collapse of a boom brought about by credit expansion. The alternative is only whether the crisis should come sooner as the result of a voluntary abandonment of further credit expansion, or later as a final and total catastrophe of the currency system involved." (Human Action, p. 570). Dr. von Mises believes that the expansion of bank credit causes malinvestment and a squandering of scarce factors of production that will *inevitably* lead to a crash and ensuing depression. But a more plausible theory is that all economic activity is continually reaching a new equilibrium between the total circulating medium of exchange and the goods and services offered for it. In other words, an expansion of bank credit leads to a collapse *not* because of mis-directions in production but rather because of the operation of Gresham's Law. The use of bank credit as a medium of exchange gives us what Bishop Berkeley called a "double money." Even though bank credit is supposedly convertible into money on demand, nevertheless it is not as good as money. It is a short sale of money. And as the volume of these shortsales increases it is inevitable that Gresham's Law will eventually operate, *i.e.*, the undervalued money (gold or legal tender 'fiat' money) will be exported or hoarded—thus causing a collapse of bank credit.

According to this theory, it is possible to avoid a collapse following a period of credit expansion simply by converting the existing volume of bank credit into actual money having an existence independent of debt, and at the same time take away the banking system's privilege of creating any more credit, *i.e.*, force banks to confine their lending operations to the lending of existing funds.

100% Reserves and Savings Bonds

Is there a practical way of making such a reform today without causing any disruption to our economic system? Yes. It involves validating the existing volume of bank credit (which is now being used as money but which has no actual existence except as bookkeeping entries). This can be done by backing bank deposits subject-to-check with actual currency while at the same time taking away the banks' privilege of creating any more bank credit. In other words, each commercial bank must be divided into two separate and distinct section—a Deposit Section and a Savings and Loan Section. The function of the Deposit Section should be that of a warehouse pure and simple. Deposits would be accepted for safekeeping. The bank would not be allowed to use these deposits—but would merely facilitate the transfer of claims to these deposits by means of checking accounts. All checks drawn against such deposits would therefore be backed 100% by actual money.

The function of the Savings and Loan Section would be to obtain the savings of the community for the purpose of making loans to the community. The ideal toward which we should strive is a Savings and Loan Section that obtains lendable funds by selling the banks' bonds. The Savings and Loan Section of a bank should have a bonded indebtedness to the public rather than deposits that are withdrawable on 30 days' notice. And, of course, all the banks' loans should mature on or before its outstanding bonds. When operating this way the bank

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Looking Back to the Future

By JULIUS STULMAN*

President, Stulman-Emrick Lumber Co., Inc.

Creation of an advisory council comprising a synthesis of the best thinkers, serving overlapping terms, to push forward entire frontier of human knowledge, is advanced by Mr. Stulman in order to: (1) break the historical pattern of moving from crisis to crises; (2) bring about spectacular world economic growth, without wars and depressions; and (3) cross the threshold from the old set of values, where matter was of prime importance, to the new set of values: new ideas, thinking, innovations and entrepreneurship. Explains the analytical technique of "looking from the future backward to the now," and expects parallel future growth of small and big business to serve a great new era of development.

In your reading in economics and history, you have undoubtedly seen many prognostications, and studied the reasoning behind them. Perhaps you have chuckled over predictions that were made many years ago, and have since turned out to be wrong.

Julius Stulman

Why were these predictions wrong? The answer is simple, and has probably already occurred to most of you. The predictions were wrong because they were based on inadequate knowledge.

By "inadequate knowledge" I do not mean an insufficient collection of facts necessarily. I mean that the predictions were based on the wrong facts—or, rather, based not on facts at all, but on transitory apparitions that everybody took for granted as facts.

One of the basic troubles with most of civilization's efforts, and with most of our individual efforts, is that we are unable to evaluate ourselves and the world around us properly. We all know that error exists. We know, for instance, that many things that were considered right even 20 to 30 years ago are considered wrong now. And we can assume that many things we consider true today will not be considered so in the future. But how can we determine which of today's truths will live, and which will die?

We can do it better by reversing the traditional method of prognostication. Instead of standing here and looking into the past, so as to read the future from it, why not go ahead to the future and look back at the present from there? In other words, let us go to the year 2000 and, from that standpoint, look back at 1956.

This may sound like a fantastic way to solve problems. But try it. It works. By going ahead in our imagination, and taking a so-called "as-if" position, as if we had already accomplished some future goal, and by then looking back, we can see the broad patterns underneath the maze of presently accepted facts. We see 1956 not as a fixed point in time, but as part of a vast movement, or process. We see that our own individual lives are part of that process. We see our lives as part of the whole movement of humanity.

Projecting the Year 2000

Now, standing in the year 2000, what can we say about the economic situation in the climate of 1956? And what can we say about the years afterward? First, we can see that in the year 1956, civilization is still in a very early stage of development. Even here in the United States, surely the world's richest country, there is still much poverty and confusion. There is a huge need to raise the people's living standards, and to clarify their goals.

We also note that the United States, having only a fraction of the world's population, yet produces almost half of the world's goods — and that with only an infinitesimal part of its full potential. Imagine the possibilities in a fully flowered world; with its total population of two and a half billion.

Continuing to look back at 1956, we see that there are still threats of war. This indicates too, that civilization is still evolving. There is a long way to go.

Thus, by stepping into the future and looking back, we have already discovered some important things about 1956. The nation's economy and the world's economy are not really as big as we thought they were, and we are not even beginning to solve the problems that confront us. This, in spite of the fact that we boast today of an immense productive capacity, higher wages and higher living standards than ever before.

This is good to know. With the knowledge that there is still vast room for improvement, we can be impelled to move forward. I believe that we **will** move forward, to a steadily expanding world economy. The world's underdeveloped nations, the undernourished millions, the potential that we have in our hands—all compel it.

Of course, we will move forward slowly if we make no special effort. But if our eyes were opened, if we could get to know the direction in which we are going, we would be able to move ahead much faster.

How can we know where we are going? Once again, we can get a better idea by looking from the future backward to the now. What we need to do is engineer our thinking, and realize the inadequacy of present facts, and the realization that the basic processes of development can be better seen from a future vantage point by a change in reference frame.

You can, of course, use this same technique in your personal lives. Merely ask yourselves what you want to be, where you think you can be, say 10 years from now. Then go there. **Right now.** Look back at yourself. Imagine yourself as in that future position, already accomplished, and ask what steps your past self will have to take to arrive there. Engineer the stages. Innovate. You will be surprised at the speed with which you actually do arrive.

This same technique could be applied to the world's problems. Once more, let us go to the year 2000 and take a look at 1956. What more do we see?

Question of Big Business

For one thing, we notice a good deal of nervous talk about big business. What is this thing called big business? Standing in the year 2000, we see that the term refers to certain corporations that are bigger than the majority, bigger than certain other corporations referred to as "small." But are *these* "big" corporations really big? No. In relation to the job business must accomplish, in relation to the gigantic needs of the world, this is not big business. It is very small business. To push the world forward, this business must grow much, much bigger.

It cannot grow if, in so doing, it should limit the size of so-called small business. But why should it do so? Big and small are relative terms. If small business should grow to the size of what we in 1956 call big business, imagine the huge potentialities in a similar growth of present-day big business. Parallel growth of big and small should be our goal. Small companies can grow by better understanding their possibilities, through integrating management, warehousing, distribution systems, and develop cooperative buying power so that each enjoys a measure of economic power far beyond what it could have by working alone.

I do not mean that small companies should merge, nor that they should lose their independence. I mean rather that they must learn to cooperate to a point where they all become stronger and, in turn, strengthen their own economy and the world's economy.

Big and small business must cooperate. For all will thereby benefit. The whole is surely greater than the sum of its parts. By working together, to build a bigger world economy, a bigger whole, all businesses can reap the benefits of an ever-expanding market.

What else do we see in the year 1956?

New Set of Values

We see clearly that civilization is right at the crossroads of another great era in its development.

The era from which we are just emerging might be called the era of things, material things. To succeed in this period was to produce the most goods and sell them the cheapest, without regard necessarily to larger values. Material output, armed force, big structures—these were the measure of success and power.

We have ended this era. We ended it when we discovered the secrets of the atom. When man learned how to create new forms of matter and destroy old forms, and when he learned that he could destroy himself by the same formula, material things ceased to be of prime importance.

The inability to recognize this change in values will destroy us. We will go the way of the dinosaur. But standing here with me in the year 2000, I am sure you can see the beginnings of a new set of values.

What is this new era on which we are now entering? If matter is no longer of prime importance, what is? It is the ability to generate new ideas, to create new values. It is the ability to develop the greatest resource on the face of the earth, namely, man himself.

The leaders from now on will be not the men or the countries that can produce the most goods, but those that produce the greatest people. In this new era, we will see the creation of values far superior to anything ever accomplished by material development alone.

We can already see this change taking place. Right after World War II, the United States set out to rehabilitate the devastated countries of the world by pouring money and goods into them, through many devices such as UNRRA, and the Marshall Plan. This output was necessary, and it had an immediate and good effect. But its effectiveness is now waning. Countries that we helped are now squabbling with each other and with us. Some are listening with friendly ear to the blandishments of Russia.

What do these less-developed countries want? Surely not goods, for if this were so, Russia would be able to buy their friendship. They are not pleased to thank us for gifts, and the wiser of them takes even our loans with misgiving.

What these countries want, what they need, is new thinking, ideas, innovations, entrepreneurship. They want to know how they can create new values right within themselves, how they can develop resources that they have, how they can put the genius of their people to work. This is the challenge to the Western World. If we try to win these countries with gifts and loans, we will find the competition much to severe, and in any case we will be giving them something that is of itself of insufficient value to them. But if, in the giving, we give them new ideas, we will be giving them what they need the most.

Eisenhower's Suggestion

For some 15 years now, I have seen this need and worked on such thinking. I was glad to hear President Eisenhower, in a speech he made in April, suggest setting up a group of men whose sole output would be ideas. He called it a "rotating, advisory body of citizens." The group's purpose would be to study needs and look for ways of fulfilling them.

This could very well be the first formal step for civilization in the direction of the new era.

What the President has done, in effect, is to realize that when we change the size and shape of our house, we must also rebuild the foundation.

Civilization is changing. We cannot expect it to stand forever on the old foundations. Our new foundation must be based on the new set of values, the set that places ideas above material things alone to go forward.

The foundation could be the group of men suggested by President Eisenhower. As I see it, this group could be made up of men of all fields of human knowledge. It would incorporate physicists, sociologists, economists, historians, medical men, businessmen. They would serve for overlapping terms, like the United States Senate. The standards for selection would be high, so that the group would represent the finest minds in the world.

Working *together* full-time, these men would lead each other on a constant quest for new evaluations drawn from a world reference frame of many disciplines; indeed, a synthesis of the best thinking available. Instead of working alone, they would knit their ideas and their knowledge together. The agricultural expert, seeking a way to improve farming in India, for example, would have the economist's help

*An address by Mr. Stulman before the Polytechnic Institute of Brooklyn, May 14, 1956.

in dovetailing the farm operation into the rest of India's economy. He would have the businessman's help in figuring out a way to distribute, market, or fabricate the produce. The sociologist and psychologist would contribute their guiding knowledge to the project.

What kind of ideas would these men produce? They would create new values where none seemingly existed before.

This group would synthesize the knowledge of all nations and all disciplines. Thus, no nation would necessarily have to work out its own problems within its own limited scope of knowledge. The best thinking and the experience of the United States, Sweden, Switzerland — every nation and every field of knowledge, would be brought to bear, for instance, even on a small agricultural need of a small country like Puerto Rico, where the men of many nations and many disciplines might show Puerto Rico how to make use of certain products that have no dominant economic value or quantity utilization in the country itself, but would be a highly desirable product commonly used on the other side of the world, such as was eventually worked out with the so-called Puerto Rican vitamin "C" cherry.

In turn, Puerto Rican thinkers might contribute their knowledge and experience in bringing their country forward to other countries, situated as they are.

Each nation would both draw thinking from the group and contribute thinking to it. The result could be a spectacular growth of the world economy.

What would this group, this management brain, take in exchange for the ideas it gave? It would take nothing, except the funds needed for its continued support. In relation to the new value created, the cost of this support would be infinitesimal. Thus, in effect, the group would give to all, take from none.

Still standing at our vantage point in the year 2000, it is easy to see how this big brain might eventually become an important power in world affairs. Composed of the finest minds, it would naturally attract the attention of all nations. It would give orders to nobody; it would only make suggestions. But these suggestions would have immense weight, since they would come from men of great learning. Once the big brain was established and had proved its worth, most nations, no doubt, would be happy to follow the group's suggestions.

With a steadily expanding world economy, there would be ever less likelihood of economic cycles — booms and busts. Throughout civilization's history thus far, it has been our tendency to move from crisis to crises — war to war, depression to depression. This is because we have let ourselves be shackled to fixed points in time. That is, we have solved each crisis as though it stood by itself, an isolated piece of circumstance tied neither to the past nor the future, nor to a world reference frame. In solving our crises this way, we have planted in each solution the seeds of a new crisis. We have sought quick, expedient methods to ease us over the ills of the moment. We have not built our solutions out into the future.

But the advisory council or management brain—or, as I conceived it in 1941, the World Institute, would by its very nature be guarded against entrapment among fixed points. It would not be a problem-solving agency primarily. It would not look for expedient solutions to what it considered to be important problems. Instead, it would steadily push forward the entire frontier of human knowledge. In effect, this group would be a process in itself, rather than a thing. In following its steady path, it would solve specific problems as a matter of evolution.

The wonderful world that I have just sketched is in my mind's eye as clear as though it actually existed right this minute. I can see a rapidly expanding world economy, a steady dwindling of poverty. I can see a world of prosperous nations, living at peace because there is no longer any need to war.

The Rising Tide of Appeasement

By HON. WILLIAM F. KNOWLAND*
U. S. Senator from California

Republican leader notes voices of appeasement growing here as well as abroad. Maintains Kremlin's present hierarchy rose to power under Stalin and must bear responsibility for his misdeeds. Denies propriety of possible invitation to Russian rulers for visit here. Strongly opposes recognition of Communist China.

Our foreign policy should be based on human freedom. What advances it we should support and what retards or destroys it we should oppose.

Sen. W. F. Knowland

Abraham Lincoln, the Great Emancipator, in his second inaugural set the standard for free men everywhere when he said: "Fellow citizens, we cannot escape history. The fiery trial through which we pass will light us down in honor or dishonor to the latest generation. We, even we here, have the power and bear the responsibility . . . in giving freedom to the slave we assure freedom to the free. We shall nobly save or we shall meanly lose this last best hope on earth."

Rising Appeasement Voices

Now the voices of appeasement are arising abroad and are being augmented at home by certain columnists and commentators. The suggestion has recently been made that invitations be extended to Krushchev, Bulganin and others to visit the United States.

Despite the "Downgrading" of Stalin, the Soviet Union has not performed a single deed of good faith to carry out its broken treaty commitments. The present hierarchy in the Kremlin arose to power under Stalin. They were direct participants or accomplices for the crimes now charged to him including the enslavement of Latvia, Lithuania, and Estonia, the fastening of the Communist regime on Poland, Czechoslovakia, Hungary, Roumania, Bulgaria, and Albania, the sending of millions of people to slave labor camps and the liquidation of untold numbers of people of both the Soviet Union and the satellite States.

I am opposed to any such invitation to Krushchev, Bulganin, Malenkov, Mikoyan, Zhukov, or Kaganovich. Are the operators of the greatest slave labor camps in all history of the world to be given a cordial welcome as the honored guests of this nation? Will it next be proposed that Krushchev and Bulganin also be invited to the White House to sleep in the Lincoln bed? I do not believe that any American President would extend such an invitation or that the American people or the American Congress would approve it if extended. It would undermine the morale of the enslaved people of Eastern Europe.

I cannot help but wonder what the columnists and commentators advocating such an invitation or the Communist front groups which are trying to create public opinion in favor of the same would have said if a proposal had been made to invite Hitler, Goering, and Himmler for a State visit, while Belgium, the Netherlands, Denmark, Norway and Luxembourg were held in subjection. What a howl of indignation would have properly gone up at even the thought of such an invitation to visit our White House, to speak in the halls of our free Congress and to receive the honor and the tributes of our American cities and states.

Recognition of Communist China Opposed

As long as I have a voice and a vote I shall do everything possible to prevent the admission of Communist China into the United Nations or its recognition by the Government of the United States.

There is a deep seated desire on the part of the American people to have peaceful and friendly relationships with the 200,000,000 people who are within the borders of what is presently known as the Soviet Union. If and when a regime is established which will free the satellite States of Eastern Europe and will give hope to its own people that they may have freedom and justice we should do everything possible to open up the chanels of trade and to welcome such a government and such people into the family of nations.

But at this time with the present regime in control, any invitations we extend or relaxations we make in strategic restrictions will but be used to build the prestige and morale of the rulers and not the people and will undermine the morale of the people of the captive nations in Eastern Europe. Of this I am certain. If the men in the Kremlin change from their smiles to frowns and in the future embark upon aggression we may find our stoutest allies behind the iron curtain rather than in front of it. We must do nothing either as a people or a government to undermine the morale and the hope that some day they will be free.

International Communism is a world-wide menace. The free people of Asia must recognize that the maintenance of the "island" of freedom of Western Berlin is as important to them as it is to the people of the German Republic. It is likewise true that the people of Europe must recognize that the maintenance of the islands of freedom, Quemoy and Matsu are as important to their future as they are to the people of the Republic of China on Formosa. You cannot for expediency sacrifice the freedom of your contemporaries without endangering your own and that of your posterity.

A Great Moral Issue

A great moral issue will be presented to the people of the free world and the people of the United States to admit Communist China into the United Nations. The undisputed record stands that Communist China was the aggressor in the Korean War; it inflicted 140,000 casualties upon us including 35,000 dead and it inflicted a million casualties upon the little Republic of Korea; Communist China is today in violation of the terms of the Korean Armistice and they have flagrantly violated their pledge of last November to free all American civilians from their prisons. This Communist regime is not worthy of admission into the United Nations organization on its record, on its actions or of its announced aims. To admit that regime would destroy the moral foundation upon which the United Nations is supposed to rest.

I am greatly shocked that even some of our good citizens should be taken in by such a proposal. I call their attention to second Corinthians, Chapter 6, Verse 14: *"Be ye not unequally yoked together with unbelievers; for what fellowship hath righteousness with unrighteousness? And what communion has light with darkness?"*

In the General Assembly of the United Nations this November (after the American election) a major effort will be made to bring Communist China into that organization.

Human freedom is a greater force than tyranny and if those of us who believe in freedom will not condone and appear to support or approve tyrannical governments a way will inevitably be found for the Captive People to strike off their shackles.

I am convinced that a true peace with honor depends upon the spreading of freedom and not its contraction.

I opened these brief remarks with a quotation from Abraham Lincoln. To carry out the bi-partisan sponsorship and tone of the gathering I wish to close with one from Thomas Jefferson. Those of us who are Americans, native and foreign born, those who have come to our shores seeking freedom, those who await the day when liberty may again enlighten all corners of the world could join together in adopting the pledge of Jefferson when he said:

"I have sworn upon the altar of God eternal hostility to every form of tyranny over the mind of man."

*Extracts of a speech by Senator Knowland at Liberation Rally sponsored by American Friends of the Captive Nations, Town Hall, New York City, May 25, 1956.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks continued to edge higher on a selective basis this week, but it was a stalemate for a great share of the list including some of the pivotal issues. It all left undecided the big question of whether the reaction low would be tested before the normally strong seasonal rally for the summer got under way.

* * *

Volume provided little indication of what is to come next. The trading pace, already at what might be considered a subnormal level on the decline, dropped off even further as the list put on its recovery swings.

* * *

Technical action, however, had faded pretty much into the background as some of the many business uncertainties generated more and more caution, chief of them being the possibilities of a steel strike and the effects on third quarter operations if a strike doesn't halve operations temporarily, as well as the fate of the auto industry in whittling down the huge inventory of new cars in time for a rousing last-minute finish to the year with new models. The auto shares, as a matter of fact, showed signs of having been rather thoroughly deflated, and the dreary strings of new lows for the major companies were over at least temporarily.

Oils See Action

Few of the major groups turned in any sort of decisive action outside of the oils, which were able to feature among the better gainers when the going was good. Among the special movers was Smith-Corona which was able to stride ahead smartly, helped by a brand new merger and a hiked dividend.

Some of the papers were able to make some progress, Lily Tulip being a repeater on the list of new highs, but the strength was far from general. Aircrafts were generally neglected although now and then some timid buying was noted for some of the issues that have reacted off their recent peaks. Bendix Aviation, for instance, dropped some 18% from its 1956 high, offering a better-than-average yield of around 4½%. Allis Chalmers similarly reacted 16% from its high with an even better 6%-plus yield.

* * *

Much of the culling of likely prospects was centered on another group of issues—those that haven't yet attracted attention and are above-average-return items. U. S. Industries, for instance, has yet to carve out a range of as much as four points on the year. This has, like several other companies around, completely converted from its original line. It started life as the Pressed Steel Car Co. and was a leading rail car maker a quarter century ago. Today its lines include lathes, aircraft components, oil well pumps, machine tools, pipe ordnance items. Freight car work ended last year. The issue has been selling at around a 6% yield and covering profits by one of the more times-earnings ratios.

Interest in RCA

Radio Corp.'s unveiling of a below-$500 color television set, which the company plans to push aggressively through the anticipated pickup in video interest that the political conventions will inspire, was able to kindle a bit of demand for the issue. Radio's yield is a rather average 3½% and the flotation last year of convertible debentures has kept the stock rather restrained. But the issue has been popular with those who want only the giants in any given industry, and sales reaching the billion dollar level last year make RCA definitely a dominant interest in its field.

* * *

For the champions of diversification, W. R. Grace & Co. was something of a natural. As one recent survey pointed out, Grace is represented in half of the 32 broad industry classifications, which is a better showing than even that of du Pont. Its activities or interests range from advertising to chemicals, transportation, banking, insurance and vegetable oils. Pending are petrochemical activities through proposed acquisition of Cosden Petroleum. It also is undertaking oil exploration with Texas Gulf Producing. This gamut, however, hasn't kept the stock from holding to a conservative price level, and an attractive yield of 5%.

* * *

An about-turn in the fortunes of the coal industry has served to spotlight Joy Mfg. which, as the leading producer of mining equipment, would be in the forefront of the mechanization that is largely responsible for the turn in the tide of the coal companies. The company's earnings last year showed a good improvement over the year before, and some estimates currently point to a near-doubling this year which was borne out by the results for the first half of the fiscal year. For the half the $2.73 shown was already within reach of last year's $3.18 for the 12 months.

* * *

Some of the long-depressed agricultural equipment firms were favored by some of the market spectators once the farm bill was signed into law on the theory that any upturn in the prosperity of the farmers would inevitably find reflection in the activities of the equipment firms. Earnings of such as Deere haven't been impressive but the market price is well depressed, and recently was even as much as $5 a share under working capital alone. Oliver Corp. which recently had to cut the dividend was another that is selling well under its working capital but hovering around its year's low might be considered as having discounted the bad news.

* * *

A case of bad news that isn't necessarily so, might be Pan American World Airways which has shown consistent drops in net income, although by small margins, since 1953. The net in that time dropped from $1.77 to $1.66. But last year's results were achieved despite a slash of some $21,000,000 in mail subsidies over the two earlier years, and indicate that the line is making good progress toward financial independence.

Lagging Aircrafts

Actually, the aircrafts have not been able to build up any sustained investor interest despite impressive financial results generally. United Air Lines, as an example, sold at $54 in 1946 when its book value was less than half that figure and earnings were only around half a dollar. With the book value boosted to $31.50 by last year the stock never reached $50 despite a dividend three times higher and earnings of better than $3. The stock so far this year has held in a 44-36 range and recently has been available below $39.

[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.]

Forms New Financial Public Relations Co.

Mr. Donald Buchholz, formerly of Buchholz & Anderson, Inc., has formed Don Buchholz, Inc., 32 Broadway, New York City, specializing in financial public relations for Canadian and American corporations.

Form Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Sales, Mergers & Investments, Ltd., is engaging in a securities business from offices at 3337 West Olympic Boulevard. Officers are Harry Roman, President; Charles Strickland, Vice-President and Ruth Roman, Secretary-Treasurer.

Charles Woodbury Opens

(Special to THE FINANCIAL CHRONICLE)

WARRINGTON, Fla. — Charles P. Woodbury has opened offices at 1528 Barrancas Avenue to engage in a securities business. Associated with Mr. Woodbury are Edward J. Parker and Verdo Clark Sanderson.

Form M. C. Redman Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—The M. C. Redman Co. has been formed with offices at 36 Woodland Street to conduct a securities business. Officers are Melvin C. Redman, President; Edward V. Murray, Vice-President; William P. Stevens, Secretary; and Hunter F. Barber, Treasurer.

Form Boyd Easton Inc.

ROCKFORD, Ill.—Boyd J. Easton, Inc., has been formed with offices at 427 East State Street. Officers are Katherine B. Hallberg, President; Wm. P. Schmidt, Vice-President; Dudley M. Hallberg, Secretary and Alta C. Schmidt, Treasurer.

With Ohio Company

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Theodore J. Schmitt is with The Ohio Company, 15 South High Street.

Remmele-Johannes Adds

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio—John Finigan, Emanuel M. Harvey and Clifford F. L. Mohr have been added to the staff of Remmele-Johannes & Co., 1126 Oakwood Avenue.

Columbia Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Harold Frank, Robert G. Gettle, Harry R. Smith, William H. Stephenson, LeRoy T. Wortman and Jerome Zonis are with Columbia Securities Co., Inc. of California, 225 South Beverly Drive.

G. N. Fleming

George N. Fleming, Philadelphia stock broker, passed away May 31 at the age of 74.

Interest Rates Can Rise Sharply

By EDWIN J. SCHLESINGER

Investment Counsel, New York City

Mr. Schlesinger examines Federal Reserve discount policy, automobile sales, and the present level of interest rates. Contends much higher rates on savings accounts and bonds may prevail sooner than generally anticipated.

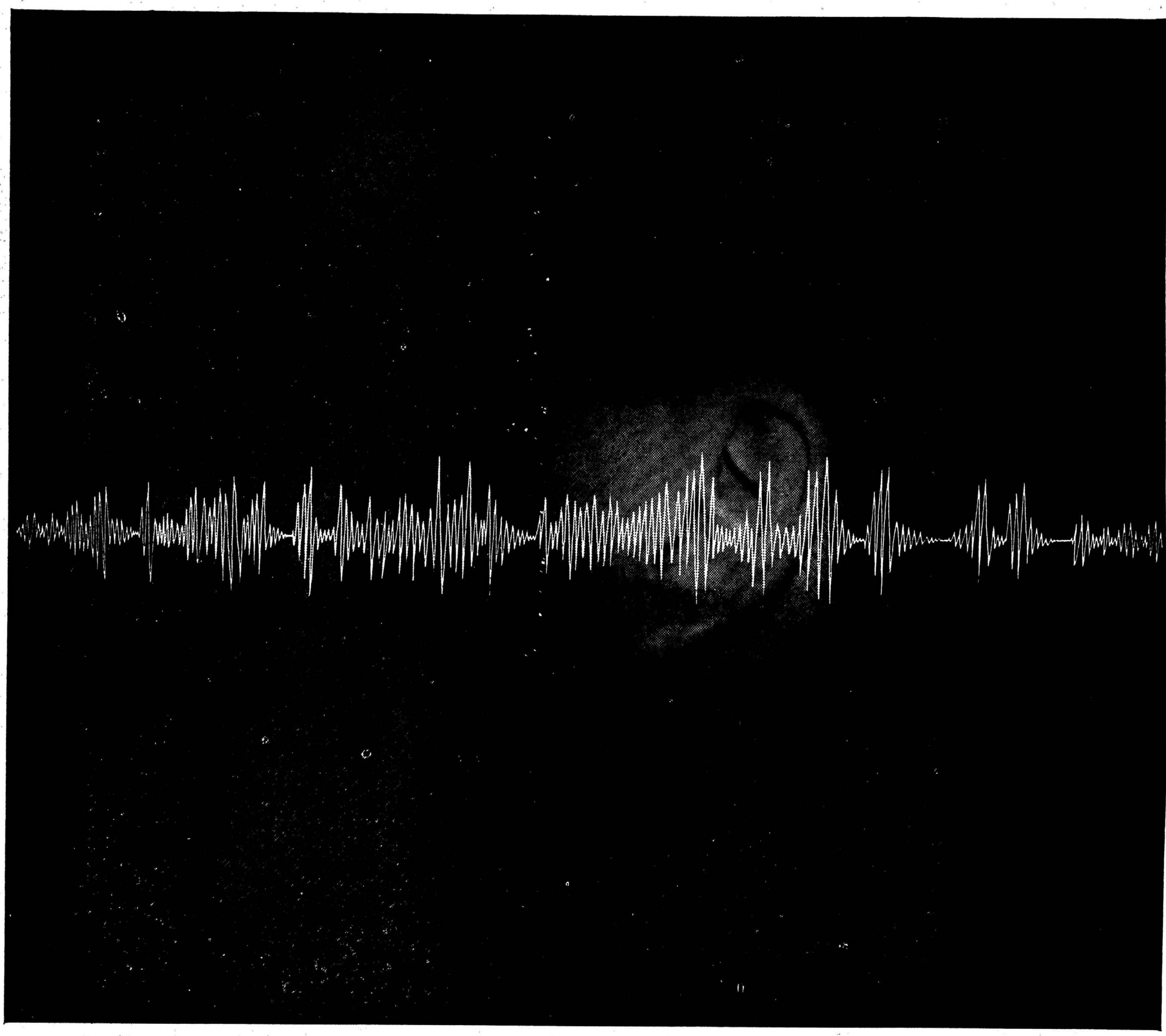
During recent weeks, the Federal Reserve System has been subjected to considerable criticism because the discount rates have been advanced. The reaction in the stock market, and the slowing down of certain lines of business, has been attributed to the increase in the discount rates.

Edwin J. Schlesinger

If the Federal Reserve should be subject to any criticism, it might be that it was rather slow in advancing the discount rate. 1955 was a feverish year with almost everybody enjoying the fever. It must have been apparent, and in fact it was mentioned at various times, that the rapidity of the expansion of sales could not continue indefinitely. That the automotive industry is producing so many fewer units than last year certainly should not be a surprise. It might be worth asking whether the automotive industry is not the cause for the lessened sales so far in 1956, due to the tremendous pressure to effect sales last year.

While one is supposed to look ahead to new horizons and not to review the past, it nevertheless may be well to determine whether current interest rates are not too low. They are only high when measured against the artificially low levels prevailing for approximately 20 years.

If the rank and file of the American people were organized to express their views, they might let it be known that they would be much happier if they could get 3½% on their money in savings banks and if prime corporate bonds were yielding from 4½% to 5%. In fact, it may not be too dangerous to predict that such rates may return much sooner than generally anticipated. Why everything but interest should be allowed to earn a so-called living wage poses quite a question.

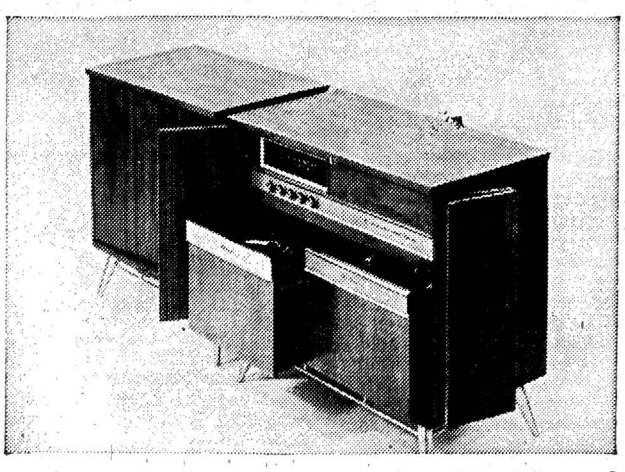


Listen—RCA brings your ear every sound it can hear with new high fidelity

Ever since Caruso's voice first thrilled Americans in their homes, RCA has pioneered the search for new worlds of sound. Thus RCA is now able to present the ultimate in high fidelity—New Orthophonic "Victrola" phonographs that reproduce more recorded sound than your ear could ever hear before.

These instruments have been made possible by RCA's experience, skill—and the tremendous facilities of the David Sarnoff Research Center at Princeton, N. J. Constant improvement has been sought—and found—on every phase of musical reproduction, from the microphone over the conductor's head to the "Victrola" phonograph at your elbow.

The same leadership that brings you New Orthophonic High Fidelity instruments is behind all RCA products—all conceived through "Electronics for Living" that make life easier, happier, safer.



TWIN CONSOLE "MARK I." In one cabinet: "Victrola" 3-speed phonograph, tape recorder, AM-FM radio. In the other: four matched high fidelity speakers. Model 6HF1. $1600.

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RADIO CORPORATION OF AMERICA

ELECTRONICS FOR LIVING

Public Oriented Corporations And Board of Directors Criteria

By WAYNE G. BROEHL, JR.*
Assistant Professor of Business Administration
Amos Tuck School of Business Administration
Dartmouth College, Hanover, N. H.

Referring to *Cash McCall* and *Executive Suite*, Dartmouth Professor's proxy battle studies indicates growing interest by the public, board members and corporate officials in evolving a new corporate philosophy. Professor Broehl dismisses outside vs. inside board members, cumulative voting and proxy battle issues as superficial compared to: growing corporate public orientation; who should be and how to obtain a good director; and whether an independent audit of corporate activities should be undertaken by the corporation. Other observations are: (1) directors are not fiduciary trustees since they must conserve *and* fructify assets; (2) stock holder reports should be "clear-cut and straight-forward"; (3) corporation should initiate contacts with institutional stockholders, and (4) institutions should vote their stocks in proxy battles.

During the past year, while working under an Alfred P. Sloan Foundation grant for study of the proxy battle, I have had a unique opportunity to observe the corporation under stress. In talking with hundreds of board members and corporate officers during these past months, I have been particularly impressed by the extent of introspection and soul-searching that is occurring today in the corporation. Perhaps never before in the history of American business has the rationale of the corporation and the operational framework of the board been subject to as close a scrutiny. And this spotlight is being focused by widely differing groups and for a wide variety of reasons.

Wayne G. Broehl, Jr.

For example, I think it is quite significant that "Cash McCall" has been on the "best seller" list for 17 weeks; that the book and motion picture "Executive Suite" have both been extremely successful with the public. To me this is one indication of an increasing interest on the part of the public in the actual day-to-day operation of the American corporation; an interest in the human pressures and the personal and corporate motivations and objectives involved.

For a number of reasons I feel that this is a critical time in the evolution of management; that we may actually be witnessing the development of a new "age" in corporate organization. (And history does seem to show rather well defined steps in the growth of the management function.) With the twin factors of (a) increased public interest in the corporation, including the rapidly broadening base of stock ownership, and (b) the increased social consciousness of the corporation itself, we may be seeing the first stages of a new form of management that goes far beyond the so-called "Age of the Professional Manager."

Corporate Philosophy

What are some the specifics that are involved in today's pattern of board operation? In order to get a maximum number of ideas before you in our time limit, let me adopt a "scatter shot" approach by raising a number of related points. Let's begin with the question, "Who should be a director?"

First, I think the argument on the "outside vs. inside" board is **in itself** unrealistic. Just as in the question of cumulative voting, are we beginning to confuse means and ends? Isn't the real question, first, "What type of corporate philosophy do we want?" We have recently traveled quite far from the concepts of the old Dodge vs. Ford Motor Company case, and it appears that with wider stock ownership, Congressional hearings and all the other extra-corporate pressures we are heading toward an increasingly public-conscious operation. To the extent that this is so, the public-oriented board member (which **may** but does not **have** to be a so-called outside director) is going to assume increased responsibility and importance. But in spite of our recent stockholder suits on corporate educational gifts, it is interesting to note that we still have no definite case as yet spelling out just how far the corporation can and should go in operation "for the public." Perhaps not until we get a modern-day version of Dodge vs. Ford will we know the answer to this.

Once a specific corporate philosophy is evolved, then the question of how to measure the effectiveness of the board comes into play. Assuming a given mix of "balanced best interests," how can this mix be evaluated? The difficulty of doing this is, I believe, one of the roots of the proxy battle problem. Within the corporation itself the decisions of the line officer are independently checked through a process of control. But at the board level the board must speak for itself and justify its own actions (and with the additional difficulty that many of these "balanced best interests" have no quantitative yardsticks). It is true, as a generality, that the public evaluates the corporation, but when we speak of specific means of accomplishing this, it quickly reverts to the government being the evaluator. So, short of government intervention, I believe that the corporation must come up with a means of providing some form of independent check of its operations

For several months I have been refining an idea for an audit committee within the board itself, composed of board members of substantial standing and with no direct connection with the corporate results, to submit directly to the stockholders an independent report of the period's operation. While the notion itself is perhaps a bit unrealistic, still the problem remains and if initiative is not taken by the corporation, some other group will step in, with solutions that may be inimical to the interests of the corporation.

Obtaining a Good Director

Let's turn to another related question—"How does one obtain a good director?" My first point here is a negative one. It is probably going to be increasingly difficult to obtain outside directors. With the increased fear of the proxy battle and its attendant publicity and possible mud-slinging, I have found more and more directors taking a second look at their position. With today's emphasis on executive health and the recognition of job pressures as a factor in this health, the dangers of a directorship are becoming increasingly unpalatable. And, in passing, I think we should note a possible tendency toward complacency in many companies today in this area of stockholder insurgency. Such stockholder dissatisfaction, real or fancied, is not confined to those situations where a proxy contest is possible. I will grant you that most of the companies represented here tonight will never have a proxy contest (although we might have said this about Montgomery Ward several years ago). But you are not immune to insurgency and to most all the problems that can occur in a full-scale contest. I have recently seen such insurgency in some very unlikely spots. So to turn again to our director and his pressures, are we fulfilling his expectations in the face of some pretty nasty negative elements?

What motivates a man to accept a directorship? In my research I found two central elements. The first is the challenge—the opportunity to face intriguing decisions and to exercise judgment. Building this challenge would, of course, vary by companies. But, irrespective of the company, this desire would seem to dictate the use of adequate pre-meeting communications to the director and a strong **unilateral** willingness on the part of operating management to see that the director is fully informed. To my mind, one of the most dangerous tendencies I have seen in board operation is the situation where the board member attempts to himself initiate this communication with line operating officials below the level of the board. While the director can and should maintain informal contact with members throughout the organization, this must be done with extreme care, for in the final analysis the director's **only** official relationship is at the formal meeting of the board itself.

The other basic motivation is financial reward. This raises some rather complex questions, but let me say this in passing about the specific question of meeting fees and annual retainers. We would all agree that these are presently quite low on the average, as is shown in the recent research report of the Corporate Secretaries. The interesting thing to me, though, is that these appear not only to be important motivational devices, but important far beyond their relative value. Time and again I would hear a director comment with evident pleasure that he received X dollars with each meeting when this was only a minute part of his total income. I'm not sure I am able to explain this to my satisfaction, but at least it would appear that a director's fee has more value per dollar than would, say, income from investments.

One final point on the selection process itself is worth noting. In several of the recent proxy contests insurgents have raised questions concerning the rationale of specific past board selections. In several instances the corporate minutes were found to be very poor indicators of why certain nominations were made, and the defense of such nominations necessarily fell back to personal memory, with all the problems of subjective feeling attendant. While I am not suggesting that elaborate justifications be promulgated each time a nomination is made, I do feel that this will be an increasingly difficult problem deserving serious thought. Here again, of course, is where an independent audit committee concept might help. Certainly some such approach might ease the fears of prospective board members.

While we are speaking of selection we should also direct some attention to separation of directors. Not only is the pre-retirement removal of a director virtually an impossibility in most companies (despite the SEC rule), but the actual retirement process is, to coin a phrase, "too few and too high." As the recent Corporate Secretaries report has shown, few companies have **any** policy on fixed retirement of directors, and those that do very frequently have the age limit set mucn higher than that for officers and employees. It is true that not only does fixed retirement as a concept have its strong disadvantages, but also that retirement of directors at 65 would force the loss of many highly qualified and willing candidates. In fact, this is frequently a basic tool of director selection—to choose the retired line official. In the face of all these arguments, however, I feel more strongly each day that such policies are, on balance, unwise, both from the pragmatic point of defending the company against proxy-type sniping and also from the more realistic standpoint of the need for a fresh point of view. It is for this latter reason that I react emotionally to the use of the word "fiduciary" when speaking of board responsibility, for the concept of board trusteeship is considerably different from the trusteeship of an estate manager. The board member has not only the responsibility for **conserving** the corporate assets but also to put these assets to their most **fruitful use**. The lack of this second factor has been an element in not just some but many of the recent proxy contests.

Let's turn for a moment to the relationship of the corporate secretary to the board. One of the key functions of today's corporate secretary is that of stockholder relations. This is again a quite complex area and we can only cover a few basic points. Here are some of my feelings, looking at this function from the standpoint of an outsider.

First, I am disturbed by what is increasingly becoming a push and tug in two directions. On the one hand recent efforts by many companies have taken on all the negative connotations implicit in the term "Madison Avenue." I think we would all agree that a wholly public-relations-oriented approach to stockholder relations not only misses the mark in meeting the objectives of such a program but also may overtly do damage to previous relations. Often the slick paper annual report and the equally slick annual meeting and other trappings and accoutrements will both fail to communicate and actively repulse the recipients. The mushrooming growth of stockholder relations consultants has been marked by many of these myopic views (although we cannot make any blanket statements here). Enough said here, for you are all familiar with this side of the argument.

Now the other direction has equal dangers. The American public, stockholders included, are still notoriously fickle in their reading habits, and rightly or wrongly fond of the simplified, palatable statement. Any stockholder relations program must recognize this or it, too, will fail—if not actively, at least passively. I have talked with a good many of you here about this at one time or another. Yet I still find sizable reaction to what, as one secretary put it, "gimmicking up the program." But I submit that it is one thing to go overboard on devices and yet another thing to take those parts of public relations techniques that are useful and exploit them fully. In particular, the writing style of many people in this area is atrocious—either over-legalistic or patently over-compensated in the other direction and put in a patronizing fashion. I haven't been able to make my mind up yet about the new "Vice-President of Stockholder Relations" concept; but if it means clear writing about clear-cut and straight-forward corporate problems, I am all for it.

Of course a stockholder relations program is very much concerned with the larger investor and his advisers. Meetings with the security analysts and others of similar interests are a must for a realistic program. There is one group of very heavy investors, however, that concerns me very much. These are the institutions. I am sure that the relationships with many of your institutional investors are both frequent and rewarding. There is probably no single group of investors that is more sincerely informed and more willing to be realistic about corporate management. This, of course, is one of the important reasons for concentration of funds in the various institutional entities.

But an institution must constantly keep in mind its own position, particularly in what we might call the political sense. Many of our institutions have been whipping boys who have been built up to the public as tentacled monsters reaching out to exercise inordinate control over business. The Armstrong hearing, the Pujo hearings, the TNEC and their more recent counterparts are very real threats to many of our institutions. So it is often difficult for an institution to **initiate** any contact with a corporation in which it holds stock. This in effect says that the initiative should and must come from the corporation, not only to expedite the channels of communication but also to stand up and be counted if the channel is challenged on an unfair basis.

I have been particularly disturbed that some institutional holders have not been willing to vote their stock in a proxy contest when in actuality their votes may represent the most reasoned view of any outside holder. Yet I can see why they would fear the attendant publicity. To my mind, the initiative here must in the final analysis come from the corporation itself.

One final point: as the stockholder relations program becomes more important, which I think it must, whether we will subscribe to the term "stockholder revolution" or not, the job of corporate secretary will increase in responsibility and opportunity. Of course I shouldn't be telling you this for you already know it. But with most embryo professions a certain amount of missionary work needs to be done. Speaking from my point of view I would highly recommend close work with the business schools and the law schools, for your future secretaries will come from here.

*An address by Professor Broehl before the New York Chapter, American Society of Corporate Secretaries.

Secure Inv. Co. Opens

Secure Investor Company has been formed with offices at 15 East 40th Street, New York City, to engage in a securities business. Seymour J. Berman is a principal of the firm.

Form Union Co. Secs.

ELIZABETH, N. J. — Union County Securities Company has been formed with offices at 535 Morris Avenue to engage in a securities business. Kermit W. Oberlin is a principal.

Robert Morrison Opens

(Special to THE FINANCIAL CHRONICLE)

NEWTON, N. C. — Robert H. Morrison is engaging in a securities business from offices here under the name of Morrison & Company.

Industrial Activity Shifting from Gallop to Trot

N.A.P.A. May survey reveals change in over-all industrial activity from a "gallop" to a "trot" in terms of reductions in production and new orders, and some leveling off in commodity prices.

The composite opinion of Purchasing Executives who comprise the National Association of Purchasing Agents Business Survey Committee reveal in their May report, according to Acting Chairman Marshall Pease, Assistant Manager of Purchases, Detroit Edison Company, Detroit, that the pace of the over-all industrial stride, though far from sluggish, is tending toward a trot rather than a gallop. Not since early 1954 have so many shown a reduction in production and new orders. For example, the May returns have 28% reporting better production compared with 37% in April, and 21% showing reduced production against 14% a month ago. Those reporting production the same remained essentially unchanged, 51% in May and 49% in April. In the new order column, 33% report improvement compared with 36% a month ago, while 26% list a reduction in demand against 19% in April. No change in new order receipts is indicated by 41%, with 45% so reporting last month.

Commodity prices give some indication of leveling and inventories show little or no change. Employment is down slightly due to layoffs and bad weather. Some lengthening in lead time is noted in buying policies due to shortages of several basic materials.

Of those who answered a special survey of the effect of the policy of making price increases to cover all or part of expansion costs, 76% reported some or considerable effect from this factor on current prices. There were many who felt that increased prices may be necessary to recover such costs unless tax relief, depreciation and depletion allowances and improved productivity by workers can provide for the necessary expansion where materials are short.

Commodity Prices

The price pressures reported by Committee members last month have leveled off in May, with 61% indicating higher prices compared with 76% last month. In April 3% said prices were lower, while this month 5% showed declines. There were 34% listing prices the same, an increase of 13% over April. Sufficient inventories and a peak-off in nonferrous metals, steel scrap and rubber were the predominant factors in limiting the price spiral.

Inventories

The Committee members' reports reflect little change in the inventory price picture in May. Their statements indicate that the accumulation of goods as a hedge against further inflation has reached at least a tentative maximum point with deliveries of first quarter orders completed. In May 33% have higher stocks, no change is shown by 54% and 13% carry less inventory in this category than in April.

Employment

Those reporting employment as being less than a month ago, 18%, are the highest since January, 1955. Automobile layoffs and poor weather for farming and construction projects account for most of the concern about employment. There still is, however, a preponderance of those reporting employment unchanged, with 58% so stating. The 24% who report employment up express doubts of its continued high level unless there is a resumption of normal production in the automobile industry and no interruption in steel production.

Buying Policy

There is some indication of lengthening of lead time in the purchasing of production materials. The comments of the reporting members indicate this is due to shortages of many basic materials such as steel, copper, lumber, etc. Those ordering in the 60-day range increased to 39% and those in the 90-day range to 27%. A drop to 22% was noted in the 30-day lead time and to 3% on a hand-to-mouth basis.

No conclusions could be drawn on MRO supplies ordering since fluctuations were minor and followed no pattern. The percentages are: hand-to-mouth—15%, 30 days—38%, 60 days—30%, 90 days—14%, 120 days and over—3%.

For capital expenditures, as expected, there are still 62% reporting their buying in the 120 days and over category. Another 22% require at least 90 days lead while only 16% are satisfied with 60 days or less.

Specific Commodity Changes

Concern over possible steel strikes this Summer and current stock-piling have caused many more than usual to report noticeable shortages of a large number of steel items.

On the up side are: Aluminum, steel, steel pipe, magnesium, paper, corrugated cartons, vegetable oils, lumber, coal, gasoline, raw sugar, electric motors and electrical equipment.

On the down side are: Brass, copper, steel scrap, tin, scrap paper and rubber.

In short supply are: Aluminum, some copper items, nickel, steel (plate, shapes, structural, pipe, stainless, sheets), titanium dioxide, selenium, monel, paper, kraft papers, cellophane, lumber, electrical equipment and valves.

N. Y. Mun. Bond Club Elects New Officers

The 23rd annual field day and elections of the Municipal Bond Club of New York was held June 1 at the Westchester Country and

Monroe V. Poole

W. Neal Fulkerson, Jr.

Beach Club, Rye, New York. Robert R. Krumm, of W. H. Morton & Co. Incorporated, was general chairman of the outing, and Monroe V. Poole, of George B. Gibbons & Co., Incorporated, the retiring president, presided at the elections and the annual dinner.

New officers for 1956-1957 are: President: W. Neal Fulkerson, Jr., of Bankers Trust Company; Vice-President, Wilbur M. Merritt, of The First Boston Corporation; Secretary: Gerald W. Brewster, of F. S. Moseley & Co.; Treasurer: Frank E. Carter, Jr., of Equitable Securities Corporation; for members of the board of governors to serve for three years: James F. Gilbert of Hornblower & Weeks, and Charles F. Kavanagh, of Bacon, Stevenson & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The First National City Bank of New York announced on June 4 the opening of two additional branches in Puerto Rico, bringing to 68 the number of branches, offices, and affiliates overseas. The new branches are at Plaza de Colon in Mayaguez and at Hato Rey in San Juan. Miss Ana Cintron will be in charge of the Plaza de Colon, Mayaguez Branch, and Harry E. Viliavicencio will be in charge of the Hato Rey Branch.

* * *

At a regular meeting of the board of directors on June 5 **The First National City Bank of New York** appointed four Assistant Vice-Presidents. They are Albert W. Ambs, transportation department; Thomas J. Clough and Donald M. Lovett, domestic branch division; and William H. Youngblood, overseas division. All of the officers were previously Assistant Cashiers, except Mr. Clough who was an Assistant Manager.

* * *

John Joseph Lavelle of the Bronx, New York on May 31 became the eight millionth customer of **The First National City Bank of New York** to take out a personal loan. Mr. Lavelle went to First National City for a $312 loan to pay medical bills for his family. In recognition of the milestone achieved in its eight millionth personal loan, J. Andrew Painter, Vice-President in charge of the bank's Personal Credit Department, presented Mr. Lavelle with a check for the proceeds of the loan and immediately stamped the note "paid." As a special added gift, the bank opened a $100 savings account in Mr. Lavelle's name, and purchased tickets to a Broadway show for the family. First National City's eight millionth loan brings the dollar volume of personal loans extended since 1928, it is stated, to more than $3½ billion. Included in this total are more than 70,000 business loans to veterans totaling more than $150 million.

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At a meeting of the board of directors held June 5 **City Bank Farmers Trust Company of New York** appointed Gordon S. Ganong an Assistant Trust Officer in trust administration.

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The United States Trust Company of New York opened temporary quarters at 37 Broad Street on June 4, according to an announcement by Benjamin Strong, President. Over the weekend, the trust company moved from 45 Wall Street to allow the razing of its old building and the construction of a new one. This marks the first time in the company's 103-year history that it has opened its doors off Wall Street. Mr. Strong stated that "after completion of this structure, we will move back to the location on Wall Street that we have occupied since 1889. The new building to be erected and owned by the Metropolitan Life Insurance Co., will include the property next door now owned and occupied by the Atlantic Mutual Insurance Co. The Trust Company will lease, on long-term," said Mr. Strong, "banking space on the main floor, as well as the necessary upper and lower floors to accommodate our various departments comfortably, as well as to allow for future expansion." Commenting on the temporary facilities, Mr. Strong expressed the company's satisfaction with the building at 37 Broad Street and assured customers of ample space for all administrative, banking and operating departments.

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The board of directors of **Guaranty Trust Company of New York** on June 6 declared a quarterly dividend of 80 cents per share on the capital stock of the company for the quarter ending June 30, payable on July 16, to stockholders of record at the close of business June 15.

* * *

The election of Jack Martin Seiler as a member of the Board of Directors of **Trade Bank and Trust Company, of New York City,** was announced on May 29 by Henry L. Schenk, its President. Mr. Seiler is Executive Vice-President and Director of A. J. Armstrong Co., Inc., Factors, and the Brooklyn Loan Corp. Among his other interests he is also a partner in the City Industrial Co. In 1935 he founded Newmont Factors with his brothers. Following the purchase in 1941 by them of the A. J. Armstrong Co., Inc. which had been established in 1913, Mr. Seiler gave up the practice of the law to devote his time to commercial financing and factoring.

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A branch office of **The Greenwich Savings Bank of New York** on Park Avenue at 53rd Street was opened on May 31, it was announced by Earl Harkness, Chairman and President of the bank. The new office in the Racquet and Tennis Club building is at the center of a section of Park Avenue now being transformed from an exclusive residential thoroughfare to a business district. The Greenwich Savings Bank has three other offices serving more than 200,000 depositors. It is the third oldest savings bank in New York City and has resources of over $515,000,000.

* * *

C. William Borchers, President of **North Side Savings Bank of New York City** announced on May 31 the appointment of four Assistant Managers to serve the Main Office and three branch banks of the institution. Albert Beljean has been appointed Assistant Manager at the bank's Main Office at 185 West 231st Street; John Crinnian at the Third Avenue Office, near 162nd Street; William Dittrich at the Wakefield Office near East 233rd Street and John J. Silvi at the Bainbridge Avenue Office near 206th Street.

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The Dime Savings Bank of Brooklyn, N. Y. opened on June 1 four tellers' windows overlooking the sidewalk outside the entrance to its main office at DeKalb Avenue and Fulton Street. "The primary purpose is to extend the banking hours," it was explained by George C. Johnson, President. "In effect, the bank's business day will be extended by 7½ hours. Tellers will be at the sidewalk windows at 7:30 a.m., an hour and a half before the bank doors open, and until 9 p.m., six hours after the doors close. Mr. Johnson noted that "many people are unable to leave their places of employment to transact business during the normal 9 a.m. to 3 p.m. banking hours," and he added "we believe the sidewalk windows will prove an added convenience."

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The First National Granite Bank of Augusta, Me. has enlarged its capital to $700,000, a stock dividend of $100,000 having increased the amount of the capital from $600,000 previously. The enlarged capital became effective May 24.

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The appointment of Joseph W. Schiffenhaus of South Orange to the Advisory Board of the North Ward branch of the **Fidelity Union Trust Co. of Newark, N. J.** was announced on May 29 by Horace K. Corbin, Chairman of the Board and Roy F. Duke, President of the Trust Company, according to the Newark "Evening News." The branch is at 464 Broad Street. Mr. Schiffenhaus is the President of the Schiffenhaus Bros. of Newark.

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On June 4 the **Linares & Rescigno Bank of Paterson, N. J.** opened as the **Linares & Rescigno Office** of the **First National Bank & Trust Company of Paterson,** it was announced by F. Raymond Peterson, Chairman of the 1st National Board. The agreement between the banks, it was noted in our May 31 issue, page 2617, provided that First National would acquire the assets and assume the deposit liabilities of Linares & Rescigno at close of business June 1. Peter J. Rescigno became a Vice-President of 1st National and Manager of the Linares & Rescigno Office. Mr. Rescigno has been President of the Linares & Rescigno Bank since January, 1954, when he was promoted from Executive Vice-President. In 1953 he received the Order of Merit, Star of Solidarity from the Italian Government in recognition of his services in the reconstruction of Italy. The award was made in Rome while Mr. Rescigno was there as Treasurer and Chairman of the World Travel Congress of the American Society of Travel Agents. The Linares & Rescigno Bank was organized as a private bank in 1920 by Pasquale Rescigno, father of Peter J. Rescigno, and Emanuel C. Linares, Board Chairman of the Linares & Rescigno Bank. Emanuel C., Salvatore S. and John C. Linares, officers of the Linares & Rescigno Bank, and other staff members, will continue to serve their customers at the office, at 208 Market Street.

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Action on plans for the merger of the **Princeton Bank & Trust Co. of Princeton, N. J.** and the **Hopewell National Bank of Hopewell, N. J.,** under the title of the Princeton Bank & Trust Co. will be taken at meetings to be held on June 22 by the stockholders of the respective banks. If approved, it is stated, the merger will become effective July 2. As to the plans incident thereto the Newark "Evening News" of May 28 reported the following from its staff correspondent at Princeton:

"Under the plan, holders of the 10,000 shares of Hopewell bank stock will receive the same number of shares of Princeton bank stock, all being at $10 par value. Hopewell shareholders will benefit in that the adjusted book value of their shares will be increased by 35%, and the annual dividend rate will go from $1.60 to $2.40 a share, the latter being the 1955 rate paid by the Princeton bank, which it is expected will be maintained.

Total capital funds of the combined institution would be in excess of $1,600,000, represented by capital stock of $350,000, surplus of $900,000 and undivided profits of more than $350,000. If approved, the merger will go in effect as of July 2."

According to George R. Cook, III, Princeton President, his bank will gain $4,000,000 in deposits and will enjoy an increase in its legal lending limit.

Edward U. Hill is President of the Hopewell Bank."

The Farmers & Merchants National Bank of Winchester, Va., has increased its capital to $350,000, from $300,000 by the sale of $50,000 of new stock. The addition to the capital became effective May 26.

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A capital of $200,000 is reported as of May 21 by the **First National Bank of Bellevue, Ohio,** as compared with $100,000 previously, the amount having been enlarged to the present figure by a stock dividend of $100,000.

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In publishing a correction of an item in its "Weekly Bulletin" (No. 3270) dated May 7, the Office of the Comptroller of the Currency in the May 28 "Bulletin" (No. 3272) says: "Under date of May 7 an increase in capital of **First James River National Bank of Jamestown, N. Dak.,** from $100,000 to $200,000 was made by a stock dividend instead of by the sale of new stock." The earlier account in the "Bulletin" mentioning the raising of the capital by the sale of new stock was referred to in these columns May 24, page 2493.

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Thomas H. Flinn has been elected Assistant Vice-President of **The Groos National Bank of San Antonio, Texas.** He assumed the duties of his new position on May 23.

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Paul H. Toy, Vice-President of **California Bank of Los Angeles,** has been appointed administrative head of the bank's new **Brentwood Office** which opened for business on June 4, in temporary quarters at 11944 San Vicente Boulevard, Frank L. King, President, announced. John C. Hartshorn, Assistant Vice-President, and Eugino T. Fagnani, Assistant Cashier, will assist Mr. Toy in the management of the new bank. The Brentwood Office will be under the supervision of Wade E. Bennett, Vice-President in charge of the Hollywood-Brentwood area. Permanent quarters for the Brentwood Office, under construction at 11836 San Vicente Boulevard, will be ready for occupancy about Sept. 1, it is announced.

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As of May 23 the **First National Trust & Savings Bank of San Diego, Calif.,** reported a capital of $4,752,000, increased from $4,320,000 by the sale of 432,000 of new stock. In our May 17 issue, page 2366, it was indicated that effective April 27, the bank's capital had been increased to $4,320,000 from $2,160,000 following the payment of a 100% stock dividend incident to the issuance of 43,200 additional shares of capital stock (par $10) offered to stockholders on the basis of one new share for each 10 shares held as of April 25.

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Allen T. Lambert has been appointed General Manager of **The Toronto-Dominion Bank of Toronto,** it was announced by the bank on June 1. Mr. Lambert succeeds William Kerr who, on the advice of his medical advisers, asked to be relieved of his responsibilities as General Manager. Mr. Kerr will continue as Vice-President and Director. Not only is Mr. Lambert the youngest General Manager of any Canadian bank, but it is indicated he is one of the youngest General Managers in the history of The Toronto-Dominion Bank and its predecessor institutions. Since December, 1953, he has been an Assistant General Manager. Mr. Lambert has risen to his present post from the position of a junior clerk. Though only 44 years of age he brings to his new position 29 years of banking service, having entered the bank at Victoria at the age of 15. Born in Regina his family shortly after located in Victoria, at which place he entered the bank and later served in Vancouver branches. In 1940 he was moved East as accountant at Brockville. In 1943 he was commissioned in the Royal Canadian Navy as a Lieutenant and served until 1945. On his discharge from the Navy he joined the staff of the St. James & McGill branch in Montreal. In 1946 he was appointed Manager at Yellowknife, N. W. T. From December, 1947, he was successively Inspector in the Western Department, Winnipeg; Supervisor, Head-Office; Assistant Manager, St. James and McGill Branch, Montreal; Superintendent, Head Office; and Assistant General Manager.

Allen T. Lambert

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R. S. Waldie has resigned as Chairman of the Board of the **Imperial Bank of Canada at Toronto,** according to Toronto advices to the Montreal "Gazette" of May 31, which notes that he has been elected Honorary President, and continues as a Director.

The "Gazette" adds:

L. S. Mackersy, President and Chief Executive Officer, was elected Chairman and Chief Executive Officer. J. S. Proctor, Vice-President, and General Manager, has been elected President. E. J. Freisen, Assistant General Manager, has been appointed General Manager.

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From the Montreal "Gazette" of March 31 it is learned that Salter A. Hayden, Q.C., LL.D., a member of the Senate of Canada, Senior Partner of McCarthy & McCarthy, and Vice-President of United Steel Corp., Ltd., was elected a Director of **The Bank of Nova Scotia** at a recent meeting of the directors.

Dempsey, Van Ingen, Haiback & Gray to Be Hill Darlington Partners

Hill, Darlington & Co. have applied to the New York Stock Exchange for approval of the admission as general partners of four of the present officers of B. J. Van Ingen & Co., Inc. Contingent upon Exchange approval, B. J. Van Ingen & Co., Inc. will become a corporate affiliate of Hill, Darlington & Co. and its municipal bond business will be continued in the same manner as heretofore.

The affiliated firms will have offices at 57 William Street, New York, (where the new partners, L. Walter Dempsey, Duncan C. Gray, Albert F. Haiback and Bernard J. Van Ingen, Jr. will make their headquarters), Binghamton, N. Y., Miami, Fla., Chicago, Ill., and 41 East 42nd Street, New York. They will have a direct wire system to Chicago and Miami.

It is expected that L. Walter Dempsey will be elected president of B. J. Van Ingen & Co. Inc. and that Peter Darlington will be elected a vice-president.

Opens Office

BROOKLYN, N. Y. — Ruth Vidockler is conducting a securities business from offices at 3163 Coney Island Avenue.

Wolf-Mayer Assoc. Formed

FAR ROCKAWAY, N. Y.—Wolf-Mayer Associates, has been formed with offices at 1847 Mott Avenue to engage in a securities business. Harold Wolf and Arthur E. Mayer are partners.

Money Squeeze Increasing Steel Strike Danger, According to Eliot Janeway

Economist claims money squeeze is more irresponsible than the one in 1953 and has brought on: increased steel strike chance, collapsing confidence, sales downturn, and risklessness in steel inventorying. Describes our New Era economy wherein consumer demand rises after wages and prices go up.

Purchasing Agents have done right to have been accumulating as much steel inventory as they could and they will need and profit from every extra pound they can get between now and July 1, Eliot Janeway, President of Janeway Publishing and Research Corporation and publisher of Janeway's Memos declared May 22 at Cleveland, Ohio. Steel buying is falling fast, but no fall in steel buying can stop the coming steel price increase.

Eliot Janeway

Inventories are rising and confidence is falling, Mr. Janeway told the Forty-first Annual International Convention of the National Association of Purchasing Agents at the Hotel Cleveland. New orders on the steel mills are falling even faster than confidence. Nevertheless, steel inventories at present prices represent the rarest of all investments—a really sure thing, full of profit, yet free from risk.

Continuing, Mr. Janeway said: "The place to look for the answer to the question, which way steel after July 1?, would seem to be Pittsburgh—will there be a steel strike? Or Detroit — will automotive buying recover and stay up? But neither the steel nor the automobile industry can supply the answer to either question. The place to look instead is Washington.

"The reason is simple. Just because our economy runs on wheels and with steel, it runs on money —and money is made in Washington. Washington is to cash-and-credit what Pittsburgh is to steel and Detroit to automobiles. And Washington has mis-spent the critical spring of 1956 tying up the sources of the country's spending money.

Stopped Producing Money

"Detroit can't make cars without steel and it can't sell cars without money. Detroit and Pittsburgh want to work, but Washington is on strike. It has stopped producing money. The effect on the economy is as costly as strikes and lock-outs always are — sales down, shutdowns spreading, inventories up, confidence collapsing.

"Strikes are as habit forming as sales. A prime effect of Washington's money strike is to increase the chances of a steel strike from a possibility to a probability. The cloudier the third quarter steel prospect is made by Washington, the blacker the steel strike cloud will become in Pittsburgh.

"Another 'agonizing reappraisal' is in order for the Administration. This time not of foreign, but of domestic, policy. The Administration will do well to look at the situation as the employees of industry—who are also the customers of industry—are bound to see it; more particularly, as steel labor is bound to see it.

"1956 began with business at a new peak. May saw profits soar. But June is bringing a new and real recession scare. Around the corner, October is waiting and ready to climax the political campaign on the prosperity issue. The more serious the June scare—and Washington's stubborn money squeeze is making it very serious —the more certain steel labor is to doubt that business can really be good for stockholders in May and for voters in October, but bad for labor negotiations in June.

Management in the Middle

"Steel management is caught in the middle of the money squeeze being made in Washington. As Washington dries up credit, steel buying for the credit sensitive areas of the economy collapses, and so does confidence. Thirty days ago, steel management felt confident enough to buy labor peace at any price. Labor wants its price. But the delivery pressure is no longer on steel management to buy labor peace. And customer pressure—most conspicuously from General Motors itself —is on the Adminstration to send its monetary theorists back to the Ivory Tower they've come from. Nevertheless, it may very well take a steel strike to end the money strike in Washington and to scare the Administration into pumping the needed borrowing-and-buying power back into steel consuming channels.

"Beyond the July 1 steel strike deadline, the question about money policy turning easy again is not whether, but when. Economic distress has no difficulty transforming itself into effective political protest — even between elections. Political protest ended Washington's last experiment in monetary irresponsibility during the 1953 off-year. 1956's experiment is even more irresponsible, and it will be ended even more decisively—and this year.

"1956 steel inventories remain a sure thing investment even though the next upturn in steel buying does depend on a 'when' answer. The worse the steel outlook, and the greater the strike danger, the more valuable steel inventories—especially as Detroit defends itself against the Administration's monetary policy by rushing its new models into early production. Beyond July 1, the sharper the money squeeze on the economy, the more powerful the coming credit inflation will be by campaign-oratory time — so that all the steel bought at pre-campaign prices will be rationed again at campaign-time prices.

New Era Economy

"The appearance of risk in the rise of steel inventories, and the reality of risklessness in steel inventorying, point a powerful moral for the great debate over our economy: are we in a New Era? The facts of the steel situation show that we are. Steel demand is down. But labor demands are up. If we were not in a New Era, steel pricing would still be sensitive to falling customer demand. Instead, steel pricing will ignore the fall in customer demand and rise with wages. And customer demand will rise again after wages and prices have gone up again. This is a prime reality of New Era political economy, and it has obsoleted the orthodox Old Era monetary policy being fiddled with in Washington.

"Political campaigns always produce surprises, and 1956 already has. Thus, the Administration has been pressing steel management to buy labor peace, and the Steelworkers Union has been regarding the Administration's stake in the prosperity issue as reason for expecting to be bought off. But the Administration's ill-conceived and ill-timed monetary policy is frustrating its political strategy of avoiding a steel strike, and it is also piling up personal pressure on President Eisenhower for still another 'agonizing reappraisal'—of his political decision not to campaign."

First Nat'l City Group Offers $30 Million New York City Bonds

The First National City Bank of New York is manager of an underwriting syndicate which was awarded on June 5 an issue of $30,000,000 City of New York, School Construction Bonds, due June 15, 1957 to 1971, inclusive. The group bid 100.0399 for 2.80s, representing a net interest cost or 2.7950%.

Reoffering of the bonds is being made at prices to yield from 2% to 2.80%, according to maturity.

Other members of the offering group are: Bankers Trust Company; Guaranty Trust Company of New York; Harriman Ripley & Co. Incorporated; Smith, Barney & Co.; The First Boston Corporation; Halsey, Stuart & Co. Inc.; The First National Bank of Chicago; C. J. Devine & Co.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co.

Continental Illinois National Bank and Trust Company of Chicago; Kidder, Peabody & Co.; Phelps, Fenn & Co.; White, Weld & Co.; Eastman, Dillon & Co.; The First National Bank of Portland, Oregon; Ladenburg, Thalmann & Co.; Mercantile Trust Company, St. Louis; Shields & Company; Ira Haupt & Co.; W. H. Morton & Co. Incorporated; Clark, Dodge & Co.

Dean Witter & Co.; Kean, Taylor & Co.; Estabrook & Co.; Geo. B. Gibbons & Company Incorporated; Hayden, Stone & Co.; Roosevelt & Cross Incorporated; Bacon, Stevenson & Co.; Braun, Bosworth & Co. Incorporated; Dominick & Dominick; F. S. Smithers & Co.; Coffin & Burr Incorporated; Lee Higginson Corporation; Eldredge & Co. Incorporated; Robert Winthrop & Co.; C. F. Childs and Company Incorporated.

G. H. Walker & Co.; R. L. Day & Co.; Dick & Merle-Smith; W. E. Hutton & Co.; Manufacturers and Traders Trust Company of Buffalo; R. H. Moulton & Company; The National City Bank of Cleveland; Andrews & Wells, Inc.; Bacon, Whipple & Co.; Baker, Weeks & Co.; Rand & Co.; Thomas & Co.; Hannahs, Ballin & Lee; Shelby Cullom Davis & Co.

J. Dudley Lawn Opens

(Special to THE FINANCIAL CHRONICLE)

TURLOCK, Calif. — J. Dudley Lawn is conducting a securities business from offices at 1674 East Marshall Street.

W. A. Quick Opens

(Special to THE FINANCIAL CHRONICLE)

BELLINGHAM, Wash.—William A. Quick is engaging in a securities business from offices in the Bellingham National Bank Bldg.

Form Keith Richard Secs.

Keith Richard Securities Corp. has been formed with offices at 79 Wall Street, New York City, to engage in a securities business. Officers are William E. Rubenstein, President and Treasurer, and Julius Silver, Vice-President and Secretary.

Jonas Relin Opens

LAS VEGAS, Nev. — Jonas P. Relin is conducting a securities business from offices at 108 North Third Street.

Henry Bruenn Opens

RATHDRUM, Idaho—Henry E. Bruenn is engaging in a securities business from offices here.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

In recent years there has not only been a tendency to widen the field of states that permit their state-chartered savings banks, trust companies, pension and legal trust funds to utilize bank stocks as investments; but even in the states that have for many years made bank shares eligible there has been a liberalization of some of the legal provisions, the effect of which is to enlarge the list of legals. And most states that make bank shares thus eligible have applied less onerous restrictions to the stocks of their own banks to qualify than to out-of-state issues.

For example, New Hampshire which, among other restrictions, requires out-of-state banks to be members of the Federal Reserve System if their stocks are to qualify as legals, imposes no such test to the stocks of New Hampshire domiciled institutions. And several other qualifications likewise favor the home-grown bank. Of course the theory behind this more liberal treatment of their own banks is the fact that they are already subject to examination by their own bank commissioner's office, and these supervisory authorities thus keep close watch over the bank's affairs.

As an indication of the trend in admitting more bank stocks to the lists of legals, it was a relatively few years ago when few, if any, banks outside New York City, Boston, Philadelphia (and, of course, New Hampshire) were able to qualitfy for one reason or another. But the November, 1955. list of legals issued by the New Hampshire bank commissioner, contained 54 banks, country-wide, exclusive of New Hampshire domiciled institutions.

Another noteworthy extension of the legal list in the same state was the admission a few years ago of open-end investment trusts, subject, of course, to certain restrictions, such as assets size, unbroken dividend record, number of years in existence, etc. Indeed, the list of eligible investment trusts has increased considerably, percentagewise, in the past five or six years; and many investment trusts carry large holdings of bank shares.

Rhode Island is another state where there has been a broadening of the list of eligible securities, and particularly equities, for the investment of savings banks' funds. There, there has been admittance of both open-end and management type of trusts. Bank stocks, of course, have long been among the mainstays of the legal list in this state. As in a number of other states where bank stocks are legal investments, the investing banks are subject to restrictions as to the amount of any single stock that may be purchased at a given time, and the amount (often related to deposits) of all bank stock holdings that may be carried.

In New York State attempts are being made at legislature sessions to get through a bill legalizing bank stocks as media for savings bank investments. But news reports have indicated that some of the up-state banks are fearful that savings banks in their areas might acquire substantial holdings of the commercial banks such as to give them control in some cases. This reasoning seems to be somewhat labored as the law would restrict the investing bank as to the amounts of stock of any single bank that could be acquired or held. And in any case, the law makers would be quick to act to prevent any such threat of control being concentrated in one or more savings bank. The use of stocks of commercial banks for savings bank investment would benefit the latter if only by reason of the excellent yields, and well secured yields, at current prices. Present dividend pay-out ratios to operating earnings are highly conservative.

Connecticut is another example of changing requirements. As recently as 1952 the state's geographical provision restricted savings banks to investments in the stocks of banks "located in this state, in the City of New York in the state of New York, in the City of Boston in the State of Massachusetts, or in the City of Philadelphia in the State of Pennsylvania." And, of course, there were other restrictions such as dividend continuity. Today the geographical test is whether the contemplated bank stock is that of a bank located in a city with a head office of the Federal Reserve.

A detailing of some of the state restrictions may be of interest for a future discussion.

Golf Clinic to Feature Bond Club Field Day

A golf clinic, designed to show bond men how to beat par, will be an innovation of the sports program at the Bond Club Field Day to be held at the Sleepy Hollow Country Club next Friday, June 8.

Four well-known golf professionals—Shelley Mayfield, Jimmy Thompson, Bobby Watson and Al Collins—will be on hand to show Wall Street golfing enthusiasts how to improve their strokes and putts.

The clinic will follow the annual Bond Club golf tournament to be played over the Sleepy Hollow course. A record turnout of Wall Street's best golfers is predicted by Robert H. Baldwin, Chairman of the Golf Committee. Three trophies are at stake for low gross, low net and match play against par.

Other sports events on the Field Day program include the Bond Club tennis tournament, a horseshoe pitching tournament and a hole-in-one contest.

Public Utility Securities

By OWEN ELY

Columbia Gas System

Revenues of Columbia Gas, the largest gas utility system, are growing rapidly, having increased from $62 million in 1938 to $87 million in 1945, and from $160 million in 1950 to $304 million in 1955. It is an integrated system with production, transportation, wholesaling and retailing. The system directly and indirectly serves a population of about 12,500,000 in some 1,800 communities. The direct load serves 1,303,496 customers in some 1,309 communities; wholesale reaches over 1,600,000 additional customers through 105 utility customers. Of the population served at retail 43% is in Ohio, 28% in Pennsylvania, and 17% in West Virginia, with the remaining 12% in Kentucky, New York, Virginia and Maryland. Among the major cities served are Toledo, Cincinnati, Dayton and Columbus, Ohio; parts of Pittsburgh and Harriburg, Pa.; Washington, D.C.; Baltimore, Md.; Richmond, Va.; and Binghamton, N. Y.

Of the company's revenues from gas (99% of the total) about 49% is residential, commercial and municipal, etc.; 17% industrial; and 34% sales to other utilities. The System has a strong competitive position in Ohio where it does its major residential business. Thus in Columbus annual domestic fuel costs for the average small home have been estimated at $183 for fuel oil, $118 for bituminous coal and only $86 for natural gas.

The company's industrial sales are well diversified, the largest industries served being steel, glass, ceramics, machinary and appliances, which together account for 77% of the total, with the remainder scattered among a number of other industries.

Years ago the System produced a substantial amount of its natural gas requirements in the Appalachian fields (including some purchased gas). However, production in this area has gradually declined while total sales were increasing, so that only about 12% of gas needs are now obtained from company wells. Thus, the company last year spent $147 million or nearly half its revenues for gas purchased from Texas Eastern Transmission and Tennessee Gas Transmission, etc. Eventually, Columbia will get about 1 billion cf. a day from the southwest under present contracts. The System has also developed substantial storage facilities. Thus on a peak day in 1955, 46% of output came from storage, 41% from Southwest gas and 13% from Appalachian sources.

The company in recent years has maintained a strong capital structure, which in 1955 was as follows:

	Millions	Percentage
Senior debentures	$303	51%
Subordinated debentures,* etc.	27	5
Common stock equity (19,804,000 shs.)	263	44
	$593	100%

*Subordinated debentures are convertible into common stock to Dec. 31, 1958, at the rate of 7½ shares for each $100 of debentures.

Columbia Gas has gone through a long process of corporate simplification. In 1944 the System contained 43 corporations, but this has now been reduced to 16; with one small exception these are 100% owned by the parent company, and there are no subholding companies, so that the public's investment is entirely in securities of the holding company.

Thus, from a financial angle a great deal has thus been accomplished. From a regulatory angle, however, there are still a number of problems resulting from three factors: the changed source of the gas supply of the System since 1946, the movement of gas across corporate and state lines within the System, and the resulting multiple regulation of certain subsidiaries by seven state regulatory commissions and by the FPC.

Since 1951, when the System encountered its first major increase in cost of gas from the southwest suppliers, the situation has become more and more involved. From 1951 through December 1954 further rate increases granted to interstate suppliers of Columbia brought the total to about $25 million annually. This involved a series of about 80 rate proceedings, with resulting financial losses due both to delays inherent in regulation and those caused by the adverse corporate setup. Thus, the company failed to earn its dividends in 1952-3 despite efforts to speed rate relief. The necessity for rapid expansion and heavy financing compounded the difficulty.

The management is now working on a program to change System corporate structure so as to make a better distribution of regulatory power between Federal and State authorities. This will lighten the work of the commissions, reduce the number of proceedings, and presumably cut down "regulatory lag." This objective could be accomplished if all System production and the interstate transmission properties subject to Federal jurisdiction were owned by a single company, and if all properties subject to state jurisdiction were owned by a single company in each state. It may take some time to accomplish this objective.

The Earnings Record Has Been as Follows:

Year	Net Income (Mill.)	Share Earnings	Dividends per Share	Percentage Payout	Approx. Price Range
1955	$24	$1.20	$0.90	75%	17—16
1954	20	1.09	0.90	83	17—13
1953	11	0.65	0.90	138	15—13
1952	13	0.79	0.90	114	16—13
1951	17	1.17	0.90	77	16—13
1950	17	1.18	0.75	64	14—11
1949	12	0.86	0.71	83	13—10
1948	14	1.12	0.75	67	15—10
1947	16	1.34	0.75	56	13—10
1946	15	1.19	0.30	25	14— 9
1945	12	0.98	0.20	20	12— 4

For the 12 months ended March 31, 1956, earnings were $1.36 vs. $1.11. These recent earnings were increased by larger heating sales stimulated by colder weather, larger domestic sales, etc. However, they included 28c of contingent earnings reflecting revenues collected under bond, as compared with 10c in the previous period.

Columbia Gas has been selling recently around 15½ to yield 5.8%. Based on the recent earnings of $1.36 the price-earnings ratio is only about 11.5 compared with an industry average of about 13.5. However, the market is doubtless influenced somewhat by the two special factors—the temporary effect of cold weather, and the contingent earnings.

Is There a Wage-Price Spiral?

Guaranty Trust's June "Survey" finds wage-price spiral tends to cheapen the dollar due to money wages exceeding productivity gain since World War II.

If official figures are to be relied upon, it is beyond doubt that the rise in money wages in American manufacturing since World War II has exceeded the gain in productivity, according to the June issue of "The Guaranty Survey," monthly review of business and financial conditions of Guaranty Trust Company of New York.

"It is also beyond question that the resulting rise in unit labor cost has been roughly paralleled by the increase in the price of the product," the Survey continues. "This means that the increase in money wages over and above the rise in productivity has been largely or wholly lost to the workers, since they have to pay correspondingly more for the product. It also means that persons dependent upon fixed incomes, such as bondholders, pensioners, annuitants, beneficiaries of trust funds, and educational and philanthropic foundations have suffered a reduction in their real incomes by reason of the rise in prices. It means that bank depositors and other owners of property expressed in fixed dollar amounts have been deprived of part of the real value of their holdings.

"Other studies covering even longer periods indicate that wage increases in excess of the rise in productivity tend to be absorbed in the price of the product, limiting labor's real gain to the actual increase in average output per man-hour. Such studies have been carried back far beyond the war and postwar years of strong unionism. They have been carried through periods of prosperity and depression, through periods of rising and declining prices, production, employment, wage rates, and hours of labor, and even through periods of price and wage controls. They show that disparities between the relative movements of labor costs and prices are only temporary. Not only are labor's gains limited by the rise in productivity, but they occur as a natural accompaniment of the rise in productivity."

Citing some of the "widely varying opinions that have existed regarding the annual 'rounds' of wage increases since World War II," the Survey adds, "One of the most widely held is that union pressure may raise money wages but that unless the increases are matched by corresponding rises in productivity, the resulting advances in costs of production force prices upward, depriving workers as a whole of the benefits of the higher wage rates, besides impoverishing persons dependent upon fixed incomes.

"This opinion seems to be the one most generally held in business circles. It is accepted also by some spokesmen for organized labor.

"Is actual union behavior in line with this view? Have unions limited their demands for wage increases to correspond with gains in productivity? Or have they demanded and obtained increases exceeding the gains in output per man-hour?

"The statistical record shows that money wages have risen faster than productivity and that the average unit labor cost has risen accordingly. It shows further that changes in the unit labor cost tend to be accompanied by corresponding changes in the price of the product, wiping out labor's apparent gains and serving only to cheapen the dollar. It shows that labor's real and lasting gains come from rising productivity, and from this alone.

"Since World War II this necessary correspondence between productivity and real wages has involved increases in both wages and prices. In this sense, there is undeniably a wage-price spiral which is tending to cheapen the dollar year by year and which can be eliminated only if wage increases can be held in line with gains in productivity. Signs that this spiral is now in an active phase raise the question as to how a monetary policy aimed at a stable dollar will deal with it, and what the effects on business may be."

White, Weld Group Underwrites Northwest Production Offering

Northwest Production Corp. is offering holders of the common stock of Pacific Northwest Pipeline Corp. rights to subscribe for 2,811,973 shares of Northwest Production common stock at $1.10 per share, on the basis of one share of Northwest Production common for each share of Pacific Northwest Pipeline Corp. common held of record May 29, 1956. The subscription offer will expire at 3:30 p.m. (EDT) on June 14, 1956. Subject to allotment, holders may subscribe for any unsubscribed shares.

White, Weld & Co. heads an investment banking group which will underwrite the offering.

Simultaneously, Northwest Production Corp. is offering to certain of its key employees and those of Pacific Northwest Pipeline Corp., non-transferable rights to purchase an aggregate of not more than 200,000 shares of the common stock of Northwest Production Corp.

Net proceeds from the sale of the total of 3,011,973 shares of Northwest Production common stock will be used by the company for exploration and development drilling on existing acreage and for the acquisition of additional acreage interests.

Northwest Production Corp. was formed by Pacific Northwest to engage in the exploration for and the production of oil and gas. All of the 6,664,000 presently outstanding shares of common stock of Northwest Production are owned by Pacific Northwest. Since its organization, operations of Northwest Production have been limited principally to the acquisition of oil and gas leases covering approximately 83,560 acres in the San Juan Basin in New Mexico and Colorado. Pacific Northwest Pipeline Corp. is presently constructing a natural gas pipeline system extending from points in New Mexico and Colorado to markets in Colorado, Utah, Wyoming, Idaho, Oregon and Washington.

Associated with White, Weld & Co. in the underwriting are: Kidder, Peabody & Co.; The Dominion Securities Corp. and Union Securities Corp.

M. Goodbody Honored By Osteopathic Society


Marcus Goodbody

Marcus Goodbody, senior partner of the brokerage house of Goodbody & Co., was honored last evening by the members of the Osteopathic Profession of this city.

At the annual dinner-dance meeting of the Osteopathic Society of the City of New York, held at the Hotel Statler, Mr. Goodbody was presented with a portrait of himself painted by the noted artist, Mr. Frank Slater. Tribute was paid Mr. Goodbody for having served 40 years on the board of directors of the Osteopathic Hospital and Clinic of New York.

Mr. Goodbody first became interested in osteopathy about 45 years ago through the illness of his son and from that time on has always championed the cause of the osteopathic profession. Shortly after the original clinic was opened in 1914, Marcus Goodbody was added to the board of directors of the clinic and was later elected Treasurer. During the next 40 years, Mr. Goodbody put a great deal of care, thought, and energy into improving the clinic which now has 10,000 patient visits per year, and two years ago was instrumental in acquiring the 61 bed LeRoy Hospital for the clinic.

Mr. Goodbody was also connected with many of the fund raising campaigns of the clinic and has been a substantial contributor. Through his able leadership, Mr. Goodbody's firm has grown from three employees to its present position of 1,000 employees.

Halsey, Stuart Group Offers Commonwealth Edison 3½% Bonds

A group of underwriters headed by Halsey, Stuart & Co. Inc. on June 6 offered publicly $40,000,000 of Commonwealth Edison Co. first mortgage 3½% bonds, series R, due 1986, at 100% and accrued interest. The group won award of the bonds on June 5 on a bid of 99.43%.

Proceeds from the sale of the bonds are to be applied toward the cost of additions to electric utility properties of the company and its subsidiaries. The construction program as now scheduled calls for the expenditure within the next four years, of approximately $600,000,000, of which approximately $140,000,000 will be expended in 1956.

The new bonds may be redeemed at the option of the company at prices ranging from 103½% to 100%.

Commonwealth Edison Co. and its subsidiaries supply electricity in an area of approximately 11,000 square miles in northern and northeastern Illinois, including the City of Chicago.

Provincial American Securities Formed

Provincial American Securities, Inc. has been formed with offices at 50 Broadway, New York City to engage in a securities business. Officers are Stanley I. Younger, President; Abraham Jacobs, Secretary; and Maurice L. Cohen, Vice-President and Treasurer. Mr. Younger was previously with Charles King & Co. and Savard & Hart. Mr. Cohen was with Bernard & Co.

1,300,000 Housing Starts Possible: Cole

Administrator of Housing and Home Finance Agency contends original estimate of 1956 output can be achieved provided there is a significant increase in flow of mortgage funds. Says he will "vigorously" urge in government counsels that housing market is not unduly handicapped by credit policies deemed necessary in general interests of whole economy.

A goal of 1,300,000 housing starts for 1956 is not only desirable but is still possible, according to Albert M. Cole, Administrator of the Housing and Home Finance Agency. However, he added, the total cannot be achieved unless there is a significant increase in the flow of mortgage savings. Mr. Cole, in his statement to the National Association of Home Builders on May 23, asserted he would press "vigorously in Government counsels" that the housing market is not unduly handicapped by the current restrictive credit policies deemed desirable for the economy as a whole.

Albert M. Cole

Text of Mr. Cole's statement follows:

"The present situation with respect to mortgage financing has raised a question as to whether my estimate of 1,300,000 housing starts this year can be achieved. I believe, however, that 1,300,000 starts for 1956 is not only desirable but is still possible.

"We have the market for the housing. We have the capacity and the labor and materials to produce it.

"But I must say frankly that we can't achieve this total unless there is a significant increase in the flow of mortgage funds to serve our demands.

"This is first of all the responsibility of the private market. Private lenders have a prime responsibility to keep a steady supply of mortgage credit flowing at sufficiently liberal terms to support the mass market demand. Even with higher competitive money rates, I think we can and should have a more adequate flow of housing credit than is evident to date in the interests of stability and sound housing investment.

"Builders, also, have a responsibility to seek out this financing, and to meet the competitive demands for capital in other fields with their own competitive effort. In view of our market and capacity, this is not a time to hold back or retreat on the homebuilding front.

"The Government as well, I fully recognize, has a responsibility. I expect to represent vigorously the requirements of the housing market in the counsels of Government, and to see that it is not unduly handicapped under credit policies found necessary in the general interests of the whole economy. We will, of course, examine our Agency authorities for any appropriate actions that may be called for at this time. I am also hopeful that certain provisions of pending legislation, such as the reduction in the FNMA stock purchase requirements will be favorably acted upon by the Congress at an early date and assist in improving the supply of mortgage funds.

"We have the demand. We have the capacity. We must compete for the financing. That, I think, we can do with understanding of our housing needs for the lenders, with vigorous effort by the builders, and with sympathetic support by the Government."

Wants Gold Standard in GOP Platform

Frederick G. Shull reviews, in chronological sequence, position taken on gold by prominent Americans, in urging stand be taken on prompt return to gold Standard.

At a meeting of the Republican Platform Research Committee, held in New Haven, May 10, Frederick G. Shull presented a plea that "the Connecticut Republican organization is hereby urged to request the Republican leadership in Washington to promptly return this Nation to the Gold Standard—a monetary policy thrown overboard by the New Deal in 1933—since such restoration of **honest money** was promised by the Republican Platform of 1952.

Frederick G. Shull

"I now present a chronological summary of the opinions of our great leaders throughout our history as a nation, starting with the specie-backed money initiated by Alexander Hamilton and his coworkers in 1792; and continuing with Daniel Webster's declaration in 1834 that 'all bank-notes, to be safe, must be convertible into gold and silver at the will of the holder'; John Sherman's 'Resumption Act of 1875' which restored our currency to the Gold Standard in 1879—and I call to your attention the fact that John Sherman was one of the founders of the Republican Party in 1854.

"Andrew D. White's 'Fiat Money Inflation in France,' helped to develop the necessary public opinion in favor of Sound Money in the 1870s; Henry Cabot Lodge was the author of the Gold Standard plank of the Republican platform of 1896; and President Theodore Roosevelt, during his occupancy of the White House, was almost constantly emphasizing the importance of Sound Money under the Gold Standard.

"I also draw your attention to Andrew Carnegie's statement in 1908: 'There is only one substance in the world which cannot fall in value, because it is in itself the world's standard of value, and that is gold'; and Andrew W. Mellon's declaration in 1924: 'In so far as this government is concerned its policy has been to maintain the gold standard unimpaired'."

"Raising the official-price of gold from $20.67 to $35 an ounce in 1933 resulted in a quick profit of **$3 billion** to the Government; but it also robbed the people of more than **$50 billion** of the real value of their dollar-savings, since it cut the **value** of the Dollar by 41%—resulting in the Inflation we have experienced these past 20 years. And I inform you that a Washington lobby of gold-producers is trying to get the official-price of gold raised to $70 an ounce—which mean a 50% **devaluation** of our present dollar, and would be bound to result in further Inflation.

"The late Professor Edwin W. Kemmerer, of Princeton, in the last paragraph of his book 'Gold and the Gold Standard,' published in 1944, urged that, as soon as World War II was over, 'the United States declare its intention to rehabilitate its own gold standard,' with the value of the dollar firmly fixed at $35 an ounce and the privilege of redeemability, on demand, restored at that fixed 'value.' And I re-emphasize that Connecticut Republicans could render a great service to the Nation by demanding that the national leadership return this Nation to the Gold Standard.

"In conclusion, I now paraphrase the words of William Jennings Bryan's famous crown-of-thorns, cross-of-gold speech of 1896—and I direct that 'paraphrase' at the Republican leadership in these words: 'You **shall not** press down upon the brow of the American people this New Deal **paper hat**; you **shall** restore our **gold helmet**!'"

S. F. Exchange TV Program Inaugurated

SAN FRANCISCO, Calif.—American business is the subject of a new television documentary series entitled "Men, Money & Markets" to be presented by KPIX every Sunday from 3:30 to 4:00 p.m. The series started June 3.

Produced in cooperation with the San Francisco Stock Exchange and the Adult Education Division of the San Francisco Public Schools, the program will deal in layman terms with the basic workings of the American economic system, with particular emphasis placed on the role of the stock exchange and the broker in facilitating the effective use of money.

Dr. John Clark, professor of language arts at San Francisco State College, will be narrator for the series. Ronald Kaehler, President of the San Francisco Stock Exchange, will also take part in the programs.

The following is a list of the subjects to be covered in the first few programs:

June 10—"The Birth of a Stock Exchange," relating the history of the stock exchange idea.

June 17—"The Investment Banker," showing how he helps produce the capital needed by business.

June 24—"The Brokerage Office," showing how securities are sold to the final investor.

July 1 — "The Government Agencies," and their role in protecting investors.

July 8—"The Benefits for Labor," telling how the employee benefits from the capital available to his company.

Continental American Management Co. Formed

JERSEY CITY, N. J. — Continental American Management Co., Inc. has been formed with offices at 15 Exchange Place to engage in a securities business. Officers are G. Pierre Chamorel, president; Charles S. Munson, vice president, secretary and treasurer. Mr. Chamorel was previously with Harris, Upham, & Co.

James L. Dunn Opens

HOUSTON, Tex. — James L. Dunn is engaging in a securities business from offices at 711 Main Street. Mr. Dunn was formerly a partner in Dunn & Wills.

K. W. Oberlin Opens

ELIZABETH, N. J.—Kermit W. Oberlin is conducting a securities business from offices at 535 Morris Avenue.

Robert Nagler Opens

Robert Nagler is engaging in a securities business from offices at 174 West 76th Street, New York City.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

It is believed that the Government market will still be under a certain amount of pressure in spite of the modest help which has been given to it by the monetary authorities, until the loan demand for income tax payments is known. Nonetheless, the feeling appears to be growing in many quarters of the financial district that the tight money policy of the powers that be, will be gradually eased with the passing of time since the boom psychology appears to be fading out.

Volume and activity in the Government market at present levels appears to have slowed down somewhat, because the buyers of these securities appear to be a bit hesitant, due to the sizable recovery which has taken place in quotations of the intermediate and longer term obligations. Also some profit-taking has appeared in these issues. Demand for the short-term securities, however, is still as sizable as ever.

Federal Acts to Ease Loan Demand

The Federal Reserve System has taken tangible action to ease the demand for funds, which would have further tigntened the money markets, through the medium of purchases of Treasury bills. This operation by the Central Banks puts reserves at the disposal of the deposit banks of the system so that they will be better able to meet the demands of those that have to borrow to met income taxes or for other business purposes. It had been reported that the monetary authorities were about to make moves which would have the effect of slightly easing money conditions. Open market operations, such as the purchase of Treasury bills, by the Central Bank is one of the ways in which the money market can be loosened up moderately without making any basic change in the policy which has been in operation.

On the other hand, if there should be need for a reversal of the money easing venture, the powers that be could bring this about rather easily by selling Treasury bills and in that way money and reserves would be taken away from the member banks of the System. Open market operations give the monetary authorities greater flexibility in carrying out policy than would be the case if changes were made in the discount rate or reserve requirements.

Inflationary Forces Diminishing

Even though the need of money to pay income taxes by the middle of the month is expected to be sizable, it is the opinion of some money market followers that loans for this purpose will not be as large as had been expected in certain quarters not so long ago. With the help which is being given to the money markets by the powers that be, there should not be any money stringency this time and this will not be an unfavorable factor as far as the Government bond market is concerned. The inflationary forces appear to have abated for the time being and, with some degree of uncertainty now coming onto the economic scene, there may not be the same demand for funds for construction, expansion and other business purposes, and if this should be the case, it should have a beneficial influence upon the market action of Government securities.

Government Bond Market's Improved Tone

The Government bond market has put on a good show in the last month, with prices of the more distant maturities moving up in many instances three points or more. This has been accomplished under very tight money conditions, mainly because buyers, other than commercial banks, have had the confidence to make commitments in Treasury obligations since yields were attractive and they felt that money market conditions would tend to ease in the future. Also, the floating supply of the longer-term Treasury issues is not very large and it does not take very much in the way of buy orders to have a noticeable effect upon quotations of these securities.

Substantial Foreign Buying in 3s of 1995

The intermediate-term Treasury issues also have been well bought, with institutions, not only making new money commitments in these securities but also they are being acquired through switches out of non-Government obligation. Also, it is indicated that common stock money is now being reinvested in the middle term Treasury obligations, along with the longs and the very short maturities.

It is reported that a sizable amount of common stock funds, evidently for foreign account, have been reinvested in the 3s of 1995.

Chicago Analysts Get Slate for 1956-57

CHICAGO, Ill.—The nominating Committee of the Investment Analysts Society of Chicago has presented the following slate:

President: Stanford O. Ege, Duff & Phelps.

Vice-President: Russell J. Eddy, Brown, Brothers, Harriman & Co.

Secretary: Robert E. Peckenpaugh, Security Supervisors.

Treasurer: Waid R. Vanderpoel, First National Bank of Chicago.

Board of Governors (Term expiring 1958): Thomas F. Duffy, Northern Trust Co.; Evan L. Ausman, Miami Corp.; William C. Norby, Harris Trust and Savings Bank.

Members of the Nominating Committee are: Philip C. Biggert, Chairman; J. Franklin Bickmore; J. Parker Hall; William G. Mass; Richard H. Samuels.

The annual election will be held at the final meeting of the year on June 7, 1956.

Form Wedbush & Co.

(Special to THE FINANCIAL CHRONICLE)

MANHATTAN BEACH, Calif.—Edward W. Wedbush has admitted Robert E. Werner to partnership and is now conducting his investment business under the firm name of Wedbush & Co. Offices are located at 228 19th Place.

No Collapse This Year!

By ROGER W. BABSON

In commenting upon the American economy's ability to disregard politics, Mr. Babson forecasts: no substantial change in the volume of business transacted this year from 1955 levels; and one or two market breaks, interrupted by a series of equally sharp rallies.

I have been studying the record of business and the stock market in election years since the turn of the century. Is there a definite pattern which we can use to find out where we stand at the present time historically? Can we use this knowledge to estimate what conditions we should expect for 1956?

Roger W. Babson

Fourteen elections have come and gone since I graduated from the Massachusetts Institute of Technology. The outcome of the elections—whether the victor was Democratic or Republican, whether the result was a surprise or cut-and-dried, whether we were at war or at peace—seemed to make little difference. Political parties spend millions of dollars to arouse the voters to the tremendous consequences of failing to vote the right way. Yet the spending habits of the people have continued undisturbed by the turmoil.

Consequently, it seems useless to get too excited about election years. Political activity does not appear to cause any drastic changes in the economy. If business has been good, it tends to continue good. Spotty business continues to be spotty. The nation's economy seems to disregard politics. It depends, instead, upon fundamentals such as the impatience of people to buy merchandise, the willingness of industrialists to expand their plants, the eagerness of bankers to loan money. As a result, I forecast that the volume of business transacted this year will show no substantial change, either up or down, from 1955 levels.

Will the Boom Continue?

Most of my friends who work for a living tell me they "never had it so good." Reports from the rest of the 165 million population tell the same story, plenty of work at good wages. Even the farmers who have seen their gross take decline still make fairly substantial tax payments to Uncle Sam. How much longer can these good times keep up? When will Newton's Law of Action and Reaction catch up with this decade of high prosperity?

I forecast that there will be no collapse of the nation's economy this year. Much publicity has been given to the so-called "built-in stabilizers" — social security, public works, and road-building. Stimulators of business, such as "no-money-down" selling and defense work, are said to be the answer to any anticipated let-down in business. All these stimulants will work — *for a while.* They can provide the necessary push to keep the nation's economy rolling along in high gear through 1956 if the Washington managers find they are needed! They, however, cannot be successful in rolling back a tide of Reaction — *permanently.*

Should Exciting Markets Be Expected?

Careful scrutiny of the stock market during the past 14 election years reveals no standard pattern. Election of Republican "trust-buster" Theodore Roosevelt in 1904, and of Taft in 1908 occurred in years of strong bull markets. Harding, a Republican, in 1920 saw a weak market; while Coolidge in 1924 enjoyed rising stock prices. Hoover, perhaps the best economist of all, also saw rising prices, but subsequently witnessed a great collapse. Franklin Roosevelt's election years showed mixed trends. Truman in 1948, saw no definite stockmarket trend. The situation in general appears to be: Since the nation's businessmen and investors prefer conservative thinking in Washington, we are more likely to see expanding business and a more buoyant stock market when the Republicans are in office — *but this is not always true.*

As long as President Eisenhower's health continues to improve, and provided there is no radical change in the international situation, I can see no serious threat to business or the stock market during 1956. But I cannot visualize a new boom this year on top of the long-extended period of prosperity we have already had. I forecast that we may well see one or two breaks in the market, interrupted by a series of equally sharp rallies. Certain groups of securities may even reach new high levels — while other groups may decline to new loans. Election years, however, offer no sure clue to business prospects or stock market profits.

McDaniel Lewis Co. Firm Changes

GREENSBORO, N. C.—Beginning June 1, 1956, the partnership of McDaniel Lewis & Co. is composed of McDaniel Lewis and Marshall H. Johnson. Mr. Lewis will handle the municipal underwriting and trading, and Mr. Johnson will handle the corporate business. Robert B. Dixon, a former partner, is no longer connected with the company. In business in Greensboro since 1922, Mr. Lewis has been active particularly in the State of North Carolina in the handling of municipal bonds and local and general market over-the-counter stocks. Mr. Johnson joined the firm in 1947.

McDaniel Lewis

Located in the Jefferson Building in Greensboro, the organization's 12 sales representatives cover many sections of the state and there are nine office employees in addition to the partners. Currently Mr. Lewis is President of the Securities Dealers of the Carolinas and of the Greensboro Bond Club. The firm is also a member of the Investment Bankers Association of America since 1934 and the National Association of Securities Dealers. Its partners are members of the National Security Traders Association.

Forms Filosa, Hanchett Co.

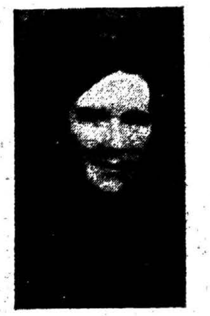
(Special to The Financial Chronicle)

GRAND JUNCTION, Colo.—Peter L. Filosa is conducting a securities business from offices at 206 Uranium Center under the firm name of Filosa, Hanchett & Co. Mr. Filosa was previously Secretary and Treasurer of Filosa Securities Company.

Herbert N. Babb Opens

LYNN, Mass.—Herbert N. Babb is engaging in a securities business from offices at 16 Pine Point Road. Mr. Babb was previously with Edward E. Mathews Co. and Mann & Gould.

Women's Bond Club Elects New Officers



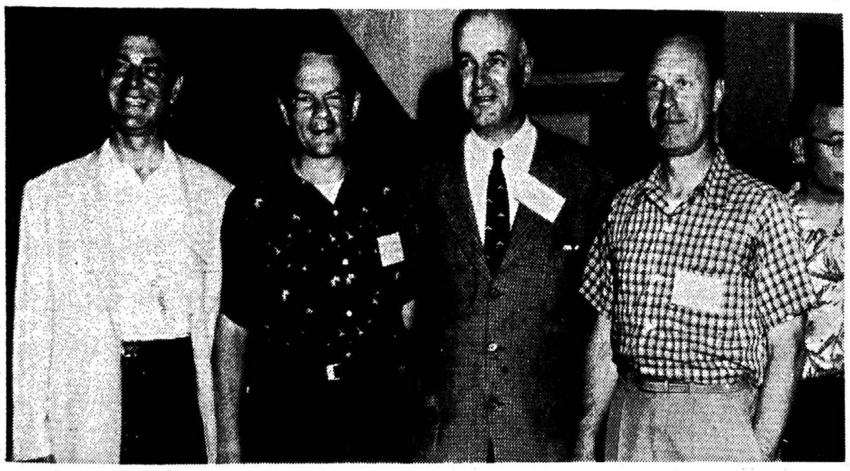
Helen E. Dickinson

Helen E. Dickinson, Gartley & Associates, Inc., has been elected President of the Women's Bond Club of New York, succeeding Jane Baldwin of the Irving Trust Company. Margaret E. Kennedy, Seligman, Lubetkin & Co., was elected Vice-President.

Cerf Opens Boston Office

BOSTON, Mass.—Floyd D. Cerf, Jr. Co., Inc., of Chicago has opened a branch at 79 Milk Street.

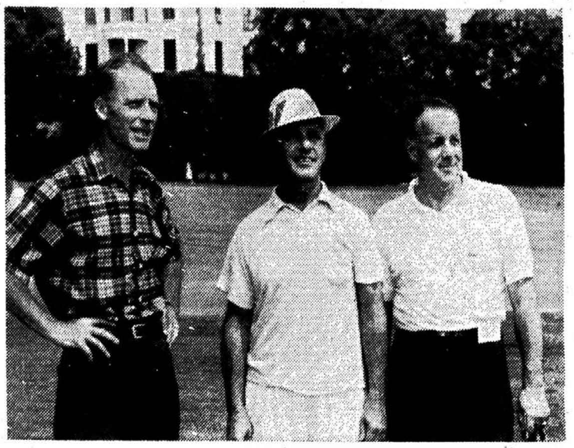
Municipal Bond Club of New York



Gene Marx, *Bear, Stearns & Co.;* Don Patterson, *Chemical Corn Exchange Bank;* Paul O. Frederick, *Baxter, Williams & Co.;* George Le Vind, *Blyth & Co., Inc.*

Harold J. Schluter, *First National Bank of Chicago,* New York; Lloyd B. Hatcher, *White, Weld & Co.;* James F. Reilly, *Lehman Brothers;* Howard C. Traywick, *Interstate Securities Corporation,* Atlanta

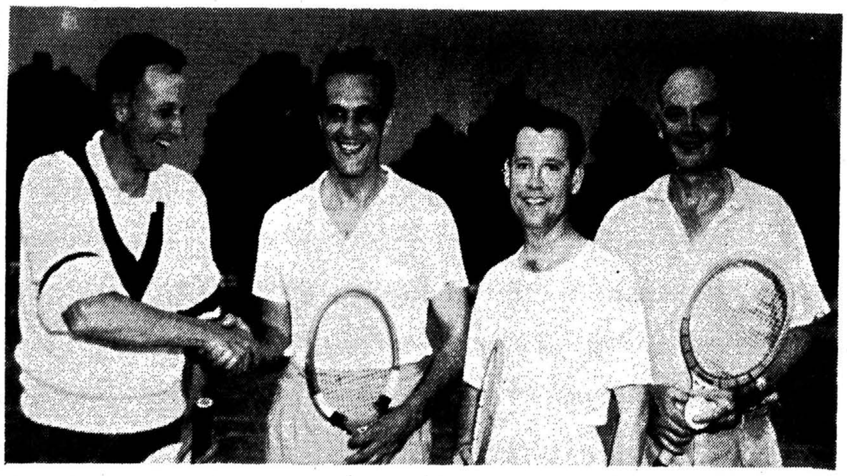
Reg Schmidt, *Blyth & Co., Inc.;* Malvern Hill, *Malvern Hill & Company, Incorporated;* Myles G. Walsh, *Blyth & Co., Inc.*



Howard Finney, *Bear, Stearns & Co.;* John Reno, *Carl M. Loeb, Rhoades & Co.;* Fred Stone, *Marine Trust Company of Western New York*

W. Neal Fulkerson, Jr. and E. F. Dunstan, *Bankers Trust Company*

Robert R. Krumm, *W. H. Morton & Co., Incorporated* Ted Lang, *F. P. Lang & Co.;* Marshall S. Morse, *Orvis Brothers & Co.;* Walter Morse, *Lehman Brothers;* William Burnett, *Kean, Taylor & Co.;* John Hornbostel, *F. P. Lang & Co.*



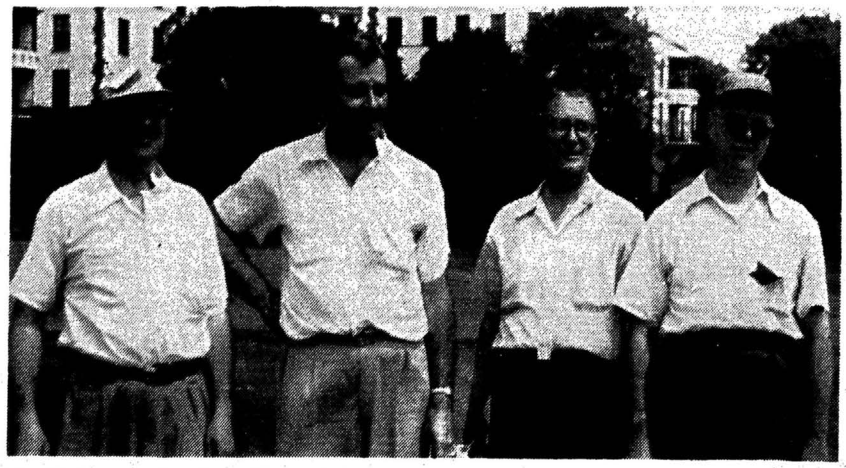
George Gibbons, *George B. Gibbons & Company, Inc.;* Victor H. Zahner, *Zahner and Company,* Kansas City, Mo.; Dave Haley, *Goldman, Sachs & Co.,* Boston; *Dana Scudder, First National City Bank of New York*

Ralph W. Ellwood, *Ralph W. Ellwood & Co.;* William M. Durkin, *First National Bank of Chicago,* New York; Henry Milner, *R. S. Dickson & Co., Inc.:* William D. Muller, *Halsey, Stuart & Co. Inc.;* Chester Viale, *L. F. Rothschild & Co.*

John Linen, *Chase Manhattan Bank;* F. D. Farrell, *City National Bank & Trust Co.,* Kansas City, Mo.; Bill Morton, *Wm. H. Morton & Co. Incorporated;* Dave Miralia, *Kuhn, Loeb & Co.*

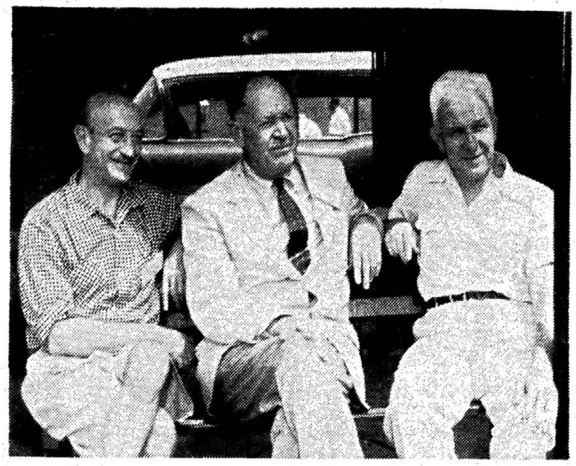
Annual Summer Outing

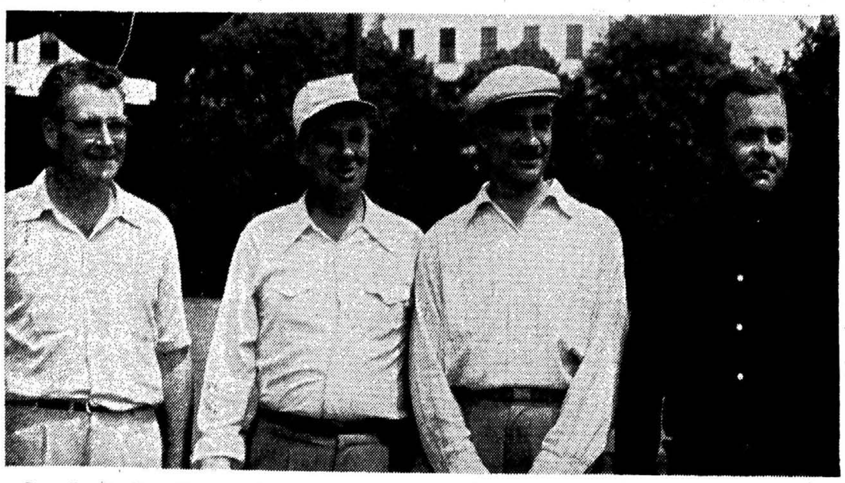

Edward Cobden, *Kean, Taylor & Co.*; Ernest Altgelt, *Harris Trust & Savings Bank*, New York; Neal Fulkerson, *Bankers Trust Company*; Ludlow Van Deventer, *Van Deventer Brothers Inc.*, Newark, N. J.

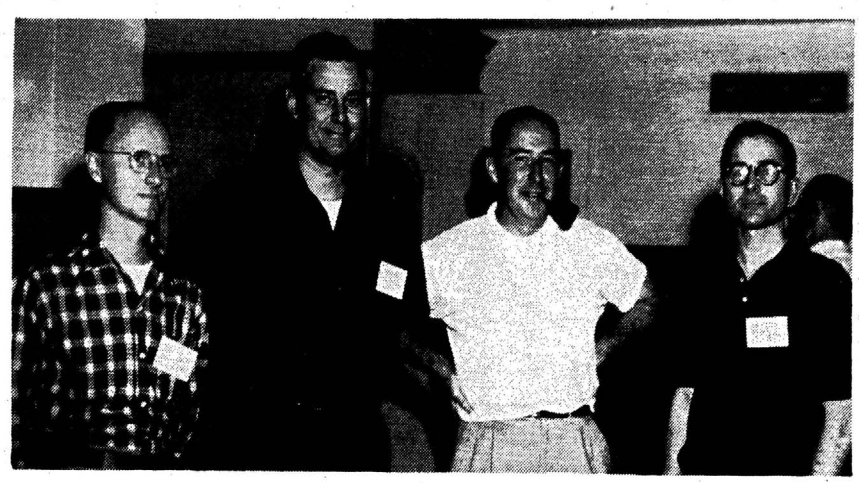

John W. Sweeney, Jr., *A. C.. Allyn and Company, Incorporated*; Winfield Scott, *American Securities Corporation*; Robert E. Brindley, *Bache & Co.*; Bill McKay, *Blue List Publishing Company*


Roger Phelps, *Byrne and Phelps, Inc.*; William D. Croom, *First Securities Corporation*, Durham, N. C.; Andrew J. Brodie, *Estabrook & Co.*


Frank Carter, *Equitable Securities Corporation*; Arthur Kirtley, *First Boston Corporation, Chicago*; Ralph Powelson, *Leedy, Wheeler & Alleman, Inc.*, Orlando, Fla.


Jerome L. Kahn, *Breed & Harrison, Inc.*, Cincinnati; Clifton A. Hipkins, *Braun, Bosworth & Co., Incorporated*; William W. Mezger, *G. C. Haas & Co.*

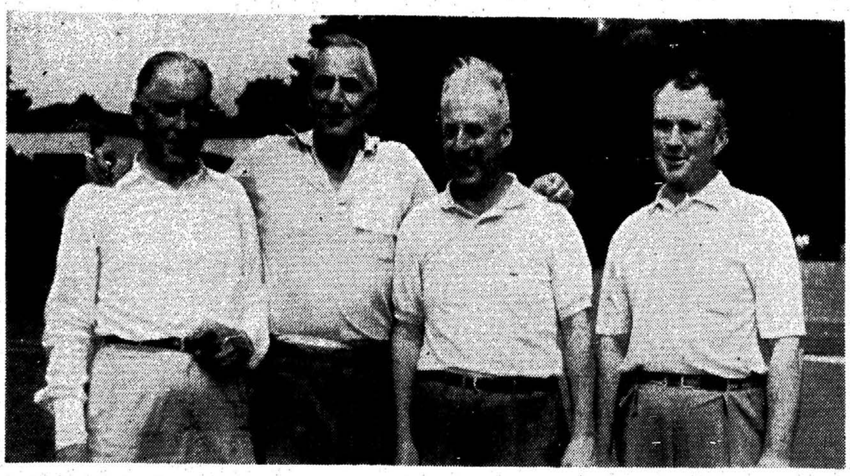

Gene De Staebler, *Bache & Co.*; Thomas L. Kevin, *Glore, Forgan & Co.*, Chicago; Tom Cafone, *W. E. Hutton & Co.*; Don Hegamaster, *White, Weld & Co.*


Rene Foerster, *Goldman, Sachs & Co.*; John J. Fosdick, *Eddleman-Pollok Co.*, Houston; John Mitchell, *Caldwell, Marshall, Trimble & Mitchell*; Marsom Pratt, *Estabrook & Co.*, Boston


J. Arthur Porter, *Merrill Lynch, Pierce, Fenner & Beane*; Berger Egenes, *Merrill Lynch, Pierce, Fenner & Beane*; George Hamilton, *Dominick & Dominick*; William R. McGill, *Salomon Bros. & Hutzler*

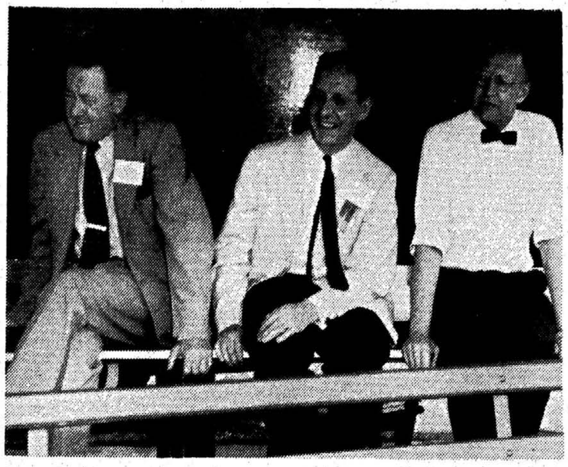

Donald C. Stroud, *Union Securities Corporation*; Winfield F. Stephens, *Hemphill, Noyes & Co.*; Norman S. Downey, *Hemphill, Noyes & Co.*; William F. Dore, *Halsey, Stuart & Co. Inc.*

At Westchester Country Club



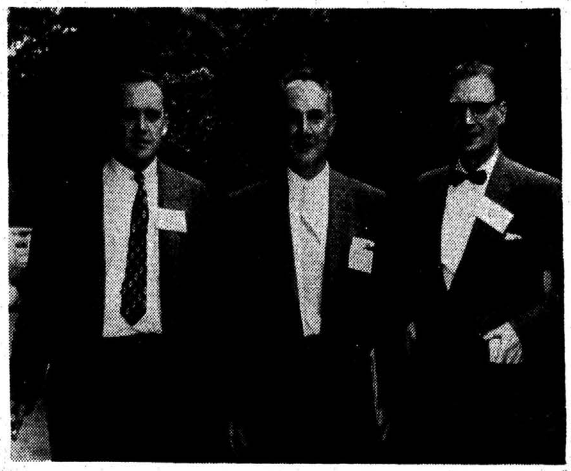
E. F. Dunstan, *Bankers Trust Company;* William G. Laemmel, *Chemical Corn Exchange Bank;* George Martin, *International Bank;* Franklin Schroeder, *Braun, Bosworth & Co., Incorporated,* Toledo

William Hibberd, *Marine Trust Company of Western New York;* David Callaway, *First of Michigan Corporation;* George H. Brooks, *Dick & Merle-Smith;* Albert E. Latto, *First of Michigan Corporation*



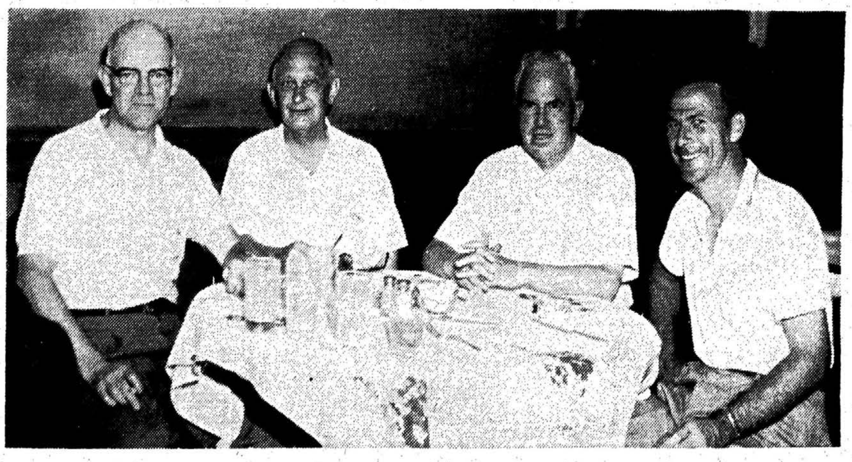
Alfred S. Mante, *Smith, Barney & Co.;* Carnot W. Evans, *Clark, Dodge & Co.;* William H. Watterson, *Fahey, Clark & Co.,* Cleveland

Don Bonniwell, *Cruttenden & Co., Chicago;* Arnold Kocurek, *Rauscher, Pierce & Co., Inc.,* San Antonio; Henry Harris, *Goldman, Sachs & Co.;* Charles Schoeneberger, *Central Republic Company,* Chicago



John L. Ballin, *Hannahs, Ballin & Lee;* Hal Murphy, *Commercial & Financial Chronicle;* David C. Kratzer, *Stein Bros. & Boyce,* Baltimore

Gene McMahon, *Heller, Bruce & Co.;* Jim Couffer, *B. J. Van Ingen & Co. Inc.;* George Waldmann, *Mercantile Trust Company,* New York; Norman Peterson, *Equitable Securities Corporation*

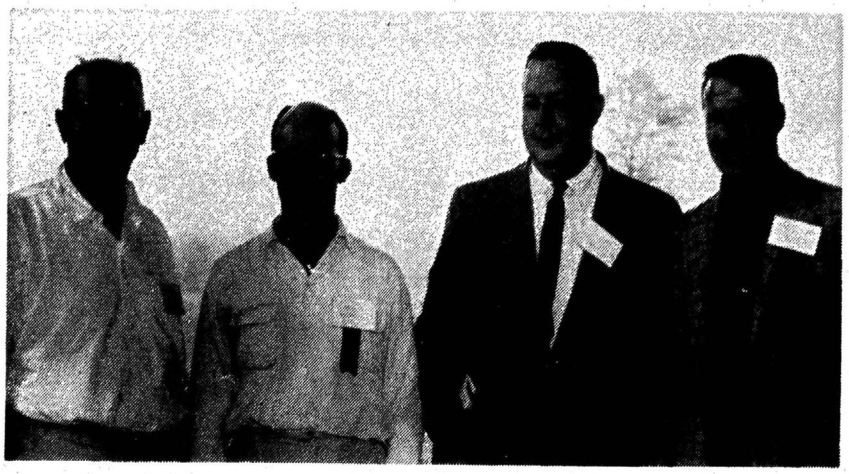


Len Sullivan, *Phelps, Fenn & Co.;* A. E. Tomasic, *Thomas & Company,* Pittsburgh Karl Panke, *Lehman Brothers;* Mark A. Smith, *F. W. Craigie & Co.,* Richmond, Va.

Edmund G. O'Leary, *Eastman, Dillon & Co.;* Edwin Bueltman, *Blair & Co. Incorporated;* Louis A. Hauptfleisch, *Halsey, Stuart & Co. Inc.;* John V. Hollan, *Barr Brothers & Co.*

Lee Frank, *Roosevelt & Cross, Incorporated;* Bill Burke, *Bacon, Stevenson & Co.;* Jim Ryan, *Park, Ryan, Inc.;* Darragh Park, *Park, Ryan, Inc.;* Eugene A. Mintkeski, *Port of New York Authority*

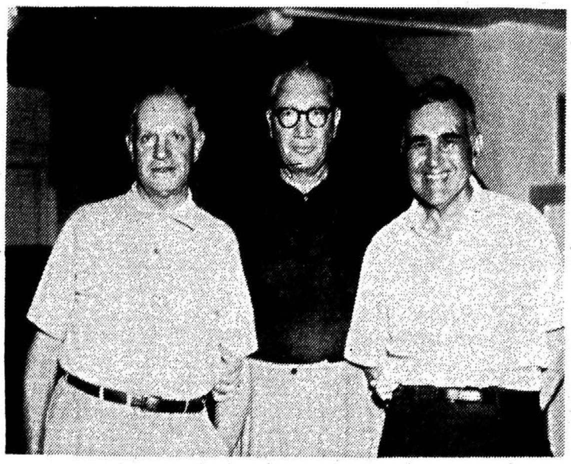
Record Attendance Reported



Homer B. Hill, *Stokes & Co.*, New York; John A. Hoff, *Kidder, Peabody & Co.*, New York; Lud Strader, *Strader, Taylor & Co., Inc.*, Lynchburg, Va.; Gilbert White, *R. D. White & Company*

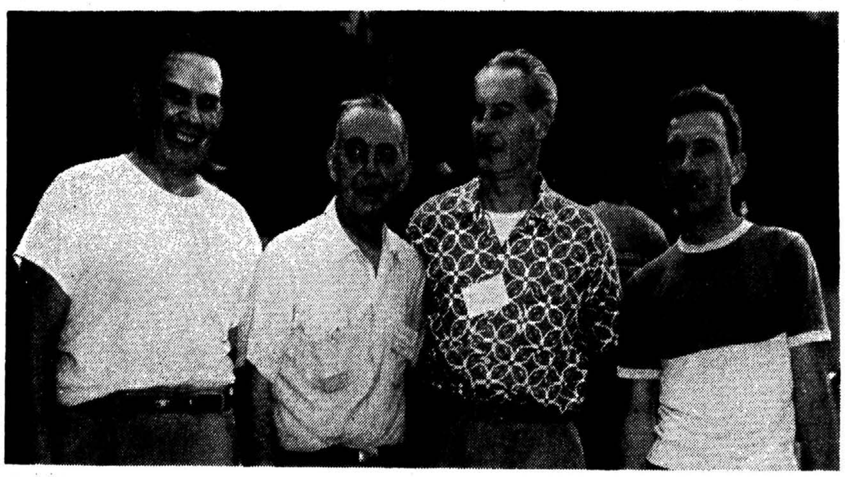
Richard N. Rand, *Rand & Co.*; Fred Grimshaw, *G. H. Walker & Co.*; Daniel P. Whitlock, *Marine Trust Company of Western New York*; Joseph G. Cross, Jr., *C. J. Devine & Co.*

Ray Peterson, *Equitable Securities Corporation*, Philadelphia; Ned Byrne, Byrne and Phelps, Inc.



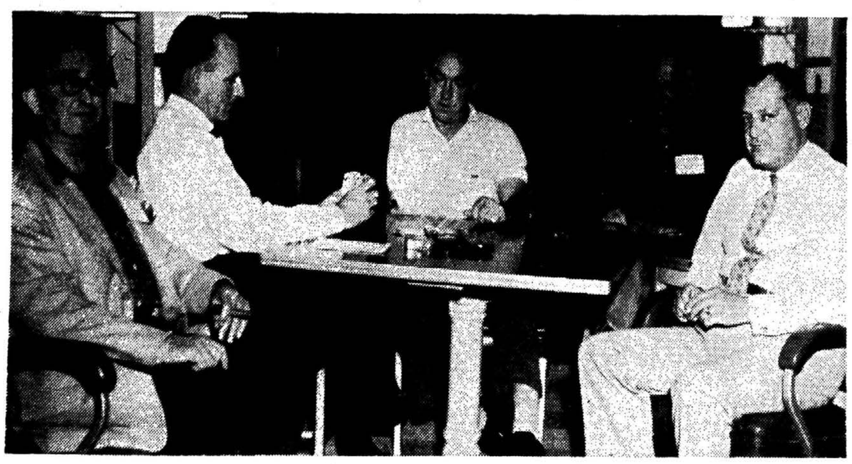
Thomas Ackerland, *Ladenburg, Thalmann & Co.*; Dick Buechler, *E. F. Hutton & Company*; E. H. Robinson, *Schwabacher & Co.*

Bill Urell, *F. S. Smithers & Co.*; Dick Whitcomb, *Phelps, Fenn & Co.*; Don Zimmerman, *Phelps, Fenn & Co.*



N. P. Rogers, *Adams & Hinckley*, Newark; E. M. McLaughlin, *Paine, Webber, Jackson & Curtis*; Frank Kennedy, *C. J. Devine & Co.*; John Thompson, *J. P. Morgan & Co. Incorporated*

Charles F. Kavanagh, *Bacon, Stevenson & Co.*; Russell McInnes, *Wood, King & Dawson*; Robert J. Mullens, *J. J. Kenny Co.*; Martin J. McAndrews, *Hemphill, Noyes & Co.*



Harry J. Peiser, *Ira Haupt & Co.*; Bill Byrne, *Byrne and Phelps, Inc.*; Russ Ergood, *Stroud & Company, Incorporated*, Philadelphia; Carlton Chambers, *F. Brittain Kennedy & Co.*, Boston; Charles L. Churchill, *Scott, Horner & Mason, Inc.*, Lynchburg

Edmund G. Anderson, *Dean Witter & Co.*; Duncan C. Gray, *B. J. Van Ingen & Co. Inc.*; William F. Morgan, *Blyth & Co., Inc.*; William H. Tharpe, *Drexel & Co.*

Continued from page 5

Promising Future Prospects of American Economic Progress

in its entire history. The worst previous ones came in the 1870's and 1890's.

In the '30s the reversal of the growth trends led some analysts to the conclusion that further expansion of the country was just about finished. They developed a theory of the "mature economy," the "stagnation thesis." The gist of it was that the American economy had stopped growing, and might even decline.

There were many who thought this theory was wrong at the time. Developments of recent years have proved it completely false. Population and living standards have shot up! Enterprise has been reinvigorated, and business has been anything but stagnant!

Present Prosperity of the American People

How have we fared under the American private enterprise system? We enjoy the highest standard of living in the world. This is not meant to be a boastful statement. All of us, however, may properly be *grateful* every day that we live in the United States of America.

The average American lives better than the average inhabitant of any other country. Indeed, we live about ten times as well as the masses of Asia and Africa. The average Russian has a real income about one-fifth as great as ours.

These comparisons are in terms of *real incomes*. They do not represent some sort of financial trick done with national currencies. These figures compare the quantities of goods that the average man can buy with the average man's income.

The high income level of the American people is shown by some specific examples of things found in almost all American homes.

Per Capita Consumption —U. S. and Rest of World

The per capita consumption in the United States of soap, wool, and tanned leather is about seven times as high as the rest of mankind. We drink about 13 times as much coffee on a per capita basis as the rest of mankind.

In telephones, our lead over the rest of the world is even larger. We, in the United States, actually have more telephones than the rest of the world put together! The per capita ratio is 17 to 1. In passenger cars our margin is even bigger—73% of the world's passenger cars are in the United States and 27% in the rest of the world. In other words, we are ahead, 38 to1, on a per capita basis.

The American lead in television sets is even greater. There are estimated to be in the world 36.8 million television sets, of which 31.5 million are in the United States and 5.3 million in the rest of the world.

For every thousand persons in the United States (on the average) there are 194 TV sets; in the rest of the world, less than three sets per thousand people. Indeed, if Great Britain (which has 3.4 million sets) were omitted, the rest of the world has less than one set per thousand persons.

Nor does this quite state the margin of our advantage. Many of the television sets in other countries are much smaller. In some countries, many of the TV sets have screens that measure only 5 by 7 inches.

The figures on these important commodities illustrate our high standard of living. Our huge *consumption* of these and other necessities, comforts, and luxuries, also proves the immense size of American production—since this stream of goods comes mainly from America's factories, farms, and other productive industries.

The Key Factor — Productivity

What is the explanation of this rise in our material well-being and of our present high position? The first explanation can be given in one word: *Productivity*.

Broadly speaking, the people of any nation get to consume the goods and services which they themselves produce. The goods and services do not rain from heaven, but come from human effort. To be sure, some of the goods which we consume are not produced by us. The tremendous quantity of coffee that we consume is not produced by us; we import it. But we pay for it with things we raise or manufacture. If we were not able to produce an immense quantity of goods to *export*, we would not be able to *import* large quantities of goods.

So that although we cannot say that we literally produce the coffee, it is no misrepresentation to say that we do produce it figuratively.

In other words, the *real income* of any country is controlled by the *real output* of that country.

This same proposition applies, therefore, to *per capita income* and *per capita output*. Any country where the average worker produced very little will be a poor country. Conversely, in any country where output per man-hour is high, the people will have a high standard of living.

It's as simple as that: high output per man-hour is one of the key secrets of American prosperity.

Factors Controlling Productivity

What, in turn, are the factors that control the level of output per man hour? There are too many to try to list them all; but here are some of the important ones.

(1) The quality of the work force—training, health, and diligence.

(2) The number of skilled business managers—people who understand organization, administration, production management, accounting, statistics, finance, marketing, and personnel administration.

(3) The types of capital goods. The worker with a power shovel can move more dirt per hour than can a man with a spade. Even he can do better than an Egyptian peasant cleaning out irrigation ditches with his bare hands.

(4) Government—Federal, state and local. The establishment of law and order is the point where economic progress begins. Another vital force is *education*. Education—for everyone—is a key factor in enriching our lives. The Federal Government is responsible for fiscal and monetary policies, which are helpful in fighting both inflation and deflation.

Demand Is Important, Too

The prosperity of the United States depends partly on Supply and partly on Demand. Supply —productive capacity—is one of two necessary conditions.

But it also requires Demand—the ability and willingness of people to pay money for the goods that the national economy is capable of producing.

During the Great Depression, real per capita income dropped 40% in four years. Did this happen because our productive capacity dropped? No. It happened because demand declined.

If Demand is too *small*, the nation experiences deflation and depression. If Demand is too *big*, we have inflation. The desirable thing is to have Demand just big enough—then we have "flation!"

Future Progress: Immense

If both Supply and Demand conditions become favorable, future economic progress will be even greater than in the past!

Output per man hour on the whole in the United States has increased about 2% per year, compounded, in the last half century. At the present time, the rate of increase is actually considerably higher than that. However, if we take the figure of only 2% a year, a conservative estimate, this means the real per capita income in the United States, allowing for some slight further diminution in the average work week, will rise at least 20% per decade.

Therefore, people are going to be able to afford to get married and have children at an increasingly prosperous level throughout the years ahead. The population is going to increase faster than the experts thought just a few years ago.

These forecasts are brought together in the following table:

Forecasts of U. S. Growth

Year	Population (millions)	Average per Capita Income	Tot. Bank Deposits (all Banks) (billions)
1960	174	$2,100	$255
1970	200	2,500	350
1980	230	3,000	485
1990	264	3,600	665
2000	304	4,320	910

Wonderful New Products

Not only are we going to have more goods and services to consume—that is, the average standard of living will be higher—but we are going to have a lot of wonderful new commodities.

What will they be? To answer this question requires a vivid imagination. Indeed, one may ask whether anybody has enough imagination to anticipate many of the amazing new things that will brighten our lives.

There has been a great improvement in home design in recent years. Today's new houses are beautiful! This trend will continue. Homes will be more and more attractive, and easier to care for. They will have wonderful new gadgets—lights will go on and off at the command of your voice! Dusting will be reduced by electronic devices that pull the little particles of matter over to a trap before they have time to settle on the piano! Dishwashing might be eliminated by making the plates, dishes, glassware, utensils everything on the table out of plastic — very, very cheap. They would be beautiful, with special designs for Christmas, the Fourth of July, St. Patrick's Day, and such like. They would be so cheap, however, that when the meal was finished, all the housewife would do would be to reach under the table and pull a lever which would open a trapdoor in the middle of the table and just shove the things down. They would be ground up and go out with the waste water. You wouldn't any more think of washing these things than of washing a paper napkin!

Many synthetic foods will be developed. The principal one today is margarine. This is because the fats are the easiest type of food to make synthetically. Other types are harder. In time, however, synthetic steaks (not mere food pills) will be produced — steaks that never saw a steer—always tender, always tasty, and juicy.

Automobiles will be even more attractive and efficient. Illnesses will be conquered, health and longevity improved, and mental tranquility increased.

Possible Hindrances to Future Progress

In these pages has been sketched a preview of Future America, a rich and growing land. This is the outlook, provided that all goes well.

Many things, however, could interfere with this future progress. Here are some that people mention these days:

(1) A disastrous war.
(2) Inflation.
(3) Deflation and depression.
(4) The burden of taxation.
(5) The national debt.
(6) A decline in the spirit of enterprise.
(7) A deterioration of labor-management relations.
(8) Creeping collectivism.
(9) Exhaustion of natural resources.
(10) Moral and spiritual decay.

Some of these are grossly exaggerated as menaces. Others, however, are very real. It is our job to find solutions where solutions have not yet been found.

Prosperity as a Menace

What will rising prosperity do to us? Is it possible that easy living may undermine our moral fiber and spiritual strength? It is quite possible.

Moral fiber and spiritual strength are vital in themselves. And more: they are the firm foundation of our material well-being. If our moral and spiritual force were weakened, our civilization would collapse.

We must, therefore, be on guard against the danger that riches may bring—and determined to keep our people strong in the moral and spiritual sense.

Blueprint for Beautiful America

If all goes well, the future economic progress of America will provide the basis for a beautiful America.

Man does not live by bread alone. No. A decent standard of living, however, does provide the foundation for the erection of the nobler edifice of civilization. Something very remarkable is going to happen in the United States in the near future. The economic problem — the problem of making ends meet—is going to be solved for an entire people. As a result, presently a remarkable change will occur in the culture pattern of Americans.

A New Culture Pattern

The term "culture pattern" is used not to describe the right way to hold a teacup, but rather in a broad sense — meaning the way we live, our attitudes towards one another, our attitudes towards ourselves, the great patterns of life in the United States.

Up to the present time, the American culture pattern has been dominated by economic necessity. It started with the Pilgrims, who, because of an accident of navigation, landed on that "stern and rock-bound coast," whereas they thought they were headed for the warmer climes of Virginia. The Pilgrims landed in a place where making a living was very difficult. The stern virtues of hard work and seriousness of purpose were essential to survival.

And so it has been down to this day, our culture pattern has been pretty much dominated by grim economic necessity.

In years to come, however, the national nose will be taken off the economic grindstone. We shall be able to get on with the thing that the philosophers have been talking about, lo, these many years; namely, *living the good life*. With prosperity as a basis, we can develop the wonderful non-economic values. We can build a society characterized by more friendliness, and less suspicion and fear; more tranquillity and less tension; characterized by more smiles on more faces and fewer frowns and tears; characterized in the end even by the achievement of perhaps the greatest of possible goals, the real spirit of brotherly love among our people.

This, then, is the bright possibility—a prosperous and beautiful land. Its achievement is not automatic. It is in the cards, yes; but that does not mean that it is automatic. The achievement of these noble goals will require in the future, as in the past, the best efforts of men's and women's hearts and brains and hands. However, it is a goal well worth setting our hearts and brains and hands to; to obtain not only a better life for ourselves and for our families, but also to secure greater strength for our nation and more powerful protection for the free world.

$2,500,000 Bonds of Florence, Alabama, Placed on Market

Revenue 5s offered at par by Joseph Faroll & Co. and Gearhart & Otis, Inc. Purchasers also may buy rights for stock of Sheraton Florence Corp.

Public offering of $2,500,000 City of Florence, Ala., 5% first mortgage industrial development revenue bonds, due serially June 15, 1959 to 1986, inclusive, at 100% and accrued interest, was made June 6 by Joseph Faroll & Co. and Gearhart & Otis, Inc.

At the same time, purchasers of the bonds are being offered rights to buy 250,000 shares of Sheraton Florence Corporation common stock at a price of $0.01 per share, on the basis of 100 shares of the common stock for each $1,000 bond.

Net proceeds from the sale of the bonds and the common stock will be used by the City of Florence, Ala., to construct a modern type hotel combining features of a motel which will be leased to and operated by the Sheraton Florence Corporation. Sheraton Corporation of America, which operates through subsidiary companies a group of about 30 hotels in the United States and Canada, owns 60% of the outstanding stock of the Sheraton Florence Corporation.

Principal and interest on the bonds shall be payable solely out of revenues derived from the leasing of the proposed hotel to the Sheraton Florence Corporation. Interest on the bonds, in the opinion of counsel, is exempt from all present Federal income taxes.

A. S. E. 5 & 20 Club Annual Golf Tourney

Rulley W. Koerner, President, American Stock Exchange members' Five And Twenty Club, has announced that the group's annual golf tournament and dinner will be held on Tuesday, June 19, 1956, at the Sunningdale Country Club, Scarsdale, New York.

The club is composed of exchange brokers who have held memberships in the market for 25 years or more.

Leonard C. Greene, chairman of the club's entertainment committee announced that a large number of present and former members of the exchange and other guests would be present. The club's defending title holder, Henry C. Hagen, is expected to meet heavy competition in the 1956 tourney.

L. V. Acampora Opens

Louis V. Acampora is engaging in a securities business from offices at 666 East 188th Street, Bronx, New York.

Continued from first page

Consequences of Automation

It is not revolutionary. As contrasted with the influence of the steam engine and the electric generator its results are of minor character. Extraordinary electric devices have been invented which can control and direct the operation of machines, so that by push-button controls the machine automatically adjusts itself to the output desired. Some of them actually discover any errors in the process and automatically correct them. They greatly reduce the need for manpower in operation, control, and inspection.

A queer word, "feed-back," has been adopted to describe this automatic operation. By electronic devices the machine checks its own operation and feeds back the information to its own control mechanism. Unquestionably these devices are scientific marvels. In simple form feed-back devices have long been known. Watts' new steam engine would overheat and explode. He devised a governor, two heavy balls on a pivot. When the engine went too fast the balls whirled horizontally and in so doing automatically reduced steam pressure. A worker no longer was required to stand by. The common household thermostat feeds back to the heater in the basement the information that the house is warm enough, and the heater lowers its fire.

Automation Defined

Stripped of all its scientific obscurity, automation is merely an improvement in machine production, to make more goods with less labor. Engineering genius has also invented machines with a marvelous capacity to record thousands of transactions with unbelievable speed, making possible huge savings in the labor required for recording and bookkeeping and tabulation. Still other machines, called computers, in a few seconds do mathematical calculations formerly requiring months of laborious mental labor.

It was inevitable that these new devices, with their atmosphere of scientific magic, would attract popular attention. Most unhappily it was also inevitable that the subject would be obscured by appalling economic ignorance and deliberate distortion. When Walter Reuther was driving the Ford Company into its ignominious surrender to the guaranteed annual wage one of the excuses was the unemployment which automation would cause. The most elementary knowledge of economics would make it clear that automation would not reduce employment. But no one pointed out the utter falsity of the argument. If automation resulted in the discharge of workers, as claimed, the guaranteed annual wage would not concern them. The guaranteed wage is to be paid to employees on the payroll, not to displaced workers. But this shabby distortion was influential in fooling popular opinion and getting support for the proposal.

It is almost beyond comprehension that the simple and obvious facts about technological improvements should be misunderstood. They are misunderstood now, as they have been for more than a hundred years. We cannot expect labor leaders or politicians to know elementary economics. But, most distressingly, even the economists go wrong here.

Technological improvements take many forms. In whatever form, they do one of two things. They make possible forms of production previously impossible. An oil well drill going down a mile to bring up oil is one example out of a thousand. Or they make possible a larger production of goods with less labor and less expenditure of capital.

Economic Consequences

The economic consequences of such a labor-saving improvement are so complex that explanation must be simplified. The first result is an increase in production without a corresponding increase in cost. This will have one of two effects. It may increase the amounts of goods available to consumers and make them cheaper, with a great improvement in the standard of living. Textile machinery has made it possible for working girls in America to have more clothes and finer clothes than queens of earlier days. In the case of nearly all goods, however, the demand is inelastic. We need only so much food, however cheap it may be. Houses and automobiles and overcoats are examples of goods which are not needed in greatly increasing quantity per person. In these areas the effect of labor-saving equipment is to reduce the cost to the consumer without a corresponding increase in demand. The savings to the consumer are then invested in new types of goods not previously available. Finally, as improvements make all goods cheaper, the savings pour into a demand for personal services.

This process goes on endlessly. Every year improvements reduce the proportion of labor and capital required to produce the basic necessities, food, clothing, houses. But also every year improvements reduce the labor and capital required to produce luxuries such as television sets and children's toys. And every year there is a larger proportion of the population available for personal services, in education, medicine, literature, recreation, travel, and religion.

In this development of labor-saving equipment lies the whole story of civilization, of every advance in human welfare in 30 centuries. Without labor-saving machinery we would dress in rags. Shoes would cost about $100 a pair, and only the wealthy would wear them.

And in every age fuzzy-minded people have deplored every new improvement on the grounds that it will "throw men out of work." And here we have the key to the unbelievable ignorance which surrounds this beneficent force. It is the wholly wrong notion that there is a fixed demand for labor, the idea that whatever "throws men out of work" is evil.

Without the ceaseless development of machines that take the place of labor our entire economy would die. China has never developed equipment that "throws men out of work," and the Chinese live worse than our dogs, on a wage of 30 cents a day. You can measure the wage level in any country by the per capita investment in labor-displacing machinery.

Ideal Objective

The ideal technological improvement is one which produces with no labor goods which formerly required much labor. If an atomic engine costing nothing in labor or capital could produce unlimited power without workers, it would throw out of work nearly all workers in coal mines, oil production, and power plants. And it would make so vast an improvement in wages for all workers that the displaced workers would be earning much higher wages in much easier jobs. If the auto companies could make an automobile with no labor whatever, the union bosses would have to go into some sort of useful work. The auto workers would be making much higher wages in other lines.

We cannot hope for such miracles as these. Most improvements result in cheaper products and a consequent increase in demand. Even more workers are required. There is an enormous benefit from a greater production at a smaller cost per worker, but the ideal of a greater production at a cheaper price with fewer workers is seldom realized. Without the labor-saving device of the dial telephone the telephone industry would have long since collapsed. Unfortunately the total number of workers has increased.

So far as I know, there has never been published an economics book which correctly explains the economics of technological improvements. Not one has ever presented the simple truth that the one source of human progress is machinery which displaces labor, releasing it for new production not previously possible, the greater the displacement the greater the human progress. On the contrary, all the books defend labor-saving equipment on the grounds that in the end more workers are required in the industry affected than before. This is not a defense of labor-saving equipment. It is an admission that labor-saving equipment, with all its wonderful accomplishments, does not realize the ideal of production without labor.

When glass-blowing machinery was invented, the poor devils who died from tuberculosis from blowing glass dynamited the new machinery. Actually the new machines so cheapened production and expanded the market that employment was increased hundreds of times. Mass production of glass made possible a dozen major industries employing millions. This is typical. Labor-saving equipment increases the demand for labor in the industry affected and then creates employment in wholly new industries made possible by the new output. If, by some miracle, the new equipment could run without any labor whatever, the savings would result in still more new industries with still more employment at higher wages.

Labor Displacement

Of course there is some displacement of workers. It is the most exaggerated phenomenon in our economy. The introduction of new equipment is slow. Corporations make every effort to transfer workers to new jobs. Retirement and ordinary labor turnover take care of the problem.

Last October a subcommittee of The Joint Committee on the Economic Report had before it the country's greatest experts on automation, as well as a famous economist, a famous scientist, and assorted labor leaders. One feature of the testimony was that no two witnesses agreed on what automation is. In all the testimony there was not even a suggestion of the economic facts about automation. On the contrary, all witnesses agreed that automation presents grave problems of unemployment. The Director of the Census pleased the Committee by reporting that while automation in the Bureau had greatly reduced the need for workers, he had still managed to increase the total.

Walter Reuther submitted a long written report which was a masterpiece of unsound economics. Completely contradicting his earlier statements, he now finds automation to be a very fine thing — provided only that we have a 30-hour week, an earlier retiring age, longer vacations, a higher minimum wage, lower taxes on workers, and a "liberal monetary policy." Thus Reuther proposes government interferences with freedom of enterprise which would eat up all the gains from automation.

Sub-Committee Report Praised

The final public report of the sub-committee is a refreshing surprise. It recognizes the facts that automation will reduce the demand for unskilled labor, increase the demand for skilled labor, and increase production. The committee did not greatly exaggerate the consequences in displacement of workers. It did not recommend the selfish and anti-social measures proposed by Reuther. Though only mildly, it actually pointed out the conflict between these proposals and the welfare of the country. The report is a credit to the committee.

It is too much to hope that the committee will go on with its work by investigating the greatest obstacle to a finer standard of living in America. This obstacle is union labor. Its unearned wages extorted by force, its featherbedding and make-work practices, its deliberate slow-downs in production, its racketeering and blackmail, its reduction of production by strikes, its relentless reduction in the hours of work, and its monopolistic exclusion of workers from membership make it the greatest artificial cause of low wages and unemployment. It is a minority feeding upon the helpless body of the majority. It is a question whether so powerful an instrument of progress as automation can offset the economic injury wrought by union labor.

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Keeping Up with the Outlook

that a change in conditions would be promptly met with a modification in policy.

Prospects of a Change

What are the prospects of a change? On one side, it is evident that the forces of expansion are far from spent and that, consequently, future demands for credit for both business and consumers will remain strong. On the business side, even though perhaps as much as 85% of capital expenditures will come from internal sources, the impact on the financial market will be heavy. Mortgage borrowings by commercial and industrial enterprises are certain to be more than last year; and the potential demand for home mortgages is at least as high. Finally, if the Federal Reserve's latest survey of buying intentions forecasts correctly, the rate of consumer borrowing will remain high.

To offset this year's demand for investment funds, we have the prospect of a relatively mild increase—around $1 billion—in savings in savings and loan associations, mutual savings banks and insurance companies, above last year's accumulation. Mortgage and consumer debt repayments will be substantially above a year ago, adding to the total available for new investment. The treasury will not, on net, be a borrower this year, but, indeed, it may help to ease the situation by producing a lusty cash surplus.

Other possible sources of relief are also in sight. The demand for consumer credit, while high, may be still considerably lower than last year as a result of the cut in automobile production. The rate of expenditure for inventories is likely to decline markedly by mid-year. Also in the picture is the fact that the extreme tightness that developed in April is in part due to factors incident to the tax-paying period, the effect of which may pass fairly quickly.

Mild Credit Relaxation

From these considerations, it is possible to assume that at least some mild relaxation of credit will develop over the next several months. Unless strong deflationary forces came into play than are now apparent, however, it is unlikely that this development will get any boost from the Federal Reserve. As best as may now be foreseen, the prospect is for a supply of funds, at relatively high interest rates, sufficient to assure a gross national product for the year slightly higher than the rate in the first quarter.

Generally speaking, the sources of demand for investment funds should be able to adjust to the conditions in prospect without suffering marked curtailment of activity. Housebuilding may not, because of institutional characteristics peculiar to it.

Discounts From Par

A little more than a third of the financing of the new and existing homes sold during 1955 was accomplished with mortgages insured by the Federal Housing Administration or guaranteed by the Veterans Administration. A little more than half the new houses started were financed with FHA or VA loans. The substantial influence of this activity is thus evident. It is this substantial sector of the market that is most affected by money conditions, since, as we are all too well aware, it operates under a rigidly fixed interest rate of 4½%, which, for most of the period that it has been in force, and for many parts of the country, has been below what was attractive to lenders. Adjustments to money conditions have only been accomplished by placing the loans with investors at a discount from par. Since, however, the discount cannot directly be paid by the borrower but must, assumedly, be absorbed by the builder, an effective limit is placed on the discount by what the builder can squeeze out of the price of the house.

Consequently, when discounts are higher than the builder can comfortably absorb, activity is certain to be reduced. In many areas, that condition may be approaching now, as some of the statistics suggest. In the first quarter of last year, 61,000 new dwelling units were started under the FHA plan. For the first quarter of 1956, the figure was around 43,000. VA starts in the first quarter of 1955 were nearly 84,000, compared with about 81,000 in the same period this year. Moreover, the proportion of FHA and VA starts to total starts so far this year is lower than it was a year ago. The total number of housing starts for the first quarter of 1956 is 15% less than for the corresponding period last year, and the general decline, in terms of seasonally adjusted annual rate, which began as long ago as the middle of 1955, continued through March. The newly corrected seasonally adjusted rate for March was down to 1.1 million.

Housing Forecast

Forecasts made before the beginning of the year had all settled on a slightly lesser volume in 1956 than in 1955; but all of them, it may be safely said, assumed a less stringent credit situation than now exists. The question now is whether or not the range of forecasts from 1.2 million to 1.25 million should be revised downward.

If all the retardation of activity to date could be attributed to the credit shortage, a sizeable reduction in the estimates would seem justified. However, bad weather, persisting pretty well through April, has also been a factor. Many starts have been deferred, many completions delayed, and, in turn, the starts that would have followed the first completions and sales have been held back. When the weather finally breaks in a favorable way, a considerable spurt in new activity is almost certain. It will be recalled that in 1954, when private starts in the first quarter totalled only 232,000 (compared with 1956's 244,000), the year ended with slightly better than a 1.2 million total (private only).

A similar pick-up could occur this year. However, we face a number of problems. Although, over the year as a whole, a volume of long-term credit sufficient to finance at least 1.2 million homes should still be available, there is the little matter of getting it to the builders in time for effective use during the spring season—a matter that is complicated by the current congestion of the market as well as the obstacles referred to. Another and perhaps more seriously deterrent factor is present — the probable difficulty in obtaining construction money. This should not effect non-residential building, where the permanent loan is ordinarily paid out as construction progresses; but residential building, which commonly is financed with interim bank loans, runs right into the squeeze on commercial bank credit. Anomolously enough, due to this combination of circumstances, the year just might end up with a surplus of long-term funds for mortgages.

As I have said, the present is an uncomfortable time for those who like their forecasts neatly packaged. During the next two or three months, the outcome will probably be resolved. My own feeling is that housing starts this year may yet hit a total of 1.2 million or slightly better, and that at worst they will not fall below 1.1 million.

Rugged Year

At best, however, this may look like a rugged year for the mortgage banker. He will find builders and borrowers clamoring for more money than he can produce. He will find investors especially hard to please, as they always are when there isn't money enough to go around. He will be faced with a situation, economically and politically, in which, more than ever, he will have to have a keen realization of his manifold responsibilities to the society which he serves.

In this year, the mortgage banker will have to exert himself to the fullest to see that his community gets the funds that it needs for continued expansion; even if on a somewhat reduced scale. At the same time, he must take especial care to maintain the confidence of his investors so as to make sure that his community is not neglected amid the multitude of pressures from other quarters. He must be alert to every change in the potentials of his investors as well as understanding of the limitations that they currently face.

Beyond this, the mortgage banker has to be acutely aware that he conducts his business in a political environment. Almost every phase of his activity is in some way affected by some variety of government—local, state, or Federal. While the governmental influence is often beneficial, there are, unfortunately, instances in which it is responsible for artificial and unnecessary impediments to a broader flow of mortgage funds.

Within the community, we encounter building codes, housing codes, city planning, zoning, and subdivision regulations, which to a large extent determine the soundness of real estate values and the scope of building activity on which the basic health of the mortgage market depends. We confront state government in restrictions placed on the judgment of lenders, the freedom with which out-of-state investors may do business, and the risks to lenders created by the foreclosure process. I urge, with all the strength I can command, that you exert yourselves, individually and through your local associations, to bring your state and local laws up-to-date and to remove from them impediments which unnecessarily keep us from performing our function in its fullest possible scope. The national association will help you in any way it can.

The range of the impact of the Federal government is too wide even to catalog here. We meet it almost daily in the insurance and guarantee of home mortgages. We find it in the operations of FNMA. We face competition from it in numerous direct lending programs from veterans housing to college facilities. Our market is affected for better or worse by such subsidized activities as public housing and urban renewal. The very availability of funds from our principal sources for mortgage financing, as well as the sources for construction loans and for interim financing, are strongly influenced, if not dictated, by the fiscal and monetary policies of the Federal government.

Plainly, here is a vast area with which the mortgage banker should be familiar and in which he should work to create a situation favorable to an ample flow of funds to his community. I am proud of the record of our local associations and our national association in these matters. But there remains all too much still to be accomplished. In this connection, I want to speak briefly of two main points of the policy statement that was adopted by the Board of Governors of the Mortgage Bankers Association at its April meeting.

From the opening of the present session of Congress, we found ourselves faced with probably a more serious threat to the independence and integrity of the private mortgage credit system than has arisen at any time since the onset of the great depression. In part, the threat arose from a lack of understanding of the way the private market operates through the self-adjusting quality of interest rates, and the consequent desire to interpose statutory restrictions on these free adjustments. In part, it came from a clear lack of interest in, or sympathy with, the private market and an outright determination to displace considerable sectors of it with direct governmental operations. Irrespective of the motivation, the threat was and continues to be real. So confronted, MBA's Board felt it important that its representatives be armed with a clear expression of the principles on which a private credit system must operate, if it is to survive, and the basis on which government may cooperate with such a system to the common good.

Free Interest Rates

First of all, this statement vigorously reasserts MBA's belief in, and effectively explains the necessity for, freely moving interest rates—and, along with that, the true function of discounts — in respect to insured and guaranteed mortgages. Collateral to this, it takes the position that the Federal National Mortgage Association should be maintained strictly as an instrumentality of last resort to mitigate hardship resulting from changing money conditions by supplying a final measure of liquidity to the private market. But it firmly opposes any move, which, by making FNMA easier or cheaper to deal with, would create a supplementary source of money at all times or make it possible to finance special-purpose programs at submarket interest rates.

Second, the policy statement renews and upholds MBA's long-established purpose to strengthen FHA as an independent, flexible, and self-supporting adjunct of the private home mortgage credit structures. It would accomplish this by reconstituting FHA as a corporation responsible directly to the President and Congress, by giving it greater flexibility in the allocation of its premium income, by permitting it to vary insurance premiums in accordance with its judgment of risk, hence giving it freedom to engage in a wide range of activity without the necessity for special-purpose programs, and, finally, by developing a plan for ultimate private stock ownership.

Pending so broad a renovation, MBA urges the elimination of special programs no longer used as essentially unsound. It would retain for FHA a strong position in determining the need for military housing. It would remove the present cost certification requirement for rental housing, increase the limits on Title I loans, and augment the insurance authorization. It opposes setting any special insurance for loans on housing for elderly persons, and it would eliminate, as being impracticable, the special insurance for housing for families displaced by slum clearance as embodied in Section 221.

Since I cannot take time now to review the entire document, I earnestly urge you to read it and make use of it in helping to guide public policy. (In other words, call it to the attention of your Congressmen.) But whether the question is one of a broad issue of public policy, or the conduct of his business with competence and responsibility, the mortgage banker's objective is the same: to broaden the scope of his usefulness, to extend participation in the mortgage market to more and more people, to maintain a sound private credit system, to improve practices and facilitate operations —all to the end of aiding the economic expansion of the country and giving its people a fuller and more productive life.

Potomac Electric Power Common Stock Offering Underwritten

Dillon, Read & Co. Inc. and Johnston, Lemon & Co. head an investment banking group which is underwriting an offering by Potomac Electric Power Co. of 281,435 shares of common stock (par $10) to its common stockholders. The company is offering the common stock through warrants expiring on June 20, at $20.25 per share on the basis of one share for each 20 shares held of record June 5, 1956.

Proceeds from the sale of the common stock together with proceeds from the sale on June 4 of $10,000,00 of first mortgage bonds will be used by the company to reimburse its treasury for a portion of the construction expenditures already made in 1956 and to pay, in part, for future construction. It is estimated that gross property additions from March 31, 1956 through Dec. 31, 1957 will aggregate about $59,000,000. The program includes the installation of a new 100,000-kilowatt turbo generator at the company's Potomac River plant.

The company furnishes electric power to an area of approximately 643 square miles, having a population of about 1,410,000, comprising the entire District of Columbia and portions of adjoining counties in Maryland and Virginia.

De La Barra Opens

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Arthur E. De La Barra is engaging in a securities business from offices in the Financial Center Building under the firm name of De La Barra & Co.

Railroad Securities

Chicago Great Western

Railroad stocks have absorbed their full share of the recent liquidation, and issues of all quality groups have retreated fairly sharply from earlier highs. Some very attractive yields have been uncovered among such high grade stocks as Santa Fe, Chesapeake & Ohio, Great Northern and Nickel Plate, and in many instances it is expected that present generous income returns will be further enriched by dividend increases or extras later in the year. Some quite attractive speculative opportunities have also developed as a result of the recent weakness. Among these is the common stock of Chicago Great Western which a short time ago was enjoying considerable speculative popularity and has since given up about half of its earlier 1956 price rise.

Chicago Great Western is relatively a small road but it has come a long way in recent years. When new management interests took over a number of years ago both equipment and the roadway were in poor shape. The first step was complete dieselization and the acquisition of new rolling stock. Then to get the greatest possible benefits from the new and more efficient power an aggressive program of roadway improvements was inaugurated. It is the feeling of those who have followed the situation closely that this phase of the rehabilitation is now complete. Statistics would seem to bear this out as the road is now one of the most efficient in the country. The wage ratio last year was only 35.2%, a mark bettered by only two or three other Class I carriers and comparing with 46.9% for the industry. Also, last year the company entered that select group of railroads with transportation ratios below 30% and it is one of the very few to show a year-to-year decline in its transportation ratio in the current year to date. This was in the face of a lag of more than two months in which there were no increased freight rates to compensate for higher wages.

Earnings have been on a steady uptrend for a number of years, a trend that was not even interrupted by the general economic readjustment and railroad traffic decline experienced in 1954. Last year the earnings amounted to $6.44 a share, before sinking and other reserve funds. A modest increase in earnings over the like 1955 interval was experienced in the first four months of the current year and for the full year 1956 there should be considerable improvement over the $6.44 earned last year. The company could well earn as much as $8 a share this year. With cash requirements for the heavy equipment buying and property rehabilitation programs dividends were, for a considerable time, impractical. Payments on the common were instituted in 1954, however, and have been increased periodically since then. Recent distributions have been at the quarterly rate of $0.35 and many analysts believe that with earnings continuing on the upgrade and the period of large capital outlays at an end, further liberalization of dividend policies is in prospect.

Aside from the favorable operating and earnings aspects of this picture it is being pointed out that other highly constructive developments appear to be in the offing. The road has traditionally been a bridge line carrier. More recently the management has been making strenuous efforts to attract industry to the line so as to build up originated tonnage. In these efforts the company has met with a considerable measure of success and plants now under construction promise a substantial volume of new traffic during the next year so so. There is the possibility, also, that some plan for exchanging the present preferred stock into income bonds may be worked out. Such a move could result in tax savings equivalent to something over a dollar a share on the common. Finally, it is possible that eventually some merger agreement with the strong Kansas City Southern might be worked out.

Many Happy Returns To "Hank" Serlen

Lewis H. (Hank) Serlen, Josephthal & Co., 120 Broadway, New York City, is celebrating his 48th birthday June 17th. Golf is his No. 1 hobby, with bowling a close second. His team, of which he is Captain, won the STANY Bowling Championship this year. Hank has also been elected to the Board of Directors of STANY and sings basso in their famous Glee Club.

Lewis H. Serlen

Private Placement

Guardian Consumer Finance Corp., Stamford, Conn., has placed privately an issue of $2,000,000 4¾% notes due June 1, 1966, it was announced on June 4.

This financing was arranged through Van Alstyne, Noel & Co., New York City.

C. C. Page, Others With Hutchins & Parkinson

(Special to The Financial Chronicle)

BOSTON, Mass. — C. Chase Page, Sidney F. Dornan, Alan M. Hay, Carleton T. Proctor and Eldon E. Stark have become associated with Hutchins & Parkinson, 27 State Street, members of the New York and Boston Stock Exchanges. Mr. Page was formerly an officer and Mr. Dornan cashier for Minot, Kendall & Co., Inc., with which the others were also associated.

National Association of Bank Women Elects

The National Association of Bank Women has announced the recent election to membership of Miss Mary A. Mannix, Assistant Vice - President, Kings County Trust Company. Organized in 1921, the National Association of Bank Women is made up exclusively of women holding executive positions in the field of banking throughout the nation.

Miss Mannix joined the firm in July of 1922, and has held various positions in the bank, rising at present to the position of Assistant Vice-President.

Herbert Rogers Joins D. H. Whittemore Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Herbert Rogers has become associated with D. H. Whittemore & Co., 24 Federal Street. Mr. Rogers was formerly an officer of Saben & Company, Inc.

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Atomic Investment Future

be remembered, however, that the H-bomb is believed to still include uranium both as a detonator and as a booster. It is for this reason that the H-bomb is sometimes referred to as the fission-fusion-fission bomb. A U-235 explosion is though to initiate the temperatures necessary to occasion fusion (upwards of a million degrees). Then fusion in turn starts the fissioning of U-238, the more plentiful type of uranium, not fissioned as such in any of the various types of atomic reactors. Actually the AEC has indicated that the velocities necessary to fusion correspond to temperatures of over 100 million degrees Fahrenheit.

In this connection I am reminded of the professor who was lecturing his class to the effect that the earth would be destroyed in 500 billion years. One of his students leaped to his feet, evidently terror-stricken, perspiration on his brow. "What did you say, professor?" he said. The professor answered, "I said the end of the world would come in 500 billion years." The student gave a tremendous sigh of relief, "Oh, I thought you said 500 million years."

At any rate in order to put fusion in perspective I think it is well to recognize that all scientific developments in a sense live on borrowed time and this applies to fission even though it has really just been born. It is known, for example, that both fission and fusion yield heat which must be converted to electricity by rather inefficient processes. Both fission and fusion might of course be outmoded were it possible to obtain directly the electricity locked in the atom. It may be that some day when man understands the nature of matter more thoroughly this electricity in the atom will become available. Furthermore, solar energy is being actively pursued and offers great promise. It too could conceivably outmode the use of uranium as a source of heat. In other words I am only trying to emphasize that new technologies always threaten existing technologies and quite properly so. However, it appears, it appears that fusion is too far away to be of investment significance.

Dr. Smyth, author of the famed Smyth Report and one who is currently abreast of the latest developments in thermonuclear or fusion reactions said recently: "It may be possible to heat a gas, for example, deuterium, electromagnetically to the point where thermonuclear reactions set in and at the same time to confine this reaction gas by some arrangement of electric and magnetic fields. If this proves to be feasible, there still remains the question of recovering the energy generated by the thermonuclear reaction. If the energy can be recovered, there is still the question as to whether an operating device will consume more energy than it generates—a characteristic of all laboratory devices in this field. If the thermonuclear reaction is achieved, if the reacting gas can be confined, if the energy can be recovered, if the energy balance is favorable, there still remains the question of how much the energy will cost."

Perhaps the most significant fact about this whole controversy is the way in which enthusiasts have tended to disregard the time required for engineering development. Even now atomic power is just becoming competitive after 16 years of development with many billions of dollars having been expended in the field. Controlled fusion may or may not come but if it comes, it must be followed by many years of development. It is too early to include it in our investment equations. AEC Chairman Strauss in Congressional hearings in March of this year stated: " . . . it is safe to say that those plants utilizing fission for atomic energy will be amortized before they have to compete with plants using fusion as a basis of the production of energy."

Uranium Demand

Since I have gone into this subject somewhat in the "Analysts Journal" I will simply emphasize a few of the major factors affecting demand. First remember that the government guarantee now extends until 1962. The McKinney Panel (a specially constituted group of eminent citizens) recently suggested that this open guarantee be modified after 1962 so as to put it in terms of specified tonnages. In this connection hearings in March of this year held before the Joint Committee on Atomic Energy are revealing. These words constitute official AEC comment on the McKinney Report.

"The Commission agrees that the Government purchasing program for the period beyond March 31, 1962, the expiration date of the present ore-purchase program, should provide for transition to a free market in uranium when a sizable demand exists for peaceful purposes. It should be recognized, however, that for power reactors alone, the anticipated need for enriched uranium from the Commission-owned gaseous diffusion plants will require the Government to be an important purchaser in any such market. It is necessary that any program which may be considered not only assure fulfillment of military requirement but also, and fully as important, provide incentive to continued exploration and development, without which known ore reserves could be dangerously depleted. If follows, therefore, that such a program should provide a market for all or part of any production which might result from new discoveries."

"It would appear, for example, that the plan does not provide the individual uranium producer with any assurance that he would be able to market all or any part of his production—it merely provides for establishing yearly a total quantity which the Commission is prepared to purchase for the succeeding 5-year period to meet military requirements. If these requirements are equal to or less than the short-term capabilities of existing producers there would be no incentive for capital investment in new facilities or for exploration for new deposits. The demand might be met merely through operation of some existing facilities accompanied by depletion of known reserves. On the other hand, existing producers would nevertheless be faced with uncertainty on the probability of being able to market their output as a result of possible new production or expansion of a competitor's facilities."

From the above it appears that the Commission realizes that something will have to be done after 1962, and that specific tonnages will not be enough. In the course of the hearings, Mr. Jesse Johnson was asked if he thought that uranium was a good investment. Mr. Johnson, head of AEC's raw material program, said, "I do. I also feel that at the present time the sources of production now being utilized probably represent the lower cost material, and that for the distant future it may be necessary to go to higher-cost sources."

The salient point about uranium demand is that even if civilian demand for power does not materialize for a number of years, military demand will continue. No doubt a saturation point will ultimately be reached in the production of large aerial bombs for strategic applications. However, although all atomic explosions are extremely violent, the fact is that atomic weapons for **tactical** application are proliferating at a rapid rate. We, of course, have "baby" atom bombs for aerial delivery which can be used in the so-called "brush fires" which are bound to occur even if we are fortunate enough to avoid the cataclysm of full scale conflict. In addition, we are developing atomic warheads for submarine torpedoes, for 8-inch projectiles to be used by the field artillery, as a supplement to the 11-inch shells for which combat units have already been organized, and for projectiles to be fired from naval guns. Of transcendent importance is the whole field of guided and ballistic missiles—those that will home to attacking aircraft or enemy missiles (a role analogous to conventional anti-aircraft shells) those that will be fired from one spot on the surface (land or water) to hit another spot on the surface, those that will be launched from aircraft at either ground points or at other airplanes or missiles, those that will be launched from under the water to attack surface vessels, and newest of all those which will be launched from beneath the surface of the water to attack points on the surface of the land or even in the air. These new types of missiles are all utterly meaningless without uranium war-heads.

The May '56 issue of "Fortune" magazine carries an article summarizing the Defense Department's thinking as to the future of our armed forces. The following quotation states the crucial point.

"What emerged from the Joint Chiefs of Staff deliberation at Ramey Field is a continuing concentration of U. S. military resources behind the complex apparatus of nuclear warfare, offensive and defensive."

In addition to the uranium required for these new families of weapons it will be necessary to prepare for military propulsion which I will discuss under the heading of reactors.

Reactors

A rash of research reactors has broken out not only this country but abroad as well. It is certainly to be expected that U. S. companies should get a very sizable share of the foreign business. This applies to both research reactors and to power reactors we will discuss later. We may lump with research reactors other low-power machines such as medical reactors which though also used for research are actually designed to permit direct treatment of patients. However, this business though substantial will be measured in the foreseeable future in terms of tens of millions.

Military Propulsion

Passing on to military reactors, we have a very different situation. Already 15 uranium-powered submarines are definitely programmed. A uranium-powered cruiser is scheduled for next year and a uranium-powered carrier for the year after next. It has been announced that the latter will incorporate eight atomic reactors. The Navy has announced that after 1960 all its major capital ships will be uranium-powered. Further off but certainly not beyond the view of the investment analyst lies the prospect of uranium-powered aircraft. It appears certain that the present rate of progress will lead to uranium powered flight within four years. Evidently this will be a business to be measured in the billions. It is relevant here to bear in mind the words of Lt. General Leslie R. Groves (in charge of the U. S. atomic energy program during World War II and now a Vice-President of the Sperry Rand Corporation): ". . . I am sure when this era of atomic power really opens we will all be surprised with the rapidity with which it progresses. It will be too late then for individuals and organizations to learn the fundamental principles involved in the construction of these plants. I would advise you to prepare yourselves for that time to come."

Companies which appear sure to benefit from the Navy's uranium propulsion program include General Dynamics and Newport News Shipbuilding. The former is also active in the Air Force's uranium propulsion program.

The implication of the military uranium propulsion program, in conjunction with the new diversified atomic weapons program, can mean only that the military must ensure not only an adequate current supply of uranium, but a market situation which will ensure uranium's future into the indefinite future. The military planners simply cannot afford to let the free world's uranium industry die in 1962, regardless of the requirements for civilian uranium power.

Civilian Power

Hard on the heels of the military propulsion program is the civilian power program. Although there are a host of fascinating problems relating to what type of reactors will emerge as most economic (at a given stage of development), and the resulting demands for materials, the "Big Surprise" question, and for far more than $100,000, is, "When?"

I have previously predicted and still believe 6-mill power can be accomplished by 1965. By being accomplished as of that date, I mean far enough along so as to result in utility executives' picking atomic power whenever they anticipate alternative power sources would cost more than 6 mills per kilowatt hour. This does not mean that a plant will have been necessarily producing power at that cost at that time. It only means that it will be possible to be sure that a plant **could** produce power at that cost. Thus qualified I think the prediction is conservative.

However, there are others who may disagree for one reason or another. As you all no doubt realize atomic power will not become "competitive" at one fell swoop. Since power costs in the U. S. vary significantly, atomic power will be first competitive in those high power cost areas where large blocks of power are required. Put differently, it is most difficult for atomic power to compete where power needs are small, even though power is expensive, and where power cost is low even though demand is large.

There are many tables showing power cost in various areas but the only map I have found shows not power cost but the price paid for power by rural electric cooperatives. However, the patterns are very similar.

You will note that there are essentially two centers of low priced power. One is in the TVA area; the other in the Pacific Northwest. As one progresses from these two points, the price of power rises. Basically the price of power rises as one moves away from the hydro sites and coal deposits. In a general way, subject to other factors, atomic power will prevail last in the low cost areas. It is a fact that power costs are higher abroad and hence atomic power is more immediately applicable there. As I mentioned in connection with research reactors, there is no reason why U. S. companies should not capture a sizable share of the foreign market.

Major varieties of reactor design are now eight in number as set forth below. The roster of companies active in developing each includes many of the companies who will be reaping the profits as their reactors are produced. I need only mention to you that stock prices react more to anticipated future earnings than to actual past earnings.

(1) **Pressurized Water** — Westinghouse and Babcock & Wilcox—adopted by Duquesne, New England Electric and Consolidated Edison.

(2) **Boiling Water** — General Electric — adopted by Commonwealth Edison.

(3) **Aqueous homogeneous** — Westinghouse—adopted by Pennsylvania Power & Light.

(4) **Sodium Cooled** — North American Aviation and NDA—adopted by Consumers Public Power District (Nebraska) and Chugach Elect. Association (Anchorage, Alaska).

(5) **Fast Breeder** — adopted by Detroit Edison.

(6) **Liquid Metal Fueled**—Babcock & Wilcox—adopted by City of Orlando, Fla.

(7) **Organic Moderated** — North American Aviation — adopted by City of Piqua, Ohio.

(8) **Gas-Cooled** — adopted by City of Holyoke, Mass.

It is interesting to note that the present civilian power program taken as a whole involves the expenditure of $551 million — just half of this money being supplied by the government, the other half by private industry.

To appraise the significance of President Eisenhower's offer of $1 billion worth of uranium, it may be interesting to figure what the capital cost would be to utilize that amount of uranium.

Different kinds of reactors vary widely with respect to the cost of fuel inventory required to start operation, the range extending from about $25 to $100 per Kw. At the $100 figure, $1 billion worth of uranium would be enough for 10 million Kw. of capacity. Total capital costs exclusive of inventory in early large nuclear plants might run $400 per Kw. which would indicate a figure of $4 billion might be necessary to utilize the $1 billion worth of uranium. Of course the $400 per Kw. capital cost figure is subject to wide variation, often in the opposite direction from the cost of fuel inventory. If the $25 Kw. figure for fuel inventory is used $1 billion worth of uranium would fuel 40 million Kw. of capacity. Early experimental reactors might run $800 per Kw. of capacity in which case the total investment to utilize $1 billion worth of uranium would rise to $32 million. Within this broad range of $4 to $32 billion the actual investment will depend mainly on the types and kinds of reactors which are actually built.

Rate-Making

I would like to make a digression at this point and discuss briefly how atomic power development costs affect utility stockholders in this period when atomic power costs more than conventional power. I have noticed that considerable confusion already. A Republican Congressman seems to think money spent on atomic development by private utilities is out of pocket, never to be recovered. A general counsel to a major labor union implied that utility expenditures for atomic development meant nothing because they would be recovered via rate adjustments or in reduced tax. A utility executive stated truths but apparently unintentionally misled the Congressman. The issue becomes tangled because of an entirely separate question—whether atomic development shall be capitalized and written off over a period or charged off as incurred. There is still another factor which affects the matter—how fast rate-makers respond to changed costs. This factor in turn affects how long a part of the expenditure is financed by decreased taxes.

As I see it, a utility essentially

does not lose or even in a practical sense risk the money it spends for atomic development. Whether capitalized and written off, or just written off, the money will eventually be recovered—soon if rates are quickly adjusted, later if they are more slowly adjusted. However, if the rate-making body allows capitalization and allows the amount capitalized to be incorporated in the rate base, the amount invested in atomic development will earn 6% or whatever is allowed by the rate-making body, the same as any other investment. On the other hand if the utility cannot put atomic development in its rate-base, it will earn nothing on its investment and will merely get its money back, early or late as the case may be, without interest. If the rate-maker is slow, part of the cost will be recovered in tax-saving, but in the end this will be illusory since the part temporarily financed by Uncle Sam will eventually be recovered via rate adjustment.

Total Energy Balance

In order to place central station electric power in perspective, it may be of interest to examine the figures for production and consumption of energy, worldwise and U. S. These are shown in terms of percentage in Tables 2 and 3, and were derived from those supplied by Mr. N. Guyol of the United Nations statistical staff.

As might be expected the U. S. used proportionally more petroleum and natural gas, somewhat less coal, and far less wood, lignite, peat, etc. On the consumption side the U. S. has managed to reduce the losses from 65% of the energy produced to about 57%.

In Tables 2 and 3 it is interesting to note how much larger is the energy consumed as heat than the energy consumed as power even though our entire electric power industry falls in the latter category. Although uranium is not expected to find application in household heating, it may well be used in industry where the ratio of heat used as such is more than 12 times what it is when used as power. Here any application will probably consist of supplying exceptionally large batches of space and process heating rather than more numerous but more widely separated smaller batches. At any rate if any part of this large but uncertain field turns out to be suitable for uranium, the resultant demand will be additional to that for electric power.

TABLE II

World-Wide Energy Balance, 1952

WORLD PRODUCTION

41.4%	Coal
26.5	Petroleum and natural gasoline
20.4	Wood, lignite, peat, etc.
9.3	Natural gas
1.4	Water power
1.0	Animate energy
100.0%	

WORLD CONSUMPTION

	Heat	Power	Heat and Power
Losses			65%
Effective Use—			
Agriculture	---	1%	1%
Transport	--	3	3
Industry	18%	2	20
Househld	10	1	11
	28%	7%	100%

TABLE III

United States Energy Balance, 1952

U. S. PRODUCTION

32.7%	Coal, lignite, etc.
36.8	Petroleum and natural gasoline
25.4	Natural gas
1.2	Water power
3.0	Wood, etc. and animate
100.0%	

U. S. CONSUMPTION

	Heat	Power	Heat and Power
Losses			56.8%
Effective Use—			
Agriculture	---	.3%	.3%
Transport	---	4.1	4.1
Industry	23.0%	1.9	24.8
Household	12.1	1.7	13.8
	35.1%	7.9%	100.0%

Continued from page 3

Electronic Industry's Outlook

a constantly increasing total dollar volume from TV receivers with the expected decline in black and white more than offset by the rapid growth of colar. Undoubtedly the average retail selling price of black and white will continue to slide from last year's level of about $225, but a very substantial black and white market should be available for a long time. There should be continuing demand for portables, second and third sets in some homes, and the replacement of a considerable part of the existing 38 million receivers currently in use.

Color Sets

During the time that black and white is declining, color will begin to replace it is the American home. The remainder of 1956 will see the industry making final preparations for mass production, possibly selling about 300,000 sets, of which RCA expects to supply 200,000.

As broadcast programming is stepped-up, productive facilities expanded and prices reduced, color unit volume should soar. It seems reasonable to project industry sales of 700,000 sets in 1957; 1,900,000 in 1958; 4,250,000 in 1959; and 5,200,000 in 1960. This would indicate a total of over 12 million color receivers in use by the end of 1960.

Based on present indicators, we can anticipate a drop in the price of color receivers as unit output rises. . . . While the price of color receivers will probably continue to go down as volume increases, one must not expect a repetition of the drastic declines which occurred in black and white. The reason for this, of course, is the fact that simplification of circuitry and manufacturing efficiencies which were achieved through nine years of experience with black and white have in a large measure already been incorporated in the design and processing of color receivers.

However, in an industry as highly competitive as ours, one can be sure that no stone will be left unturned in the constant drive toward improved performance and lower cost.

TV Product Development

The fruits of continuing electronic research and development will undoubtedly greatly alter any concept we can offer today as to what the appearance and performance of television receivers will be within the next decade. Transistors will make them smaller, more easily portable, and operable on battery power. Mural TV should permit more flexible viewing arrangements, probably multiple screens and larger picture area. Magnetic TV tape for the home may well provide greatly desirable new services from the television art. This new technique for making a permanent or readily erasable visual record without the use of film is just now emerging from the laboratory stage and, as you know, will be in commercial use by TV broadcasters this fall. Development of inexpensive similar devices for home use, while still some distance away, eventually should account for a market of huge proportions. When costs of the apparatus and tape are down to the point where nearly every home can afford one, the possibilities for this field alone are tremendous.

The full commercial development of what is technically termed "light amplification" holds great promise for making possible new and improved products and services particularly in the field of television.

International and worldwide television is beginning to emerge from the experimental stage. In broadcasting, many of you have probably seen programs on NBC's "Wide Wide World," where Canada, Mexico and Puerto Rico have been linked to the United States during a single program. A number of countries in North and South America, Europe and even the Far East have recently inaugurated or expanded their television facilities. While the long-term market for U. S. exports of TV receiving and broadcasting equipment is difficult to measure because of the many complicating factors in the international scene, the next 10 years should certainly see substantial growth in this area.

Industrial TV

So far, we have considered only the home entertainment aspects of television. Another important TV service which deserves mention is that of industrial television. The most common applications so far include:

Medicine: where students, researchers, technicians and doctors may study operations or other demonstrations while actually in progress;

Industry: where cameras provide a view of processes too dangerous to be witnessed at first hand, or activities not conveniently located for efficient supervision and control;

Military: where battlefield maneuvers can be observed at a distance from the actual fighting with the pickup cameras being either air-borne or portable battery powered units;

Detection: where loading platforms, store counters, traffic arteries and many other similar centers of intense activity can be watched from a central point to guard against theft or to promote more efficient use of limited facilities;

Banking: where verification of signatures and other essential data is possible from widely separated locations.

While as yet the market for industrial television is relatively small in terms of dollar sales, it seems likely that the countless possible applications of this service to commerce and industry will provide substantial volume in the years ahead.

Television Broadcasting

There is, of course, an inseparable relationship between the television receiver industry and the television broadcasting business. This has been forcefully demonstrated during the past year with respect to color. People were hesitant to buy color sets because of the limited number of color programs on the air. And this situation reflected the fact that sponsors generally were reluctant to pay the higher cost of color programming while there were so few color receivers in use. However, the problem is rapidly being solved, largely by the intensive and expensive efforts of RCA and NBC.

Color TV Programming

The NBC has launched a $12 million plan to expedite color programming. Within the past year NBC's 90-minute Spectaculars have proved to be the color springboard for new and ingenious showmanship. Plans for fall provide for color every evening on a regular basis. There will be at least one major color program every evening in addition to the Spectaculars. This means that on Saturday, Sunday or Monday, when a Spectacular is scheduled, there will be as much as two and one-half hours of outstanding performances in color.

A few weeks ago, the NBC station in Chicago, became the world's first all-color TV station. All live programs originating at that station are now in color. This project is an integral part of the RCA-NBC move to break through the black and white curtain and speed the advance of color TV as a regular service to the public.

Plans are being developed for converting the other NBC-owned stations to originate programs in color as rapidly as possible.

Broadcasting Revenues

Back in 1947, the first full year of black and white TV, broadcasting revenues from television were less than $3 million, as compared with $550 million for radio. By 1950, TV broadcasting had grown to $170 million and radio was at $600 million. Last year, TV grossed $1 billion, while radio declined to $545 million.

It is estimated that by 1960 TV advertising expenditures will have reached $2.5 billion and that 10 years from now TV broadcasting will produce a volume of $3.5 billion. These phenomenal increases are attributable to (1) more sets in use, thus justifying higher advertising rates; (2) more stations in operation; (3) the added cost and impact of color programming; (4) a greater number of sponsored hours in the early and late periods of the day; and (5) the more extensive use of the magazine concept of advertising, which enables a greater number of sponsors to purchase small time segments, rather than bearing the full cost of a complete show.

In 1950, total advertising expenditures in all media amounted to $5.7 billion with TV accounting for 3% of the total and radio 11%. By 1955 total advertising outlays increased nearly 60% to $9.0 billion while TV grew to more than five times its 1950 level and accounted for 11% of the total. The 100 TV stations on the air in 1950 multiplied to 430 at recent count. On the other hand, radio during this five-year period declined about 10% in absolute amount and accounted for only 6% of the nation's total advertising outlay.

Radio

At this juncture it seems appropriate to observe that one should not, mistakenly, dismiss radio as a dying industry. With a total radio broadcasting revenue of more than half a billion dollars last year for the more than 3,200 AM and FM stations currently in operation, and with some 130 million radio receivers in U. S. homes and automobiles, including 15 million units produced by the industry last year, this segment of the electronics business is by no means destined to "die on the vine" despite the substantial inroads television has made on radio listening habits.

Many of you probably noticed a news release a couple of weeks ago by the United Nations Educational Scientific and Cultural Organization in which was reported their estimate that each day news and entertainment are carried to the world by 255 million copies of daily newspapers and through 257 million radio sets. The account noted that world press circulation rose by 14% in the past five years while the number of radio receivers increased by 41%.

Servicing and Replacement Parts

Last, but not least, we should also consider a vitally important segment of the television business —indeed of the whole electronics business — which is often overlooked in appraisals of the industry, namely installation, service and repair. It is generally conceded that the TV industry could not have achieved the rapid growth it attained in its early years without the concurrent development of competent field service facilities.

RCA is particularly proud of the role it played in promoting high standards for television service not only by our wholly owned subsidiary, The RCA Service Company, but by thousands of independent service organizations throughout the country.

Estimates place the total of electronic service business currently at a level of $2.6 billion of which $1.0 billion relates to TV. Projections indicate a growth to about $4.0 billion by 1960 and to over $5.2 billion by 1965, with roughly half of these gains attributable to TV.

Outlook for Industry in General

Every element of the electronics industry is today far better equipped than ever to continue the pattern of progress. Never before has there existed the manufacturing capacity and the scientific basis for development of new products and services for the home, industry, education and national security.

The electronics industry should advance at a rate exceeding that of most other industries. We believe it is reasonable to expect that by the end of 1964, the business volume of the electronics industry will be some 66% over the $11 billion record established in 1955 thus reaching a level of at least $18 billion. This would be more than double the anticipated percentage gain of the national economy as a whole.

Electronics now ranks fifth among American industries in dollar value of goods shipped. We believe that it is destined to climb closer to the top.

The long-term total outlook for the electronics industry appears to be exceedingly bright. Confidence in the creative faculties of electronic scientists and engineers has never been higher. And the opportunities for our industry to serve and to expand have seldom been equalled in modern times.

Chicago Analysts to Hear

CHICAGO, Ill. — William A. Patterson, President of United Airlines will address the luncheon meeting of the Investment Analysts Society of Chicago to be held June 7 in the Adams Room of the Midland Hotel. Mr. Patterson will speak on United Airlines and air transportation in the jet age.

New Krensky Branch

QUINCY, Ill.—Arthur M. Krensky & Co., Inc., has opened a branch office at 114 North Seventh Street under the direction of Fred W. Sueltman.

Lambuth Opens Branch

PRESCOTT, Ariz.—Lambuth & Company Investments Inc. of Phoenix have opened a branch here under the direction of John G. Lincoln, Jr.

Schirmer, Atherton Branch

WATERBURY, Conn. — Schirmer, Atherton & Co., members of the New York and Boston Stock Exchanges, have opened a branch office in the Smith-Elton Hotel under the direction of Milton M. Seligson.

Marshall Adams Opens

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Marshall F. Adams is engaging in a securities business from offices at 53 State Street.

Barth Thomas Opens

Barth Thomas & Co., Inc. has been formed with offices at 1775 Broadway, New York City, to engage in a securities business.

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Banking and Monetary Reforms To Preserve Private Enterprise

is free to lend all the savings of the community that have been placed with it—rather than having to retain a cash reserve to honor requests for withdrawals. And the person holding a bank bond always has a liquid asset that can be sold in the event of an emergency.

It is not possible, of course, to attain this ideal overnight. But as a start, the Savings and Loan Section of a bank should be set up much the same as existing Savings and Loan Associations. It should have a minimum cash reserve of 5% to honor occasional requests for withdrawals. Then, as its outstanding loans are paid back, it should approach the savings depositors one by one and tell them that their savings can no longer be held as deposits that can be withdrawn within 30 days. Each depositor would have to decide how long a period he wished to make his money available for lending and buy a bond for that period of time. Eventually all savings deposits held by banks at the time the reform is made would be converted into bonded indebtedness of these institutions to the public.

To clarify the mechanics of such a reform, let us take an actual bank statement and analyze it (see table).

RESOURCES

Cash:		
On Hand and With Federal Reserve Bank	$105,538,077.17	
With Other Banks	24,401,994.59	$129,940,071.76
Investments (at not exceeding market value):		
U. S. Government Securities	200,563,124.32	
Other Bonds	34,451,435.16	235,014,559.48*
Stock and Other Securities		600,004.00
(Including $600,000.00 stock in Federal Reserve Bank of S. F.)		
Loans:		
Loans and Discounts	109,323,696.98	
Loans on Real Estate	31,638,601.53	140,962,298.51
Customers' Liability for Credits and Acceptances		7,126,629.09
Bank Premises, Furniture and Fixtures		2,079,706.91
Other Real Estate Owned		5.00
Other Assets		763.99
		$515,724,038.74

*$48,311,886.94 in securities and $500,000.00 of other assets are pledged to secure Public and Trust Deposits and for other purposes as required or permitted by law.

LIABILITIES

Deposits:		
Demand	$332,395,486.71	
Time (Saving and Commercial)	114,160,858.07	
Public Funds	34,857,221.87	$481,413,566.65
Letters of Credit, Credits and Acceptances		7,126,629.09
Reserved for Taxes		1,580,729.93
Other Liabilities		749,704.83
Capital Paid In	9,000,000.00	
Surplus	11,000,000.00	
Undivided Profits	4,853,408.24	24,853,408.24
		$515,724,038.74

Member Federal Reserve System and Federal Deposit Insurance Corp.

This bank has total demand deposits of $332,395,486.71. These are the deposits against which checks are being drawn and which should therefore be in the newly formed Deposit Section backed dollar for dollar by actual currency. The bank already has cash reserves of $129,940,071.76. (Although these cash reserves include deposits with other banks, the entire amount can be treated as actual cash if all banks go through a similar change at the same time). To bring the cash reserves of the Deposit Section up to 100% of its deposits would require an additional $202,455,414.95. However, the newly formed Savings and Loan Section will also need $7,450,904.00 to give it a 5% reserve behind its deposits (which total $149,018,079.94). So the bank would need a total of $209,906,318.95 in order to split itself into a Deposit Section with 100% reserves and a Savings and Loan Section with a 5% reserve.

Print Money to Retire Bonds

The government should print the required amount of money and lend it to the bank. (Although this money is being loaned into existence, its repayment to the government will not cause it to be retired from circulation. All money paid back to the government will be earmarked for retirement of government bonds. It should be clear, therefore, that their new money will have an actual existence independent of debt). Since the government already owes this bank $200,563,124.32 (U. S. Government Securities held by the bank), the government could advance the entire $209,906,318.95 to the bank, cancel the government securities held by the bank, and accept the bank's bonds in the amount of $9,343,194.63 to cover the difference.

The above plan for converting a particular bank into a deposit bank may not be perfect in all details. Doubtless minor adjustments will have to be made so that each bank is assured adequate funds to tide it over during the change from one system to the other. For example, some of the "Other Liabilities" and "Credits and Acceptances" may be considered as demand liabilities — in which case the bank would have to borrow still more from the government in order to maintain a 100% reserve behind its demand deposits and a 5% reserve behind its savings deposits. Enough of the details of the plan have been given here to indicate the general idea of how our credit banking system can be converted into a deposit banking system.

Once having stabilized the banking system so that it could no longer be the source of changes in the supply of money, it would then be necessary to protect ourselves from arbitrary manipulation of the supply of money by the government. That raises the question: What should determine changes in the supply of money?

How to Change Money Supply

Such well known economists as Bradford Smith (U. S. Steel Corp.), C. A. Phillips, F. A. Bradford, Carl Snyder, and James Angell, have suggested that the supply of money should vary directly as population, i.e., as our population increases, our supply of money should be increased proportionately. Then the supply and demand relationship between population and money will result in a dollar of constant value. Such a dollar would buy more physical goods as techniques of production improve and costs are therefore going down. But this would **not** be deflationary because prices would not fall faster than costs except in those industries suffering from a shift in consumer demand. And prices **should** fall faster than costs in such industries in order to facilitate a shift in the basic factors of production from "less wanted" forms of wealth into "more wanted" forms of wealth.

Such a dollar would also always do justice between debtors and creditors because it would always be equally difficult to obtain.

No Inflation or Deflation

Were we to adopt such a system at this time, we would remove the threat of inflation and deflation while at the same time removing the necessity for any government controls of the lending operations of banks. We could henceforth cease to worry about the amount of consumer debt. All savings should be loaned so as to keep money in circulation. Debts that arise from the lending of actual savings are perfectly sound so long as ordinary caution is used by the lender. **It is debts that arise from the lending of credit that cause our price level to become inflated.** And the threat of deflation that faces us today is due to the fact that our price level is in terms of bank credit rather than in terms of money having an existence independent of debt. By converting that bank credit into money, we will have removed the threat of deflation.

Perhaps the most important result of such a change would be that our bankers and our business men could now rely on the stability of the per capita supply of money. Neither our banking system nor our government would have the power to expand or contract the per capita supply of money. Keep in mind that no new purchasing power would be given to, nor would any be taken away from, any person who doesn't already have access to that purchasing power today. We would merely be putting actual money where people now think money is; —merely converting credit (which is now being used as money) into money that has an actual existence.

Non-Collapsible Money Market

Bankers would now be free to make the savings of the country readily available for loans without the fear of a possible collapse of the money market. That's not true today. At present bankers are fully aware of the instability of bank credit. Therefore a conservative banker—anxious to protect his depositors as much as possible—is reluctant to lend credit on long term during a boom because his deposits are withdrawable on demand or at most on 30 days notice. And the government —also aware of how unstable the banking system is—has surrounded bankers with a mass of red tape, rules, and regulations in a vain effort to protect the public from this essentially unsound operation.

Under this new system, the bankers and the government would know that the money market had a solid, non-collapsible base. They would know that the basic cause of bank panics had been removed. The only restriction on the banks now would be that they would not have the right to create credit as they did formerly. They could only lend savings, i.e., money obtained by sales of their bonds.

This plan has been discussed at length with several bankers. A few, who see the threat of a nationalized banking system, or continued inflation, unless a reform of this sort is made, are strongly in favor of this change. Those who react against it do so for a variety of reasons. Some don't like the prospect of losing the income on all the government bonds they are now holding. But a large part of the income the banks have received from government securities has been passed on to their depositors in the form of lower service charges on checking accounts. These charges should be raised. The full cost of safeguarding money and facilitating the transfer of titles to that money (by means of checking accounts) should be borne by each person or company for whom that service is rendered.

Some bankers will call the plan "inflationary" and some will call it "deflationary". But it should be clear that neither accusation is valid. No additional purchasing power would be added to the system—nor would any be taken out of the system. We would merely be stabilizing at the existing per capita supply of dollars. We would merely be converting bank credit—which is now being used as money—into actual money. This new money will be money that ought to be in the banks today—but isn't. It is money that belongs to those who have checking accounts. Checks are continually being drawn against those deposits. But at present those deposits have no existence except on the books of the banks. And because that situation prevails with all our banks, our price structure is not on a firm basis. By putting a 100% reserve behind all checking accounts we will be putting our price structure on a sound basis.

Include All Lending Institutions

A banker may say that it would not be fair to force him to rely on sales of his bonds in order to obtain money for lending, when other lending institutions such as Savings and Loan Associations are not required to operate that way. And here the banker is perfectly right. At the time each of our credit banks is split into two sections as previously outlined, all lending institutions should be required to gradually convert their obligations to the public into bonded indebtedness. The public should recognize that it is not proper or sound for them to have the right to withdraw their savings on demand, or on 30 days notice, when those savings have, in fact, been borrowed by others from the lending institutions for a much longer period than 30 days. It is not sound for the simple reason that it is physically impossible for a lending institution to pay all its depositors in 30 days. But it **would** be sound for a lending institution to sell its bonds and then make loans that would mature on or before the bonds matured. And I understand that Swiss banks make use of this principle to some extent—as well as the British Building Societies in England (they are the equivalent of our Savings and Loan Associations).

The banker may then ask: "What happens if everybody wants to sell these new savings bonds at the same time?"

Would Eliminate Hoarding

Buried in the answer to this question is one of the most powerful arguments **against** credit banking—as well as one of the most powerful arguments for reform. Variations in the volume of money-hoarding are inherent in (because of Gresham's Law), and have a very disturbing effect upon, a system of credit banking. The prime examples of this are the many bank panics which have rocked the system ever since it started. By converting our system of credit banking into a system of deposit banking and stabilizing the per-capita supply of dollars, we will have removed the basic cause of variations in the volume of money-hoarding.

However, if for the sake of argument, we assume that the public suddenly did wish to hoard money (by selling their bank bonds), there would be a healthful counteracting force to prevent such action from reaching excessive proportions: the price of bank bonds would fall.

Contrasts Two Systems

Now contrast the two systems: Under credit banking, there is a justifiable reason for a periodic increase in the desire to hoard money and there is no deterrent to a withdrawal of money from the banking system for hoarding purposes. Indeed, the justification for the desire to hoard—as well as the actual hoarding itself—is encouraged by the fact that hoarding will cause a contraction of bank credit and therefore an appreciation in the value of money.

Under the new system there is no justifiable reason for a periodic increase in the desire to hoard money. However, if we should assume that an increase in the desire to hoard money should occur, there will be a natural deterrent that will operate to prevent the increase from becoming excessive, i.e., the price of bank bonds will fall.

This does not mean, however, that a bank bond would be a poor investment. It should be obvious that any commodity or security will fall in price if everyone holding it decides to sell it. Bank bonds — under the new system — would be one of the safest investments that a person could make. The security behind these bank bonds would certainly be all that could be asked for—loans secured by collateral, the dollar value of which is not subject to collapse. Contrast this with the present system in which the dollar value of a bank's collateral collapses whenever bank credit collapses.

Aid Debt Retirement

When it is realized that the conversion of our credit banks into deposit banks automatically reduces the national debt by over $50 billion (the amount of government bonds now held by the banking system), some people may think that a sleight-of-hand trick is being played. But there is nothing tricky about it. The banking system acquired those bonds by literally creating deposits on their books to that amount. As a result of that creation of deposits, as well as the creation of other deposits, our price structure is not on a sound basis. By putting a 100% reserve behind deposits subject to check, we're merely accepting the situation the bankers have put us into and stabilizing it so that it can't collapse. We would merely be putting money where it ought to be but isn't.

It might appear that if we stop using bank credit as money there will be a great reduction in the liquidity and transferability of wealth. That would be true **if** we did not monetize the existing volume of bank credit. Bank credit is nothing but a substitute for money—and a very poor substitute at that. One of the functions of money is to make wealth liquid and facilitate the transfer of wealth. The curse of using bank credit as money is that when bank credit collapses, the liquidity of wealth is destroyed. That's why we have depressions. If we furnish ourselves with an adequate supply of money — and stabilize that money by making credit banking illegal—we will then be assured of continuous liquidity.

Population vs. Gold Standard

The question arises: Would it be wise to have such a currency convertible into gold? Certainly not. That would make it credit currency—the very thing that has caused so much trouble. The time has come to cut ourselves loose from the gold standard altogether. The stability of international trade depends primarily upon the stability of the currencies used in international trade. And by abandoning the use of credit as money —thereby stabilizing the dollar— we will be doing the most that can be expected of us toward the establishment of conditions that would make possible an expansion of world trade on a sound basis. (This subject has been thoroughly dealt with in the excellent book "International Monetary Issues" by Charles R. Whittlesey.)

There are some people who look with distrust upon "printing press" or "fiat" money. But they overlook one of the basic facts about money. It is true that we need a "hard" money. But we should not make the mistake of associating "hardness" with convertibility into gold. The essence of a hard money is not determined by the material of which it is composed—or the material into which it is convertible. The essence of a hard money is that its supply is fairly stable and there are precise limits to it. In other words, gold itself is a comparatively hard money because the supply of gold is inelastic. Bank credit convertible into gold is a very soft money because it is elastic and there are no precise limits to its supply, i.e., it expands and contracts. And a purely paper or "fiat" money can be a hard money if we set precise limits to its supply, or it can be a soft money if we set no precise limits to its supply. A population standard, as described above, would obviously give us a much harder money than the orthodox gold-credit system gave us prior to 1933—and certainly a much harder currency than the money-managers are giving us today.

The time is ripe for a thorough study of the principles upon which our monetary system ought to operate. To do that, we must first clear our minds of the erroneous theories that have been devised to support the use of gold and gold-credit as money. We must think solely in terms of sound economic principles.

It's a challenge—a very great challenge. If we face it, and solve the problem, we will be taking the first constructive step back toward sanity in national and international relations. If we fail to accept the challenge, we will continue sinking into the mire of Collectivism — hopelessly weighted down by the ever-increasing problems arising from an economic system that can't regulate itself because it lacks a stable and reliable standard of value.

Twin City Bond Club 35th Annual Outing

The Twin City Bond Club will hold its 35th Annual Golf Tournament and picnic on Thursday, June 21, at the White Bear Yacht Club, White Bear Lake, Minn. A cocktail party will precede the outing on June 20 at the Nicollet Hotel in Minneapolis.

A full day with horseshoe tournament, tennis, gin rummy, bridge, swimming and boating in addition to the golf tournament is scheduled.

Reservations may be made with Robert G. Davis, Piper, Jaffray & Hopwood, Minneapolis. Robert S. McNaghten, Williams-McNaghten & Co., Minneapolis, is Chairman of the outing. Other Committee Chairmen are George V. Jackish, Merrill Lynch, Pierce, Fenner & Beane, Minneapolis, Registration; Paul E. Casserly, Merrill Lynch, Pierce, Fenner & Beane, St. Paul, Cocktail Party; Stanley R. Manske, First National Bank of St. Paul, Publicity; Wesley J. Anderson, Transportation; Charles J. Rieger, Merrill Lynch, Pierce, Fenner & Beane, Minneapolis, Transportation; Willys P. Jones, Allison-Williams Company, Minneapolis, Tennis and Horseshoes; Lawrence Shaughnessy, Jr., Shaughnessy & Company, Inc., St. Paul, Golf Tournament; Irving J. Rice, Irving J. Rice & Company, St. Paul, Bridge Tournament and Gin Rummy; George A. McDonald, First National Bank of Minneapolis, Prizes; Fred S. Goth, Irving J. Rice & Company, St. Paul, and William E. Ritt, Merrill Lynch, Pierce, Fenner & Beane, Minneapolis, Special Prizes; William J. Lau, J. M. Dain & Company, Minneapolis, and J. M. Wallace, Jr., Prize Solicitation; J. Dan McCarthy, Jamieson & Company, St. Paul, Boating.

Economy Termed Dynamic, Not Weak

First National City Bank newsletter finds it hard to feel pessimistic when so much basic strength in the business picture is visible. Anticipates speedy inventory adjustment.

Commenting about the shift in business views, the First National City Bank's *Monthly Letter* of June, notes that the buoyant confidence of last winter appears to have given way to a tendency to stress the soft spots in the economy. Finding it hard to feel pessimistic, the *Letter* points out, as follows:

"In the main, the change in sentiment seems to apply to the short-term outlook. The immediate causes of concern are passenger car inventories, too much steel in the hands of the automobile industry, farm implement curtailment, spotty weakness in some household appliances and textiles, and pessimism about housing. It is plain that many of these weaknesses are real, and that adjustments must occur before the economy is ready to move forward again as a whole. No one can be certain when that will be. But the impression has spread that the third quarter will be leaner than was earlier expected. A longer range concern is whether consumer spending will be affected, or capital goods programs curtailed.

Visible Strength

"It is hard to feel pessimistic, however, when so much basic strength is visible. An economy straining at the limits of materials, manpower, and financing, as is the case in the capital goods industries today, is not weak, but dynamic. In retrospect it may appear that the moderation of optimism during these recent weeks was timely. The automobile companies are facing up to the problem of high stocks and disappointing sales now, rather than see it get worse during the summer. Further cuts in production must come. But in the fall, introduction of the 1957 models should revive sales. Probably some buyers are holding off for the new cars. Farm implement curtailment is cutting into excess stocks. In business generally it was time for careful examination of inventory policy, after five consecutive quarters of rising stocks.

"Judging by available business indicators the economy is neither soaring perilously high nor starting to slide dangerously. Nor is it likely to swing to either extreme in the near future. The best hope for a resumption of long-term growth by the end of this year lies in a speedy completion of the necessary inventory adjustment and a continuation of the strong advance in business spending for plant and equipment. Supports for a high level of activity will come from a gradual increase in government purchases and in the strength of consumer demand, sustained by record high personal income.

Consumers Still Buying

"Uncertainty about consumers' expenditures is expressed, but consumers have jobs, they have money, and they are buying. Even though they have cut spending for certain products, in the aggregate they are spending more than ever before."

In discussing residential construction prospects, the *Monthly Letter* states:

"Preliminary indications are that housing expenditures in the second quarter will be no worse than even with the first, on a seasonally adjusted basis. Residential contract awards in the 37 eastern States, according to the F. W. Dodge figures, have set all-time high records, and it is clear that dollar expenditures are running proportionately higher than housing starts. Modernization work is active.

"As automobiles and home-building complete their adjustments, the consumer sector may once more emerge as an area of strength in the economy. It would not be necessary to have a dramatic recovery in outlays for cars and homes nor a sharp upsurge in purchases of other goods and services. A continuation of the present trend of these other purchases without the offsetting influence of sizable drops in the market for autos and housing would provide steady gains in over-all consumer spending.

The Capital Goods Boom

"For the present, however, consumer spending has yielded place to business investment as the dominant force in the economy. Business men, questioned during April and early May by the McGraw-Hill Department of Economics, reported that they were scheduling expenditures on new plant and equipment totaling $39 billion during 1956. If accomplished, this would represent a spectacular increase of $9 billion, or 30% over the previous record set in 1955. This contrasts with a 22% increase indicated by the Department of Commerce-SEC survey last February. Manufacturers are planning to step up expenditures by 48% this year, and non-manufacturing industries by 21%. These surveys are not economic forecasts but a compilation of what companies—generally the larger ones—are currently spending and planning to spend. In a great many cases, these anticipations are firmly based on existing orders or construction contracts. The most encouraging aspect of these investment plans is that they are not a flash in the pan but a part of long-range programs."

Clarence E. Taylor Now With Wyllie Thornhill

Clarence E. Taylor

LYNCHBURG, Va.—Wyllie and Thornhill announce the opening of an office in the Peoples National Bank Building and the association with them of Clarence E. Taylor. Mr. Taylor was formerly Executive Vice-President, and one of the original founders of Strader, Taylor & Co., Inc.

Form Mutual Union Secs.

FLUSHING, N. Y. — Mutual Union Securities Co. has been formed with offices at 139 - 16 Fifty-eighth Avenue to engage in a securities business. Michael T. Gasparik is a principal.

Form Swimmer, Fine Co.

INGLEWOOD, Calif. — Samuel Swimmer and Leon Fine are engaging in a securities business from offices at 535 North Eucalyptus Avenue under the firm name of Swimmer, Fine & Co.

Continued from first page

As We See It

as a practical matter the System regards itself as all others appear to regard it as an important sponsor of eternal prosperity.

In all the hearings in recent years on this general subject, it was again and again and again asserted by many public men and private citizens that the Federal Reserve System was not only an important factor, but was quite possibly the most important agent of them all. Such survival as there was of the older controversies and discussions of the System's concern with prices, with the liquidity of banking assets, or with any of the other aspects of business and finance turned for the most part upon the question as to how the System could best promote unvarying prosperity. All this is doubtless an outgrowth of the fear and dread of another depression such as occurred at the end of the 'Twenties, and the New Deal inspired idea that Government—including the central banking mechanism—could and should virtually guarantee avoidance of such a catastrophe.

And so it is that the System now stands in the public eye as an instrumentality whose function it is to prevent unemployment. Since unemployment, when it rises, is a phenomenon which bears directly or indirectly upon the masses of the people, the great rank and file are now inclined to look upon the System as responsible to them. In other words the System is "in politics" almost as much as it would be if its managers were elected by the people. Of course, the leaders of the major political parties are well aware of all this, and so are the Reserve authorities.

This concatenation of circumstances has rendered the task of the System all but impossible. In the first place, it simply is not true that the Federal Reserve authorities —with or without the cooperation of other departments of Government—can even come near insuring indefinite and unvarying prosperity, or full employment. Their abilities in this direction are strictly limited and such constructive contributions as they can make can more often than not be made only by policies which are just the opposite of those the rank and file think ought to be followed in any given situation. They can usually check an obvious boom, although not always without producing something akin to depression; their ability to check a downswing is strictly limited if it exists at all.

They are thus seen to be called upon, often by an ill-informed public, to do that which they can not in the nature of the case do. This popular voice, moreover, is not only ill-informed about what the System can and can not do, but is often under the influence of foolish notions about the nature of its operations. Many seem to have developed an astounding faith in the magic of the discount rate or the legerdemain of open market operations. Special interests often would have the System pursue a stated policy when such a policy would almost inevitably bring adverse effects upon the economy in general. And, almost regardless of what the System does, a later downturn in business will provide proof to a good many that it did the wrong thing.

These observations are not taken to have any particular meaning with respect to what the Reserve has been doing of late. There are those who express the fear that its so-called tight money policy has turned or will turn the course of business down. It is a fact that soft spots have appeared in the economy. These may or may not prove to be harbingers of worse things to come. It could be that actions taken by the Federal Reserve have had or will have some effect in bringing some of this about. The fact is, though, that if we are running into trouble, the cause really is to be sought in what occurred long before any action by the Reserve authorities placed a restraining hand upon the general situation—if indeed it ever did anything of the sort. The extremes to which instalment lending went, and the excesses in the home mortgage field are much more to be blamed for any untoward developments of the sort now feared than corrective action taken after the event by the Reserve authorities.

Generally speaking, the function of any central banking system is to discourage the growth of conditions in the financial field which are likely to bring trouble in the future—not to wait until the trouble comes and then try to relieve it. It is evident enough now to all, as it was to most men of experience at the time, that reckless use of bank credit (directly or indirectly) was rampant last year. The Reserve authorities bestirred themselves after the event and are now being roundly criticized in many quarters for bestirring themselves at all. It is a hard row that they have to hoe, regardless of Treasury or other Governmental pressure.

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Bankers' Views on Loan Policies

ment of loan policy as it appears in their manual for loan officers. It states,

"It is our desire to render through our lending functions a broad, human, constructive, community-building service, a courteous, sympathetic service without discrimination, to every applicant eligible for credit, to be in all ways helpful, particularly to our old clients who have good debt-paying records; to make more loans of modest amounts to the greatest number of borrowers rather than to make large loans to a few." This expresses the philosophy of perhaps all but a very few of the commercial banks of this country.

I asked a prominent west coast banker, Chairman of his bank's Finance Committee, what he would list as the principal factors contributing to loan policy in his bank, and the number one item on his list was, "Care for our customers' legitimate needs." He emphasized that his bank didn't want to be included among "fair-weather friends." His second item was "Make loans for any sound and constructive purpose that builds the economy." Banks do recognize community and client responsibility and none can gainsay it.

Deposit Characteristics

There are other important factors that influence loan policy. I see as one of them what a Pennsylvania banker referred to as "deposit volatility." If we could visualize a community dependent upon a single enterprise or a single type of business—a coal mining community—a steel mill or cotton mill community—a fish cannery community—we can visualize deposit volatility. Upon shut down of the enterprise, its own income ceases, its own bank accounts deteriorate as do the incomes and bank accounts of its employees. The banks serving that community have deposits of great instability. The loan policies of those banks must take cognizance of that instability or, shall I say, volatility, and not permit themselves to go "out on a limb" loanwise to the point where, at times of deposit contraction, they might become embarrassed for lack of funds. Such bankers walk a tight rope calling for great balance and perhaps also for great dexterity. The character of their loans must be such as to make them readily collectible or able to qualify for rediscount with the Federal Reserve Bank, or come under the "good collateral" provisions of the law or be acceptable as collateral at a correspondent bank. The situation of these banks, while not particularly enviable, is not unusual. There are many such banks.

It is quite different from that of, say, the large statewide banks of the West where, as in the case of my own bank, our clients cover almost every field of endeavor imaginable. I can see in that portion of our portfolio that I handle, loans to steel mills, to lumber mills, to cotton farmers, to date growers, to ski lift operators, to packers of frozen foods, to oil producers and refiners and marketers, to operators of steamships, to aircraft manufacturers and airline operators, to growers and packers of figs, to automobile manufacturers, to engineering construction contractors, to mountain and desert and seaside and metropolitan hotel operators, to importers of bric-a-brac, to vegetable growers, and so on and so on, operating in climates ranging from the tropical heat of the Imperial Valley of California to the redwood and douglas fir forests of Humboldt and Siskiyou and Lassen Counties and from more than 200 feet below sea level to the tops of the Sierra Nevada mountains.

This situation presents an entirely different problem. Because of the wide diversification of the interests of depositors, deposit volatility is essentially absent and, with the broad area we serve, a brand new and quite different factor comes into play. This is deposit mobility. Mr. W. J. Braunschweiger, Executive Vice-President of Bank of America, expressed himself this way in a recent address,

"In the case of Bank of America we can undertake to make new and different and perhaps unorthodox types of loans with some ease because our branch system permits a high degree of mobility of funds; thus the loans in one area need not be governed exclusively by the volume or composition of the deposits in that area. We can shift funds from areas of temporary surplus to areas of temporary deficit."

Not many banks are blessed with that kind of back yard to play in but even here there is pointed up with eloquent emphasis the relationship of the distribution of a bank's loan portfolio to the nature of its business, the area in which it operates and the industries and people it serves. Over-lending against deposits in a given community must be watched as over-lending against deposits in a given industry-community must be watched. The mobility of funds presents an opportunity for fuller utilization of funds as the product of wide area and industry diversification, but the banker must be alive to the fact that a condition of surplus funds in a given area is not a permanent condition and his portfolio must be in such shape as to recognize the possibility of changed cash requirements and the time when such possibility might be expected to become a reality.

Demand and Time Portfolios

I referred to the "nature of a bank's business." Many of us, perhaps most of us, are connected with institutions which are both Commercial banks and Savings banks. That means we hold both demand deposits and time deposits. Perhaps the implication here is so obvious that to discuss it would bore you; but it is important in the establishment of loan policy. A bank paying 2% or 2½% on its time funds couldn't stay in business very long and show any progress if it placed that portion of those funds available for investment, in government bonds returning, say, 2¼% to 3¼% and in commercial loans at prime or near prime rates. To lend and re-lend, invest and re-invest time money just doesn't make sense. The constant movement of it eats it up. Too much friction. Experience suggests—no, insists, that after providing for normal reserves (and normal reserves for this purpose, are those dictated by law plus what local experience indicates to be prudent)—I say, experience insists that after providing for normal reserves time money be placed in loans and investments of a nature and for terms long enough to warrant a rate of return commensurate with the interest the bank has to pay on its savings funds and other costs of doing business.

Implicit also is the fact that a bank must not attempt to employ its demand deposits in long term loans, or in non-liquid loans, but rather, that liquidity in its loan portfolio is essential as an offset to the volatility inherent in demand deposits.

Since 1941 many of us have begun to believe that fundamentals **do** change. We have become convinced that the rules of economics which we learned in school were maybe a little bit "fuddy-duddy" in their concepts; that those who promulgated them were students of an unenlightened past and that while they reasoned pretty well for a backwoods generation they just didn't know of the many happenings that would occur during the 30's, 40's and 50's of the 20th century that would prove their theories to be wrong. Controls, you know, have abolished the law of the economic cycle. The law of the supply and demand of money has been effectively repealed through the operation of the rules of the Federal Reserve Board and the Treasury Department, and other formerly fundamental laws have been repealed, circumvented or contravened by the new order of things. Or have they?

One senior banker pointed out to me that there still continues to be a very clear distinction between true commercial loans (those which are self liquidating), and non-commercial loans, those which by their nature (which includes the purposes for which used), cannot be paid other than from profits or new equity money. This same banker in speaking of loan policies stressed the avoidance of undue industry and geographic concentrations.

Old Policies Stay

These were expressions of loan policy from a middle generation banker who wears a Phi Beta Kappa key and who studied the same economics you and I studied. They do not appear to support the theory, of which I was speaking, that "the old order changeth." They rather state in modern language the same things that prudent bankers in all ages have said and probably will continue to say as long as banking continues in a free economy.

One bank expressed its general loan policies to me somewhat as follows:

(A) Avoid speculative loans. (By speculative loans it meant loans that would normally be expected to be repaid from the sale of an asset acquired in anticipation of sale at a profit, other than in the ordinary course of business.)

(B) Avoid "Carry" loans, *i.e.* those loans which are steady, whether secured by life insurance, securities or otherwise. Any loan which is not programmed for liquidation is a steady loan. These should not be encouraged.

(C) Improve your loan position by constant review. Watch trends, inventories, managements. Keep up with your loans and be prepared to act as trends turn unfavorable.

(D) Require supporting financial statements of guarantors as well as direct borrowers.

(E) Obtain guarantees of wives and of principals of closely held corporations.

(F) Try to "up-grade" instead of "down-grade" your loan portfolio.

(G) Pay close attention to compensating balances and profitable business. Bankers should not simply sell "price," *i.e.*, interest rates, but must have a background of a profitable deposit relationship.

In bringing this paper to a conclusion I should like to summarize the thinking of the bankers who collaborated with me in assembling this material.

Forces Affecting Selectivity

On the matter of selectivity, there was a unanimous feeling that while banks were becoming pretty well loaned up they still were desirous of taking care of and indeed were taking good care of their depositors who had maintained profitable deposit accounts with them. I found no dissension whatever in that regard. I found many evidences, but not in 100% of the cases, that banks were declining to make loans where no deposit relationship existed or where the relationship had been unprofitable. The promise of future substantial business, supported by acceptable assurances, has always been and perhaps will always be an encouraging factor in taking on new business, and some evidence was presented to indicate that this thinking continues. Several were careful to point out that among the many factors contributing to loan policy was the competitive factor. "The local competitive situation," as one banker expressed himself, "has to be taken into consideration and given full weight whenever loan policy is established or modified." We all know that one bank, recognizing what it has observed to be the loan policy of its principal competitor, sets its own policy accordingly, and then, upon the temporary or permanent shift of its competitor's policy, modifies its own and this shifting goes on and on and on until sometimes one is led to wonder whether there is indeed any policy at all. This is particularly true in times when there is a plentiful supply of money.

I am not suggesting that normal rules governing the diversification of the bank's loan portfolio are seriously violated. I am suggesting that a "policy of expediency" exists and has to exist, because of the competitive factor's influence on policy decisions. There is nothing improper in that and certainly I would not wish it to be thought that I suggest or imply that there is.

Ominous Expression

One important point that was emphasized in the expressions that I received was almost ominous, but it is of such major import in any discussion of loan policy establishment that I must review it. In times of sidewise economic activity every effort is made to take advantage of the opportunities to expand business and make money—"to make hay while the sun shines." When everything points upward business and banking attitudes are about the same with every one scrambling to get on the band wagon. When things are crashing (and this hasn't occurred for a long, long time—so long that some have forgotten what it's like)—I say, when things are crashing, everyone runs for the exits, protects himself in every way possible, shores up weak spots and generally takes every step possible to protect his position.

Today is like neither of these situations. We appear to be poised for something. As one important banker put it, "There seems to be a consciousness of the fact that we may be at the top of a business cycle and, therefore, must be governed by the longer range implications of that premise."

Taking care of the legitimate needs of one's deserving clients, when looking into uncertain future, demands the utmost in financial statesmanship.

Generally speaking, at least five things influence loan policy decisions:

(1) Competition.

(2) The makeup of the bank's deposits.

(3) The place in the economic cycle, to which, of course, is tied the business outlook.

(4) The availability of money.

(5) The attitude of the Central Bank.

How a bank is influenced by these things is a combination of desire, necessity and expediency. No two will react to a given set of circumstances in identically the same way. While all follow a general over-all pattern, there must be and is room for expression of individuality, and that is the American way.

I have attempted to tabulate the numerous viewpoints expressed by the bankers, who assisted me in compiling this material. I believe that I have been able, with reasonable fairness, to assess them comparatively. Here are the results of the tabulation:

Legitimate Needs Primary Consideration

Ninety per cent of the bankers responding stated that it was their present policy to try to take care of the legitimate needs of their deserving depositors, applying fairly severe yardsticks in interpreting the meaning of "legitimate" and "deserving." "Legitimate," generally, means non-speculative, self-liquidating, non-inflationary loans. "Deserving" means those, who by reason of a satisfactory past and present deposit relationship, have earned the right to borrow money.

I should perhaps express the caution that just because a banker didn't express the viewpoint just stated it should not be concluded that he didn't feel that way. I suspect that, had they thought of it, 100% of the replying bankers would have stated their bank's policy in about the same way the 90% did. To a greater or less extent this holds true as to the other points covered by the responses.

Twenty-three per cent said they were taking on new business but were doing so with great selectivity.

Thirty-five per cent said they were avoiding making speculative loans.

Only 23% emphasized the management factor. This surprised me, for if ever we were to look at management closely, now is the time. I imagine that most correspondents felt that the point was so obvious as not to require mentioning.

Only 23% specifically stated that they were avoiding making so-called "static" loans, those that have no program. So many spoke of desiring loans of a self-liquidating nature that I suppose the few who singled out the "static" loan did so only to point it up as something generally to be avoided.

Sixty-five per cent expressed themselves as feeling that borrowers balances should be commensurate or compensating. There was singular agreement as to what constitutes a compensating balance—10% to 15% of an unused line of credit and 20% of the line in use.

Seventy-seven per cent are continuing to make loans to brokers, but are not taking on any new brokers accounts. I detected a "weeding-out" philosophy developing as to this type of loan. Some banks have put their brokers loans on a strict "call" basis, whereas, until recently, such loans were demand loans only for classification purposes.

Sales Finance Companies

I found great apathy for loans to Finance Companies. Seventy-seven per cent stated that they are going very gently on Finance Company loans. No new borrowers—weeding out the less desirable—strictly requiring compensating balances of 20% of borrowings.

Through most of the replies ran the feeling that banks are in business to stay. If they want to stay they must take good care of deserving clients; must accept only that new business that promises to be safe and profitable in the future: must adhere, in the making of loans, to fundamentals that may have been forgotten temporarily and must strike a proper balance between money loaned to a given borrower and the deposit balances of that borrower.

These elements of policy formulation are within the control of bankers and they are apparently anxious at this time to exercise that control. Other elements, already mentioned—the economic scene and the attitude of the Central Bank particularly, are, as a Philadelphia banker recently told an A.I.B. Forum in that city, "beyond the immediate control of individual bank management."

The task of policy determination is to fuse the controllable items with an understanding of those beyond control into a pattern developed within the framework of individual management thinking, that will result in a distribution of a bank's deposits among cash and earning assets that will couple liquidity and profitability in a delicate balance. No two will be the same. The rules governing the task are general only—specific, just to the extent that the banker who will be successful will remember his obligation to those who put their money with him and their faith in him.

Eastman, Dillon Group Offers United States Plywood Debentures

Eastman, Dillon & Co. headed an underwriting group which offered publicly on June 5 a new issue of $15,000,000 United States Plywood Corp. 4¼% sinking fund debentures, due June 1, 1981. The debentures were priced at 100% and accrued interest.

The proceeds from the sale will be added to the company's general funds. United States Plywood estimates that it will spend $20,000,000 in the next two years for timber and to add to and improve its manufacturing facilities. Part of this expansion will be financed out of the current offering.

The debentures are redeemable at prices ranging from 104¼ if redeemed prior to June 1, 1957 to 100 on or after June 1, 1979. They will not be redeemable for refunding purposes prior to June 1, 1961. A sinking fund will operate to retire at par $400,000 principal amount of debentures annually in 1959 through 1962, $450,000 annually in 1963 through 1966, and $500,000 annually in 1967 through 1972 and $550,000 annually in 1973 through 1980.

United States Plywood Corp. has 36 manufacturing and processing plants in this country and Canada producing fir, pine and hardwood plywoods, lumber, doors, and other related products. Product distribution is effected by the company through 69 sales office-warehouses and 22 auxiliary warehouses here, and through six sales office-warehouses in Canada. In 1951, the company helped to establish a veneer plant in the Belgium Congo in which it holds a majority interest. Approximately 69% of revenues are derived from plywood sales, with other products accounting for the balance.

For the year ended April 30, 1955, net sales and net earnings of United States Plywood were $150,565,503 and $7,527,212, respectively. Comparable figures for the nine months ended Jan. 31, 1956, showed net sales of $149,310,893 and net earnings of $8,617,048.

R. Scott Opens Branch

AMITYVILLE, N. Y. — Randolph Scott & Company, Incorporated has opened a branch office at 190 Merrick Road under the management of Burton E. Mason.

In Securities Business

SPRING VALLEY, N. Y. — Martha Markowitz has opened offices at 38 East Hickory Street to engage in a securities business.

Henry B. Dearborn

Henry B. Dearborn, limited partner in Hornblower & Weeks, passed away May 19.

Securities Salesman's Corner

By JOHN DUTTON

Possibly There Is a Lesson in This

Some years ago there was a young bond salesman who was sent on a trip to a distant city by his firm. This young man was instructed to see if he could obtain an order for a portion of an issue of municipal bonds before his firm made the commitment to purchase them. At this particular time the bond market was quiet and business was slow, and the conservative head of this particular firm wanted to have at least an indication that he could place part of the issue at a definite price before he bought the bonds.

There was a seven hundred mile trip by train between this young salesman's office and his destination. He had been armed with the information that his particular buyer (the head of an insurance company) knew favorably of his firm, he also knew that he had recently been buying sizable blocks of municipals from other houses, and he had a strong realization that at least as far as his career in the investment banking business was concerned, he was on an important mission. If he could obtain an order at a price that was realistic for even a part of the bonds he could return to his home base with a fairly good sized medal on his chest.

This story was related to me by this same salesman who is now the principal owner of his own business and a good many years have passed since he made this memorable trip. When he arrived at his prospect's office and was received in a friendly manner by his prospective buyer, he said he spent over an hour discussing the merits of his particular offering. His prospect asked him questioins concerning the most minute details of this financing and he gave him the answers without stumbling or a pause. Finally the president of this insurance company said, "How many do you think we should buy?" At last he had come to the point where our young salesman had to go for the order and he replied, "Why, I think you should buy at least a hundred thousand of this issue." Without so much as a pause he heard this reply, "Well, if they are as good as your firm seems to think, why don't we buy the whole issue?"

Instead of coming back to his office with an order for a hundred thousand our ambitious young salesman had the pleasure of presenting his boss with an order for a million. Obviously the lesson made a strong impression on his because in the 25 years that have ensued he has sold and underwritten many millions of dollars worth of securities and his business is highly respected both within and outside the investment banking industry.

Don't Underestimate

I heard of a case the other day where another young man followed a routine inquiry that came to his firm and ended up liquidating about $400,000 of individual securities and reinvesting the proceeds in Mutual Funds. You never know where you are going to receive a large order. The more you expose yourself to "big ideas" the greater your opportunity for establishing larger accounts and thereby obtaining substantial orders. Don't undersell your prospect's ability to buy. It is always complimentary to people when you overestimate the size of the order they may be willing to place with you for securities if they have to cut you down at least you have made them feel good. Perhaps you won't always be as fortunate as our young salesman in the earlier case, who asked for a hundred thousand and came up with a million, but it never hurts to put your best foot forward.

Household Finance Debentures Offered

An underwriting group headed by Lee Higginson Corporation, White, Weld & Co. and William Blair & Company, yesterday (June 6) offered publicly $50,000,000 of Household Finance Corp. 4% sinking fund debentures due June 1, 1978, priced at 100% and accrued interest.

The debentures will be redeemable on or after June 1, 1961, initially at 104% of principal amount. Application will be made in due course for the listing of the debentures on the New York Stock Exchange.

Proceeds from the new issue will be used to reduce short-term bank loans incurred within nine months under the company's established lines of credit, to provide additional funds for Household's lending operations.

Household Finance, with 757 offices in the United States and Canada, is one of the largest organizations in the consumer finance business. On March 31, 1956, outstanding customer notes receivable amounted to $468,767,105, representing 1,518,274 loans.

Net income in the 1955 fiscal year was $16,877,670. For the first three months of 1956 unaudited earnings were $4,811,278, compared with $4,072,793 in the first three months of 1955.

A sinking fund for the new debentures provides for annual payments of $2,000,000 beginning on June 1, 1962 and thereafter to and including June 1, 1977, and is designed to retire 64% of the debentures prior to maturity.

Henry Hartman Opens

SHERMAN OAKS, Calif.—Henry Hartman is conducting a securities business from offices at 13531 Ventura Boulevard.

Form Helicopter Secs.

Helicopter Securities, Inc. has been formed with offices at 40 Exchange Place, New York City, to engage in a securities business.

Form C. R. Knickman

Jamaica, N. Y. — Clarence R. Knickman, Inc. has been formed with offices at 164-09 Hillside Avenue to engage in a securities business.

Walter Kelley Opens

GREENSBURG, Ind. — Walter L. Kelley is engaging in a securities business from offices at 212 North Franklin Street. Mr. Kelley was previously with Merrill Lynch, Pierce, Fenner & Beane and Westheimer and Company.

Robt. Leonhardt Elected

TORONTO, Ont. — Robert C. Leonhardt, President of McGrath Securities Corp., a New York underwriting firm, was elected Chairman of the Board of Chatco Steel Products, Ltd., Tilbury, Ont., at a directors' meeting held here today. Harold S. Shannon remains the company's President.

Robert W. Zimmerman

Robert W. Zimmerman passed away at his home at the age of 76. Prior to his retirement 25 years ago he was with Phelps, Ellis & McKee.

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The State of Trade and Industry

total so far this year. However, the level was 9% above the 903 occurring in the similar 1955 month. Failures were more numerous than in any other April since 1941 when 1,149 were recorded.

The rate of failures per 10,000 enterprises listed in the Dun & Bradstreet "Reference Book" dipped to 42 from the 46 of the previous month, but remained above the 37 of April 1955. The April 1956 rate was the highest since 1942.

Current liabilities involved in April failures declined 2% to $41,871,000. Failures in excess of $1 million edged to 4 from the 3 in March, while small casualties under $5,000 decreased to the lowest level since September 1955. A 4% rise in failures was reported among concerns with liabilities from $5,000 to $25,000; concerns in the $100,000 and over group reported a 36% increase in failures.

Casualties were less numerous than in March in all industries except construction, where a slight increase occurred. The most noticeable decreases were in retailing and manufacturing. While failures in construction, commercial service and manufacturing sharply exceeded those of a year ago, casualties among wholesalers and retailers were below the comparable 1955 level.

All geographic regions reported fewer failures in April than in March. The toll declined most noticeably in the Middle Atlantic and East North Central regions. Failures in the South Atlantic region fell to the lowest level in six months.

Manufacturers in April continued their steady build-up of inventories. The United States Department of Commerce announced, while new orders just matched sales.

The Department said manufacturers added about $500,000,000 to their inventories during April to bring month-end book values to $48,200,000,000. This compared with a book value of $43,300,000,000 at the end of April last year.

Higher replacement costs continued to play an important part in the April inventory increase, the Department said. It noted that more than half the rise occurred in durable goods industries, mainly in the machinery and transportation equipment groups.

Steel Production Expected to Reach 96.4% of Capacity This Week

Business is expecting a dip in the third quarter, but the dip won't stop the boom, "Steel" magazine stated on Monday of this week.

The metalworking publication reported that the decline will not be general in scope and that only a few industries will feel the full impact. Some will feel it only slightly and a great many others not at all.

It will be felt more by steelmakers than by others in metalworking in general because more steel is being produced this first half than is being consumed. After the price adjustment and labor settlement, consumers are expected to drain their inventories, it said.

Preliminary results of a "Steel" survey on business prospects for the second half show that 40% of the respondents expect their sales volume to increase in the second six months over the first six months; 35% expect their sales to remain about the same and 25% foresee a decrease in the last half.

Of those who look for an increase, most see only slight gains. Of those who predict a decrease, many are bracing themselves for a substantial decline.

The metalworking authority said that steelmakers will welcome the third quarter easing in demand on some forms of steel because it will enable them to give better service to steel-starved consumers and to make needed repairs to equipment.

The publication declared the easing in demand is apparent in orders for second half delivery. Demand for second half delivery is less urgent than it is for the remainder of the first half because of the expected price increase stemming from labor negotiations. Quite a few producers also want hikes to help pay for plant replacement and expansion.

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 96.4% of capacity for the week beginning June 4, 1956, equivalent to 2,373,000 tons of ingot and steel for castings as compared with 96.3% of capacity, and 2,370,000 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 95.2% and production 2,343,000 tons. A year ago the actual weekly production was placed at 2,286,000 tons or 94.7%. 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 Upward Trend Halted in Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, June 2, 1956, was estimated at 10,598,000,000 kwh., a decline as a result of the Memorial Day holiday, below the week ended May 26, 1956, according to the Edison Electric Institute.

The week's output dropped 329,000,000 kwh. under that of the previous week; it increased 1,061,000,000 kwh. or 11.1% above the comparable 1955 week and 2,352,000,000 kwh. over the like week in 1954.

Car Loadings Advanced Further the Past Week

Loadings of revenue freight for the week ended May 26, 1956, increased 9,300 cars to 1.2% above the preceding week the Association of American Railroads reports.

Loadings for the week ended May 26, 1956, totaled 788,297 cars, an increase of 2,708 cars, of 0.3% above the corresponding

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The State of Trade and Industry

1955 week, and an increase of 99,005 cars, or 14.4% above the corresponding week in 1954.

Memorial Day Holiday Cut Deeply Into U. S. Automotive Output the Past Week

Automotive output for the latest week ended June 1, 1956, according to "Ward's Automotive Reports," lulled by a Memorial Day, holiday, registered a sharp decline.

Last week the industry assembled an estimated 75,589 cars, compared with 108,630 (revised) in the previous week. The past week's production total of cars and trucks amounted to 92,550 units, a decrease of 37,758 units below the preceding week's output, states "Ward's."

Last week's car output decreased below that of the previous week by 33,041 cars, while truck output was cut the past week by 4,717 vehicles. In the corresponding week last year 125,018 cars and 24,911 trucks were assembled.

Last week the agency reported there were 16,961 trucks made in the United States. This compared with 21,678 in the previous week and 24,911 a year ago.

Canadian output last week was placed at 10,865 cars and 2,416 trucks. In the previous week Dominion plants built 6,737 cars and 2,163 trucks, and for the comparable 1955 week, 10,972 cars and 2,830 trucks.

Business Failures Slacken in Holiday Week

Commercial and industrial failures declined to 238 in the holiday week ended May 31 from 273 in the preceding week, Dun & Bradstreet, Inc. reported. However, the toll remained above the 203 of last year, and exceeded the 218 in the similar week of 1945. Failures continued slightly below the prewar level; they were 4% below the 249 occurring in 1939.

Failures with liabilities of $5,000 or more fell to 188 from 217 a week ago, but were above the 1955 total of 173. Small failures, with liabilities under $5,000, dipped to 50 from 56, but were considerably above the 30 of this size last year. Liabilities above $100,000 were incurred by 13 of the failing businesses as compared with 15 in the previous week.

All industry and trade groups except construction reported lower tolls in the holiday week. The construction toll rose to 34 from 25. More concerns failed than a year ago in all lines except manufacturing. The sharpest increases from the 1955 level continued in retail and service businesses.

The decline during the holiday week was concentrated in four geographic regions. The Middle Atlantic toll dropped to 70 from 105, the East North Central to 26 from 34, the Pacific to 58 from 69 and the Mountain to 1 from 4. While failures in the New England States held steady at 20, increases occurred in four areas including the South Atlantic, East South Central, West South Central and West North Central Regions. Tolls equalled or exceeded last year's level in all areas except the East North Central and Pacific States where slight dips from 1955 were reported.

Wholesale Food Price Index Held Unchanged the Past Week But Was 3.5% Under Level of a Year Ago

The Dun & Bradstreet wholesale food price index for May 29 registered $6.11. This was unchanged from last week's level, but marked a drop of 3.5% as compared with $6.33 on the corresponding date a year ago.

Advances in wholesale cost last week included hams, bellies, eggs, steers, hogs and lambs. Against these were declines in flour, wheat, corn, rye, oats, lard, sugar, coffee, cottonseed oil and raisins.

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 Index Registered a Sharp Break the Past Week

Continuing the downward movement of last week, the Dun & Bradstreet daily wholesale commodity price index dropped sharply last week to the lowest level for the past two months. The index closed at 288.73 on May 29, as compared with 292.69 a week earlier and 270.84 on the corresponding date a year ago.

Grain markets the past week were very unsettled. Buying demands slackened and prices generally moved downward.

Wheat prices broke sharply under pressure of rapidly expanding harvest operations in early Winter wheat areas and increasing arrivals of new crop wheat at southwestern terminals.

Additional rains were reported in some sections of the Southwest and Spring wheat was said to be progressing nicely, although more rain was needed in some areas. Trading in corn was less active and prices ended lower. The yellow cereal displayed occasional strength but was handicapped by the weakness in other grains. Planting of corn is expected to be finished by the end of the month. Trading in grain and soybean futures on the Chicago Board of Trade declined moderately. Daily average purchases totalled 53,000,000 bushels, against 58,400,000 the previous week and compared with 36,000,000 a year ago.

Flour prices worked lower as domestic bookings of all types remained at an extremely low level. Buying interest was discouraged by rapid harvesting progress in the Southwest, and by reports that growers were fairly liberal sellers, bringing a weakening tendency in hard Winter wheat premiums. The export flour market continued very slow.

Spot coffee prices remained fairly steady, reflecting the upward adjustment of from 2 to 4 cents a pound in roasted coffees by leading distributors and chains.

Activity in cocoa was limited with prices trending easier, reflecting a lack of manufacturer demand and the continued unfavorable statistical position. Warehouse stocks of cocoa continued to climb and totalled 357,659 bags, against 347,257 bags a week ago. Arrivals for the season to date were reported at 2,142,751 bags, compared with 1,565,186 bags for the same period last year.

Spot cotton prices moved over a wide range and closed with moderate net gains for the week. There was some weakness displayed in early dealings attributed to uncertainty over the surplus cotton sales provisions of the new farm bill and continued generally favorable crop reports from the cotton belt. Support was attracted by firmness in spot markets and very small certified stocks.

Of considerable interest to the trade was the announcement by the Department of Agriculture that the benefits of the government's present raw cotton export program would be extended to include exports of cotton textiles, yarns and spinnable waste.

Purchases of cotton in the 14 spot markets totalled 40,000 bales, against 91,000 the previous week and 53,400 a year ago.

Trade Volume Continued to Hold at a High Level in the Latest Week

Shoppers increased their purchases of summer apparel, outdoor furniture and air conditioners last week. However, the call for automobiles, television sets and housewares was below that of the previous week.

Total retail trade was sustained at a high level, and the dollar volume slightly exceeded that of a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was unchanged to 4% 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 —4 to 0; East —2 to +2; South and Pacific Coast 0 to +4; Middle West and Southwest +3 to +7 and Northwest +2 to +6%.

Increased sales promotions encouraged consumer buying of women's lightweight ware, while volume in fashion accessories expanded appreciably. An upsurge in the call for women's sportswear occurred. Although purchases of men's sports jackets and slacks rose noticeably, the buying of lightweight suits was considerably below that of the previous week.

There was a noticeable rise in purchases of lawn chairs and outdoor metal tables the past week, but volume in upholstered furniture, bedroom suites and occasional tables declined somewhat.

While sales in electric fans, air conditioners and deep freeze units expanded considerably, the call for television sets, lamps, and lighting fixtures was moderately under the level of the previous week.

Grocers reported an increased call for eggs and butter last week. While volume in fresh produce and frozen vegetables was maintained at the level of the previous week, purchases of canned goods fell noticeably.

Although total wholesale orders remained at the level of the previous week, the dollar volume was appreciably higher than the comparable 1955 level. Increases in the buying of women's Fall apparel, furniture and industrial fabrics were offset by a decline in orders for linens, housewares and some food products.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index of the week ended May 26, 1956, increased 3% above those of the like period last year. In the preceding week, May 19, 1956, an increase of 6% was reported. For the four weeks ended May 26, 1956, an increase of 5% was reported. For the period Jan. 1, 1956 to May 26, 1956, a gain of 3% was registered above that of 1955.

Retail trade volume in New York City last week increased slightly over that of the like period a year ago. The gain according to trade observers amounted to 1%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended May 26, 1956, registered no change from those of the like period last year. In the preceding week, May 19, 1956, an increase of 6% was recorded. For the four weeks ending May 26, 1956, a gain of 4% was recorded. For the period Jan. 1, 1956 to May 26, 1956 the index recorded a rise of 2% above that of the corresponding period in 1955.

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The Security I Like Best

low for the industry in general. In order to finance its continuing expansion, Purity pays cash dividends of only about 20% of earnings. Presently, this amounts to 40c per share.

The company has 630,000 shares of common stock outstanding, traded in the over-the-counter market, and has approximately 600 common stockholders.

This issue should be interesting primarily to **long term** investors whose principal objective is solid growth and for whom dividend income is secondary. In addition, the food business is comparatively immune to economic recession, and Purity, which has operated profitably in every year of its history, appears to have both well established stability and further growth potentialities.

Join United Western

(Special to The Financial Chronicle)

OAKLAND, Calif.—Charles M. Johnston and John A. Tillman are now with United Western Securities, Inc., 1419 Broadway.

Two With J. D. Creger

(Special to The Financial Chronicle)

WHITTIER, Calif. — Ernest R. Johnson and Peter E. Donovan have become affiliated with J. D. Creger & Co., 124 North Bright Avenue.

Beckman Adds to Staff

(Special to The Financial Chronicle)

LODI, Calif. — Loren D. Mays has been added to the staff of Beckman and Company, 321 North California Street.

With Merrill Lynch Firm

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Frank C. O'Neill is with Merrill Lynch, Pierce, Fenner & Beane, 568 Central Avenue.

With Columbia Secs. of Fla.

(Special to The Financial Chronicle)

MIAMI, Fla. — Lawrence B. Silverman is now with Columbia Securities Co. Inc. of Florida.

2 With Coburn Middlebrook

(Special to The Financial Chronicle)

LEWISTON, Maine—Joseph G. Roberge and Monique Y. Roberge are now connected with Coburn & Middlebrook, Incorporated.

Dempsey-Tegeler Branch

WHITTIER, Calif. — Dempsey-Tegeler & Co. has opened a branch office at 113 East Philadelphia Street under the management of Leslie E. Hart.

Reed, Lear Branch

JOHNSTOWN, Pa.—Reed, Lear & Co. have opened a branch office in the U. S. National Bank Building under the management of Joseph E. Kuntz.

Farrell Adds to Staff

(Special to The Financial Chronicle)

MIAMI, Fla. — Mrs. Gloria F. Miller has been added to the staff of Farrell & Co., 8340 Northeast Second Avenue.

With Barrett Herrick

(Special to The Financial Chronicle)

MT. DORA, Fla. — James T. Dover is now connected with Barrett Herrick & Co., Inc. of New York.

Joins Nolting, Nichol

(Special to The Financial Chronicle)

PENSACOLA, Fla. — Wiley E. Williams has become connected with Nolting, Nichol & Company.

A. M. Kidder Adds

(Special to The Financial Chronicle)

WINTER PARK, Fla.—Kenneth W. Osborne has become connected with A. M. Kidder & Co.

With Security Associates

(Special to The Financial Chronicle)

WINTER PARK, Fla. — Arnold J. Wilson, Jr. is now with Security Associates, Inc., 137-139 East New England Avenue, members of the Philadelphia-Baltimore and Midwest Stock Exchanges.

With Allied Inv. Co.

(Special to The Financial Chronicle)

ATLANTA, Ga. — Cornelius B. Thurmond, Jr. has been added to the staff of Allied Investment Company, Walton Building.

Blyth Adds to Staff

(Special to The Financial Chronicle)

CHICAGO, Ill. — Terence M. Carey is now associated with Blyth & Co., Inc., 135 South La Salle Street.

Joins Reynolds & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Joseph A. Kroeck has become connected with Reynolds & Co., 39 South La Salle Street.

With Coburn Middlebrook

(Special to The Financial Chronicle)

BOSTON, Mass. — Joseph P. Abdella and Mrs. Margaret E. Wood are now affiliated with Coburn & Middlebrook, Incorporated, 75 State Street.

du Pont, Homsey Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Emily A. Stewart has been added to the staff of du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges.

Elected Director

J. Richardson Dilworth, partner in the investment banking firm of Kuhn, Loeb & Co., has been elected a director of Rockwell Spring & Axle Co., which is a leading supplier of axles, bumpers and brakes for the automotive industry.

With William R. Staats

(Special to The Financial Chronicle)

SALINAS, Calif. — L. Lester Goodfriend is now affiliated with William R. Staats & Co., 1 Salinas National Bank Building.

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The Investment Outlook

lem of a Presidential election year and that quadrennial phenomenon could hardly be classed as a new force in the economic or investment atmosphere.

In short, 1956 looked very similar to 1955, 1954 and 1953 except that the problems looked smaller to some because of their familiarity and larger to others for the same reason. Indeed, the problems sketched above even now, at what is practically the year's midpoint, can be listed as the areas over which economists and investment analysts are losing most of their hair and acquiring their most formidable ulcers. We shall try to briefly describe what has been going on in each of these areas since the turn of the year, what seems likely to happen throughout the rest of the year and what as a consequence the best investment policy would be.

Construction Industry

Let us first turn to the construction industry.

An acquaintance of mine who has his own roofing business was recently asked how business was to which he replied that over-all it was good, commercial business was particularly good and residential business was lower. Allowing for a little cloudiness of description, my friend's reply was as good as most detailed reports on construction issued thus far this year by governmental and private authorities.

For the first three months of 1956, total new construction put in place amounted to $8,533,000,000 compared to $8,502,000,000 worth of new construction put in place during the first three months of 1955, a gain of less than 1%. The seasonally adjusted annual rate of new construction established in March 1956 approximated $41,604,000,000, once more less than 1% higher than the comparable rate of $41,568,000,000 established in March 1955. This year to year stability, however, hides some considerable variations in patterns among different phases of the construction business. Total private construction, of which non-farm residential buildings is the largest single component, put in place during the first three months of 1956 gained 1% over the first three months of 1955 but it took a whopping 18% gain in nonresidential (industrial and commercial) construction to effect a 5% drop in purely residential activity.

We anticipate the private industrial and commercial building will remain at high levels throughout the remainder of 1956. Business executives seem to see little relief from the need to add to plant facilities to better serve the needs of an expanding population and to remain competitive in an increasingly competitive free economy. The steel industry as a very basic example has added tremendously to its productive capacity ever since the war years but is plotting even additional capacity to meet the needs it foresees in the 1960's. Similar plans are afoot in the public utility industry which has traditionally been accurate in its appraisals of necessary plant construction. The active demand for money in the capital markets despite recent high rates is as good a measuring stick as any of the anticipated rapid pace of industrial and commercial construction for the rest of the year. As for residential construction, there have been signs of a pickup in activity and only recently Housing and Financing Administrator Cole was quoted as adhering to his earlier prediction of 1,300,000 housings starts in 1956 despite a shaky start in the first few months.

All in all then, construction thus far in 1956 has been moving at a brisk clip and seems likely to maintain an active pace. No one should have to apologize for the over-all level of construction activity this year.

Automobile Industry

Turning to the automobile industry, we have a somewhat different picture. The Sunday driver, I am sure, is still amazed at the number of new automobiles on the road and finds it hard to believe that passenger car production for 1956 was estimated by the industry at some 6,700,000 units or close to a 16% decline from the wonderful year of 1955. General Motors output has dropped 11.6%, Ford Motor receded 22% and Chrysler, after a tremendous comeback last year, has suffered a 40% decline. American Motors and Studebaker-Packard have suffered similar declines. Sporadic plant shutdowns and layoffs have cropped up frequently during recent weeks.

These developments are serious, of course, but we should not forget that even at these reduced levels, automobile production is still running behind only the unusually good years of 1955 and 1953—hardly a bad performance in view of the number of families who have purchased new cars in recent years and who have gone into considerable debt to do it. New models will be making their appearance almost before we know it and while no drastic changes are planned the major companies are bound to be working on some eye catching and consumer catching changes. The American public seems to revere its automobile as much as its house or clothing and unless disposable income declines noticeably we would anticipate a rise in new car sales later on this year from their current depressed levels. It seems very doubtful that year to year figures will show a decline of only the 16% previously estimated, but it probably will not exceed 20% by any sizable margin.

Consumer Credit

The size and rapid rise of outstanding consumer credit has been of concern to most economists and businessmen not only because they fear the nation's most important customer, the buyer on time, might be stretching his dollar too tightly but because they fear he might look at his outstanding debt in the cold light of some dawn, become appalled and voluntarily go on a self-imposed retrenchment program.

Both fears seem to be, in some measure, on the verge of realization. There are no completely satisfactory standards by which to test whether or not consumer credit is too high. But in relation to past levels of outstanding debt, in relation to consumer incomes and in relation to the percent of income going toward instalment payments, present debt figures certainly appear formidable. One only has to have a nodding acquaintance with the young family down the street to realize how many checks go out each month to the time credit department of some bank or to some finance company and how little must be left for cash savings.

In the latter part of last year there were signs that consumers themselves were tapering off their instalment indebtedness and the trend has carried into 1956. Outstanding debt has increased by only $24,000,000 in the first quarter against a $507,000,000 increase during the first quarter of 1955. A gain of $156,000,000 in personal loans might represent some consolidation of outstanding consumer indebtedness and might hide some further rise in what we would ordinarily consider consumer credit, but even this would be not enough to conceal the fact that thus far in 1956, consumer indebtedness is waning.

This development is good, of course, if it represents a financial house cleaning because it puts the consumer in a position to wisely undertake other obligations later in the year. It can be very unfavorable, however, especially in the consumer durable field, if it reflects a determination to make the car, the refrigerator or the washing machine last for an indefinitely longer time. The historical attitude of the American people, constantly driving for higher living standards and for a better material existence inclines us toward the former view and we do not believe any really substantial decline in consumer durable industries will be brought about by a consumer strike.

Farm Problem

One area which has caused considerable comment especially among the politicians is the "farm problem" by which is generally meant declining farm income, rising farm costs, and the accumulation of unwieldy surpluses. This problem, like the others we have discussed, is not new. It has been with us since at least 1948 and is really only the reappearance of the familiar farm problems of the twenties and thirties which were hidden during most of the forties by World War II. We doubt, however, that the farm problem is as yet serious enough to trigger a general economic decline.

In the first place, not all aspects of farming have had to absorb sizable drops in earnings. Actually, there has been no serious drop in net income for the bulk of agriculture outside of meat animals and it was this area which had witnessed the greatest rise during the 1950's.

Secondly, most studies of declining farm income and rising prices are tied to a unit of output approach in measuring declining farm purchasing power. This fails to take into account the substantial increase in farm productivity during recent years and accordingly probably exaggerates the real drop in purchase power.

Thirdly, the problem of surpluses revolves principally around wheat, cotton, and corn and while these crops are certainly vital, the surplus problem which they represent is by no means as general as is sometimes implied.

Finally, the financial position of most farmers in terms of his income and in the equity he has in his farm is still very favorable by historical standards and the fluidity of movement from the farm to industry is probably almost as good now as it has ever been.

Other Factors

At the outset we mentioned international tensions and the coming Presidential election as significant problems which could have economic effects during 1956. The Russians, now smiling, now frowning, seem to be doing their best to keep us off balance and divided from those countries which are our traditional allies. We would look for this to continue and would hardly be surprised at any new tack they might take to make the cold war colder or hotter. Our own political scene will become increasingly important as the year progresses. It seems indisputable that the present administration has imbued industry with confidence and a shaking of that intangible could easily halt a lot of the forward thrust we have seen in the economy over the last several years.

From a purely fundamental viewpoint, the economy then seems to have reached a plateau after a swift rise extending over a period of years. It is not surprising that it is breathing hard and showing weaknesses in certain areas. There seems no reason to anticipate a collapse of the runner — instead we might welcome a slower pace—but after so rapid a race we should be on the lookout for any hints of a breaking of stride.

Stock Market

Particularly is this true when it is related to the stock market — that puzzling, intriguing and oftentimes frustrating institution where basic economics and concrete investment elements are mingled with hopes and fears of every possible description to form the judgment of the market place. An interruption in the beating of one human heart can have more effect on investment portfolios than a multitude of economic investment considerations. To my mind the stock market has certainly caught up with earnings, dividends, and financial conditions after lagging behind these basic factors for a long time. Price earnings ratios of 6 to 8 times have been replaced with ratios of between 12 to 15 times and 5½% yields have become 4%. It has become increasingly difficult, virtually impossible, to have the feeling that values can be bought at a discount in today's market and the conviction has been growing that prices and investment worth are coinciding rather neatly.

A former superior of mine used to be fond of saying that "In the stock market, a year is eternity" —I think we could be at such a point now where it is going to be increasingly difficult to find attractive equities, where the tried and true might deserve some diligent scrutiny. Erroneous judgments are not likely to be covered over by a generally higher appraisal of earnings and dividends and the company, no matter how prominent, that does not progress and remain competitive will fall by the wayside in investment favor.

This cautious attitude does not infer the advisability of any retreat from basic equity positions in personal trusts or pension or profit sharing portfolios. The only accounts where that might seem indicated are any which have been carrying an exaggeratedly heavy equity position, for example, 80% to 90% and where the better part of valor would be to wrap up profits, pick up a few of our marbles and go home for a time. But for the most part, we would stay where we are after a careful review of the continuing soundness of the stocks we hold.

Within the equity section of almost any portfolio we would give precedence to the oils, the public utilities and the chemical stocks with a fairly liberal sprinkling of bank and insurance stocks, foods and retail trade stocks. In the bank and public utility fields particularly we would concentrate on those companies serving growing territories for the basic function which they supply to the communities they encompass is almost forced to expand and prosper as the communities grow and diversify and mature commercially and industrially.

New money coming into accounts should, we believe, be invested slowly and in some recent instances we have held back as much as one-half of money received for common stock purchases. This caution is particularly necessary in accounts where the money we have to invest is the only money we will ever have and is not so necessary in accounts, such as pension and profit sharing plans, where new funds are received on some regular basis. Profit sharing plans present a special problem when they are established by companies whose earnings are likely to be cyclical. The low point in a market is likely to coincide with the low point in the company's earning power and the advantages of dollar averaging are not fully realized.

Preferred Stocks

Preferred stocks can, we believe, be used to good advantage under today's conditions. Many sound issues have declined in sympathy with money rates and can be bought, on average, close to a 4% basis. To some, the spread between preferreds and bonds is not wide enough to make preferreds attractive but to us they have frequently served a good purpose in helping exceed actuarial rates of return on pensions plans. In personal trusts, preferreds have served to guarantee stability of income, where that is necessary. This income producing feature has become particularly significant over the last year or so as many common stocks have simply not produced adequate return for many accounts. The use of preferreds with sinking funds or purchase funds applicable to them offers an element of added stability which we have found very useful.

Ever since the beginning of 1956 we have been in a bond buyer's paradise and a bond underwriter's purgatory. The determination of the fiscal authorities to keep money tight during this period of high economic activity has forced companies to pay almost increasingly more for their capital funds as they try to attract cash from institutional investors. One friend of mine, a buyer for a life insurance company, has been turning down deals all year on the theory that in a few days a more attractive one will be offered to him and, "sure enough, it has been."

There have been signs, however, in the bond market itself and outside of it, we might be seeing the low in bond prices for a time. During recent weeks bonds have moved out of syndicate more smoothly and underwriters have had the chance to do more selling and less investing. In addition, there is apparently some disagreement among fiscal authorities on money market policy which, if it does not portend a change might well indicate no further tightening of the money market. Should it appear that tight money is unduly restricting or depressing important businesses, the fact that 1956 is divisible by four will suddenly assume great importance.

In bond portfolios of pension and profit sharing plans we have staggered our maturities in line with the anticipated demands on the funds despite the flatness of the yield curve and have concentrated on new issues where we could get adequate protection against call. In other bond accounts where spaced maturities are not important, we have concentrated on the short end because obviously the yield spread has not justified buying long bonds.

We have tried to summarize some of the important economic factors which have influenced and will continue to influence the investment outlook. Caution is indicated, in our opinion, and selectivity, that sometimes overworked term, will, I believe, be more and more the key to a successful portfolio performance. We know that the rest of this year will prove very interesting from many viewpoints and will continue to make the work of investing money a fascinating and challenging job.

Joins Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, Conn.—Michael Kearns is with Coburn & Middlebrook, Incorporated, 20 East Main Street.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Abundant Uranium, Inc., Grand Junction, Colo.
Feb. 23 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—319 Uranium Center, Grand Junction, Colo. **Underwriter**—Ralph M. Davis & Co., Grand Junction, Colo.

● **Alexander 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. Statement to be withdrawn.

Alunite Corp. of Utah
May 17 (letter of notification) 160,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For manufacture and sale of commercial fertilizer. **Office**—373 West 3rd North, Salt Lake City, Utah. **Underwriter**—Cayias, Larson, Glaser, Emery, Inc., Salt Lake City, Utah.

★ **American Can Co.**
June 1 filed 500,000 shares of common stock (par $12.50) to be offered to management employees of the company and its subsidiaries pursuant to the company's incentive stock option plan.

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.

★ **American Machine & Foundry Co. (6/27)**
June 1 filed $10,897,000 of subordinated debentures due July 1, 1981, to be offered for subscription by common stockholders of record June 27, 1956, at the rate of $100 of debentures for each 25 shares of stock then held; rights to expire on or about July 11. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for working caiptal. **Underwriter**—Union Securities Corp., New York. **Meeting**—Stockholders will vote on June 26 on approving proposed financing.

★ **Armstrong Rubber Co. (6/21)**
May 31 filed $9,250,000 of convertible subordinated debentures due June 15, 1971. **Price**—100% of principal amount. **Proceeds**—Together with $7,750,000 to be borrowed from insurance companies, for construction or acquisition of new plants and equipment and for working capital. **Office**—West Haven, Conn. **Underwriter**—Reynolds & Co., Inc., New York.

● **Anderson Electric Corp. (6/19)**
May 28 filed 35,000 shares of 60-cent cumulative convertible preferred stock (par $8.50) and 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 (it is anticipated that the offering price will be $10 per share on the preferred and $6.75 on the common). **Proceeds**—To repay $50,000 of bank loans and for working capital. **Office**—Birmingham, Ala. **Underwriter**—Cruttenden & Co., Chicago, Ill.

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.

★ **Assembly Products Inc.**
May 29 (letter of notification) 2,000 shares of common stock (no par). **Price**—$25 per share. **Proceeds**—For income taxes and working capital. **Office**—Wilson Mills Road, Chesterland, Geauga County, Ohio. **Underwriter**—None.

★ **Associated Fund, Inc., St. Louis, Mo.**
June 4 filed (by amendment) an additional 10,000 full paid accumulative trust certificates. **Price**—At market. **Proceeds**—For investment.

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.

★ **Australia (Commonwealth of) (6/20)**
June 1 filed $25,000,000 of 15-year sinking fund bonds due June 15, 1971. **Price**—To be supplied by amendment. **Proceeds**—To refund about $18,000,000 of 3¼% bonds due Aug. 1, 1956, and for capital expenditures. **Underwriter**—Morgan Stanley & Co., New York.

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.

★ **Birtcher Corp.**
May 31 (letter of notification) $300,000 of 6% convertible subordinated debentures, due 1971. **Price** — At face amount. **Proceeds** — To pay income taxes, for branch warehouse and office, to retire short-term loans and to increase inventories. **Office** — 4371 Valley Blvd., Los Angeles 32, Calif. **Underwriter**—Quincy Cass Associates, Los Angeles, Calif.

Boston Edison Co. (6/13)
May 25 filed 180,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriter** — The First Boston Corp., New York.

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** — To be received up to 9:30 a.m. (PDT) on June 12 at the offices of O'Melveny & Myers, attorneys, Room 900, 433 So. Spring St., Los Angeles 13, Calif.

★ **Capital Airlines, Inc. (6/26-27)**
June 1 filed $12,000,000 of convertible subordinated debentures due July 1, 1976. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Lehman Brothers, New York.

★ **Cary Chemicals, Inc., Milltown, N. J.**
June 5 filed $2,300,000 of 6% first lien bonds due 1976 and 230,000 shares of common stock (par 10 cents) to be offered in units of $500 of bonds and 50 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—$1,150,000 to be applied to cost of new polyvinyl chloride resin plant; $138,000 to interest on bonds during the first year; $230,748 for liquidation of mortgage on present plant; $33,000 for retirement of outstanding preferred stock; $10,352 for purchase of common stock; and about $447,400 for working capital. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York.

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 June 8, 1956, on the basis of one new share for each eight shares held; rights to expire on 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.

★ **Chesapeake Shores Country Club, Inc.**
May 29 filed 5,000 shares of common stock, of which it is the company's intention to offer for sale at this time only 2,500 shares. **Price**—At par ($300 per share). **Proceeds** — To construct and operate a recreation resort. **Office**—Upper Marlboro, Md. **Underwriter**—None.

● **C. I. T. Financial Corp.**
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. **Offering**—Temporarily postponed.

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.

★ **Coffman (R. G.) Co., Inc.**
May 28 (letter of notification) 1,419 shares of common stock (par $1). **Price**—$38.40 per share. **Proceeds**—To increase capital stock and surplus accounts. **Office**—2809 North Orange Ave., Orlando, Fla. **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.

★ **Colorado Springs Aquatic Center, Inc.**
June 5 filed 500,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For swimming pool and related activities, bowling alley, site preparation including parking, and land cost ($95,000). **Underwriters**—Arthur L. Weir & Co., Colorado Springs, Colo.; and Copley & Co.

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. (6/20)**
May 29 filed $15,000,000 of convertible subordinated 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.

★ **Commodity Fund for Capital Growth, Inc.**
May 28 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For trading in commodity future contracts. **Office** — 436 West 20th St., New York 11, N. Y. **Underwriter** — Arthur N. Economu Associates, New York, N. Y.

● **Commonwealth, Inc., Portland, Ore.**
March 23 (letter of notification) 5,912 shares of 6% cumulative preferred stock being offered for subscription by stockholders of record April 16, 1956 on a pro rata basis; rights to expire on July 2, 1956. **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. Statement being withdrawn.

Commonwealth Telephone Co. (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. **Office**—Dallas, Pa. **Underwriter**—Eastman, Dillon & Co., New York.

● **Connecticut Power Co. (6/8)**
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.

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.

★ **Cooper Tire & Rubber Co., Findlay, Ohio**
June 6 filed 97,950 shares of common stock (no par) to be offered for subscription by common stockholders on the basis of 1¼ new shares for each two shares held. **Price**—$10.50 per share. **Proceeds**—For working capital. **Underwriter**—Prescott & Co., Cleveland, O.

Crater Lake Mining & Milling Co., Inc.
March 8 (letter of notification) 575,000 shares of common stock. **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office** — 1902 East San Rafael, Colorado Springs, Colo. **Underwriter** — Skyline Securities, Inc., Denver, Colo.

Crestmark Cruisers, Inc.
April 25 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For machinery and equipment. **Business**—Construction of ports cruisers. **Office** — 472 Fire Island Ave., Babylon, L. I., N. Y. **Underwriter**—Lepow Securities Corp., New York, has withdrawn as underwriter.

● **Cullen Minerals Corp. (Texas) (6/20)**
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.**
May 9 filed 232,520 shares of common stock (par $13.50) being 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. Unsubscribed shares are to be offered to employees. **Price**—$35 per share. **Proceeds**—For construction program. **Underwriter**—Carl M. Loeb, Rhoades & Co.

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.

★ **Doctors & Hospital Supply Co.**
May 29 (letter of notification) $100,000 of 10 year 5% convertible debentures. **Price**—At face amount of $100 each. **Proceeds**—For expansion of business and to increase inventory. **Office**—321 South Washington, Spokane, Wash. **Underwriter**—None.

Doctors Oil Corp., Carrollton, Tex.
Feb. 23 filed 500,000 shares of common stock (par 10 cents). **Price** — $1 per share. **Proceeds** — For working capital, to be devoted mainly to acquiring, exploring, developing and operating oil and gas properties; and to pay off $13,590.80 liabilities. **Underwriter** — James C. McKeever & Associates, Oklahoma City, Okla.

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.**
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. Full registration expected to be filed.

Continued on page 42

NEW ISSUE CALENDAR

June 7 (Thursday)

Baltimore & Ohio RR.____________Equip. Trust Ctfs.
(Bids noon EDT) $3,600,000

Indianapolis Power & Light Co.______________Bonds
(Bids 11:30 a.m. EDT) $10,000,000

June 8 (Friday)

Connecticut Power Co.____________________Common
(Offering to stockholders—no underwriting) 71,132 shares

First Pennsylvania Banking & Trust Co.___Common
(Offering to stockholders—to be underwritten by Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane; and Smith, Barney & Co.) 202,800 shares

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.

Finance Co. of America at Baltimore________Class A
(E. R. Jones & Co.; Alex. Brown & Sons; and Stein Bros. & Boyce) $232,050

WPFH Broadcasting Co.__________Class A & Class B
(Boenning & Co.) 150,000 shs. class A and 125,000 shs. class B stock

June 12 (Tuesday)

California Electric Power Co._____________Common
(Bids 9:30 a.m. PDT) 300,000 shares

Dubl-Chek Corp.___________Preferred & Common
(Talmage & Co.) $299,370

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

Mountain View Diners, Inc.__________________Class A
(All States Securities Dealers, Inc.) $299,400

Securities Investment Co. of St. Louis__Debentures
(Merrill Lynch, Pierce, Fenner & Beane) $7,500,000

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 14 (Thursday)

Reynolds Metals Co.______________________Common
(Reynolds & Co., Inc.) 67,595 shares

Roadway Express, Inc._____________________Common
(Glore, Forgan & Co. and Fulton, Reid & Co.) $5,675,000

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 15 (Friday)

Harrison (D. L.) Corp._____________________Common
(Garrett & Co.) $250,000

June 18 (Monday)

Commonwealth Telephone Co._______________Common
(Eastman, Dillon & Co.) 100,000 shares

Kay Lab.__________________________________Class A
(Shearson, Hammill & Co.) 364,280 shares

Lay (H. W.) & Co., Inc.__________Class A Common
(Johnson, Lane, Space & Co., Inc.) $1,150,000

Pacific Gas & Electric Co.__________________Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc.) 812,971 shares

Southeastern Fund _____________________Debentures
(Shearson, Hammill & Co. and Homer O'Connell & Co., Inc.) $1,000,000

West Coast Telephone Co.__________________Common
(Blyth & Co., Inc.) 170,000 shares

June 19 (Tuesday)

Anderson Electric Corp.___________________Preferred
(Cruttenden & Co.) $350,000

Anderson Electric Corp._______Common and Class B
(Cruttenden & Co.) $451,872

Donnelley (R. R.) & Sons Co.______________Common
(Harriman Ripley & Co. Inc.) 573,575 shares

Giannini (G. M.) & Co., Inc._______________Preferred
(G. H. Walker & Co.) $1,000,000

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.

June 20 (Wednesday)

Australia (Commonwealth of)_______________Bonds
(Morgan Stanley & Co.) $25,000,000

Combustion Engineering, Inc.____________Debentures
(The First Boston Corp.) $15,000,000

Cullen Minerals Corp._____________________Common
(Lepow Securities Corp.) $300,000

Grain Elevator Warehouse Co._____Debens. & Com.
(Offering to stockholders of National Alfalfa Dehydrating & Milling Co.—no underwriting) $6,302,950

Halliburton Oil Well Cementing Co.__________Common
(Lehman Brothers and Blyth & Co., Inc.) 350,000 shares

Ranco, Inc._______________________________Common
(Smith, Barney & Co.) 216,950 shares

Sierra Pacific Power Co.___________________Common
(Offering to stockholders—bids to be invited up to 11 a.m. EDT) 62,576 shares

Union Chemical & Materials Corp.___________Common
(Allen & Co.; Bache & Co.; and Reynolds & Co., Inc.) 200,000 shares

Union Mines, Inc.__________________Class A Stock
(Milton D. Blauner & Co., Inc.) $800,000

United States Life Insurance Co. of New York______________________________Common
(Offering to stockholders and to public—to be underwritten by William Blair & Co.; The First Boston Corp. and Carl M. Loeb, Rhoades & Co.) 650,064 shares

June 21 (Thursday)

Armstrong Rubber Co.___________________Debentures
(Reynolds & Co., Inc.) $9,250,000

June 22 (Friday)

Union Tank Car Co.________________________Common
(Offering to stockholders—to be underwritten by Smith, Barney & Co. and Blunt Ellis & Simmons) 335,724 shares

Western Massachusetts Companies____________Common
(Offering to stockholders—to be underwritten by The First Boston Corp. and White, Weld & Co.) 92,237 shares

June 25 (Monday)

Southern Nevada Power Co._________________Common
(William R. Staats & Co. and Hornblower & Weeks) 175,000 shares

Zapata Off-Shore Co.____________________Debentures
(G. H. Walker & Co.) $2,350,000

June 26 (Tuesday)

Blackstone Valley Gas & Electric Co._____Preferred
(Bids to be invited) $2,500,000

Capital Airlines, Inc.____________________Debentures
(Lehman Brothers) $12,000,000

Elizabethtown Water Co. Consolidated____Debens.
(Bids 11 a.m. EDT) $7,500,000

Home Oil Co., Ltd._______________________Debentures
(Lehman Brothers and Wood, Gundy & Co. Ltd.) $7,500,000

Lake Ontario Portland Cement Co., Ltd. Debentures & Stock
(Probably Kidder, Peabody & Co.)

June 27 (Wednesday)

American Machine & Foundry Co. Debentures
(Offering to stockholders—to be underwritten by Union Securities Corp.) $10,897,000

British Columbia (Province of)____________Debentures
(Morgan Stanley & Co. and Burns Bros. & Denton, Inc.) $40,000,000

Nucleonics, Chemistry & Electronics Shares, Inc.________________________Common
(Lee Higginson Corp.) 400,000 shares

Republic Cement Corp.______________________Common
(Vickers Brothers) $9,650,000

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 11 a.m. EDT) 341,550 shares

July 25 (Wednesday)

Consolidated Natural Gas Co.____________Debentures
(Bids to be invited) $30,000,000

August 21 (Tuesday)

Pacific Telephone & Telegraph Co._____Debentures
(Bids 8:30 a.m. PDT) $78,000,000

September 11 (Tuesday)

Carolina Power & Light Co.___________________Bonds
(Bids to be invited) $15,000,000

September 25 (Tuesday)

Virginia Electric & Power Co.________________Bonds
(Bids to be invited) $20,000,000

October 1 (Monday)

Tampa Electric Co.___________________________Bonds
(Bids to be invited) $10,000,000

October 2 (Tuesday)

Columbia Gas System, Inc.________________Debentures
(Bids to be invited) $30,000,000

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★ **Dryer Co. of America, Inc.**
May 25 (letter of notification) 99,000 shares of common stock (par 50 cents) of which 90,000 shares are for the account of the company and 9,000 shares for the account of the underwriter. **Price**—$2.50 per share. **Proceeds**—For working capital. **Office**—1324 Locust St., Philadelphia, Pa. **Underwriter** — Floyd D. Cerf, Jr. Co., Inc., Chicago, Ill.

● **Dubl-Chek Corp., Los Angeles, Calif. (6/12)**
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 Piace, Salt Lake City, Utah. **Underwriter**—Filosa Securities Co., Grand Junction, Colo.

★ **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 up to 11 a.m. (EDT) 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 (6/11-15)**
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.

Florida Sun Life Insurance Co.
March 16 filed 32,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To expand company's business. **Office**—Fort Lauderdale, Fla. **Underwriter**—None. Offering will be made through James C. Dean, President of company.

Fort Pitt Packaging International, Inc.
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. **Price**—$3 per share. **Proceeds**—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. **Office** — Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., New York.

★ **Fruehauf Trailer Co.**
May 29 filed 72,000 shares of common stock (par $1). **Price**—At the market. **Proceeds**—To common stockholders entitled to receive fractional certificates in connection with payment of four stock dividends of 2% each on June 29, Sept. 28 and Dec. 28, 1956 and March 29, 1957. **Underwriter**—None.

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.

★ **Giannini (G. M.) & Co., Inc. (6/19)**
May 29 filed 50,000 shares of cumulative convertible preferred stock, series A (par $20). **Price**—To be supplied by amendment. **Proceeds** — To repay bank loan. **Office**—Pasadena, Calif. **Underwriter**—G. H. Walker & Co., New York.

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. (6/20)**
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; rights to expire on July 12. **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.**
May 18 (letter of notification) 25,000 shares of common stock (no par) being offered for subscription by common stockholders of record May 28 on a pro rata basis; rights to expire on June 18. **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.

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.

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 (6/15)**
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.

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.

★ **Hiskey Uranium Corp.**
May 31 filed 500,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds**—For drilling expenses, purchase of properties and working capital. **Offices**—Las Vegas, Nev., and Salt Lake City, Utah. **Underwriter**—Ackerson-Hackett Investment Co., Reno, Nev.

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.

★ **Home Oil Co. Ltd. (6/26)**
June 5 filed $7,500,000 of convertible subordinated debentures due July 1, 1971. **Price**—To be supplied by amendment. **Proceeds**—For expansion and other corporate purposes. **Underwriters**—Lehman Brothers for U. S. group and Wood, Gundy & Co. Ltd. for Canadian group.

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.

★ **Hyder Mines, Inc.**
May 25 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—310 Stewart St., Seattle 1, Wash. **Underwriter**—None.

Idaho-Alta Metals Corp.
March 7 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For exploration and development expenses. **Underwriter** — Fenner Corp. (formerly Fenner-Streitman & Co.), New York.

Ideal-Aerosmith, Inc., Hawthorne, Calif.
Dec. 16 (letter of notification) 150,000 shares of capital stock (par $1). **Price** — $2 per share. **Proceeds** — For equipment, machinery, inventory, etc. **Office**—12909 So. Cerise Ave., Hawthorne, Calif. **Underwriter**—Samuel B. Franklin & Co., Los Angeles, Calif.

Indianapolis Power & Light Co. (6/7)
May 8 filed $10,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Blyth & Co., Inc.; Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp. (jointly); W. C. Langley & Co., White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co.; Equitable Securities Corp.; Hemphill, Noyes & Co. and Drexel & Co. (jointly). **Bids** — 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.
May 18 (letter of notification) 175,725.9 shares of capital stock (par 50 cents) to be first offered to stockholders. **Price**—$1.70 per share. **Proceeds**—For construction of an absorption type gasoline plant. **Office**—11950 San Vicente 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.

★ **Interlake Iron Corp.**
June 4 filed 80,561 shares of common stock (no par) to be offered in exchange for common stock of Globe Metallurgical Corp. at the rate of 0.4666⅔ of one share for each Globe share.

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.

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.

★ **Israel-Mediterranean Petroleum, Inc. (Panama)**
May 29 filed American voting trust certificates for 1,430,000 shares of common stock (par one cent), of which 1,000,000 certificates are to be offered for public sale, 180,000 shares and certificates therefor are subject to options and 250,000 shares and certificates therefor are to be offered for sale outside of the United States. **Price**—To be the market price on the American Stock Exchange. **Proceeds** — For carrying out the exploratory drilling and development of presently licensed acreage, operations and expenses of the company, and acquisition, exploration and development of additional acreage. **Underwriter**—H. Kook & Co., Inc., New York.

★ **Jackson Drop Forge Co.**
May 31 (letter of notification) 10,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For construction of a forging press building and purchase of equipment. **Office**—2001 Wellworth Ave., Jackson, Mich. **Underwriter**—None.

★ **Jefferson Custodian Fund, Inc., New York**
May 29 filed (by amendment) an additional 300,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

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.

● **Kay Lab, San Diego, Calif. (6/18)**
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. (6/18-22)**
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. **Office** — Chamblee, Ga. **Underwriter** — Johnson, Lane, Space & Co., Inc., Savannah, Ga.

★ **Leo Uranium Mining Corp.**
May 21 (letter of notification) 189,700 shares of capital stock (par $1) of which 150,000 shares are to be sold to the public at par and 39,700 shares to stockholders of Red Cliff Mining Co. at 10 cents per share. **Proceeds**—For mining expenses. **Office**—1200 Stanley St., North Las Vegas, Nev. **Underwriter** — Perry W. Connell, President, 464 Harvard Ave., Salt Lake City, Utah.

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.

★ **Lone Star Fund, Dallas, Texas**
June 1 filed 125,000 shares of Balanced Income Series, 125,000 shares of Insurance Growth Series, and 125,000 shares of Industrial Growth Series. **Price**—At market. **Proceeds** — For investment. **Underwriter** — All States Management Co., Dallas, Tex., of which Griffith Moore is President.

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 nonassessable 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. Store Fixtures Inc., 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. **Name Changed**—In May 1956 from M. & D. Display Mfg. Co.

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.

★ **Maule Industries, Inc.**
May 31 (letter of notification) 26,685 shares of common stock (par $1) to be offered to employees under a stock option plan. **Price** — $3.50 per share. **Proceeds** — For working capital. **Office**—5220 Biscayne Blvd., Miami, Fla. **Underwriter**—None.

★ **Mercantile Acceptance Corp. of California**
May 24 (letter of notification) $100,000 of 12 year 5% debentures. **Price** — At par. **Proceeds** — For working capital. **Office**—333 Montgomery St., San Francisco, Calif. **Underwriter** — Guardian Securities Corp., San Francisco, Calif.

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.

Midland General Hospital, Inc., Bronx, N. Y.
Jan. 12 filed 24,120 shares of common stock (no par) and 30,000 shares of $6 dividend preferred stock (no par). The company does not intend presently to sell more stock than is required to raise, at most, $2,700,000. **Price** — $100 per share. **Proceeds** — For construction, working capital, reserve, etc. **Underwriter**—None.

Mineral Projects-Venture C, Ltd., Madison, N. J.
Feb. 7 filed $4,000,000 of participations in capital as limited partnership interests in the venture to be sold in minimum units of $25,000. **Proceeds**—For expenses incidental to oil exploration program. **Underwriter**—Mineral Projects Co., Ltd., on "best efforts basis."

★ **Minnesota Valley Natural Gas Co.**
May 29 (letter of notification) 18,750 shares of common stock (par $10), of which 2,400 shares to be sold to employees and directors. **Price** — $16 per share to public; $15 to employees. **Proceeds**—For working capital. **Office**—St. Peter, Minn. **Underwriters** — Woodard-Elwood & Co., Minneapolis, Minn. and Harold E. Wood & Co., St. Paul, Minn.

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.

★ **Modern Pioneers' Life Insurance Co.**
May 24 (letter of notification) $300,000 of trust fund certificates. **Price**—At par ($2 per unit). **Proceeds** — To provide capital and surplus funds for the activation of this insurance company. **Underwriter**—Arizona Mutual Benefit Insurance Co., Phoenix, Ariz.

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.

Mormon Trail Mining Corp., Salt Lake City, Utah
Feb. 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—223 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Frontier Investment, Inc., Las Vegas, Nev.

★ **Mountain View Diners, Inc. (6/13)**
May 28 (letter of notification) 99,800 shares of class A stock (par $1). **Price**—$3 per share. **Proceeds**—For expansion and working capital. **Office**—20 Newark-Pompton Turnpike (Route 23), Singac, N. J. **Underwriter**—All States Securities Dealers, Inc., New York.

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 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 3½ 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 being 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 being offered to key employees. **Price**—$1.10 per share. **Proceeds**—For exploration and development expenses and for acquisition of additional oil and gas leases or other interests. **Underwriters**—White, Weld & Co., Kidder, Peabody & Co., Dominion Securities Corp. and Union Securities Corp., all of New York.

Nucleonics, Chemistry & Electronics Shares, Inc. (6/27)
Feb. 17 filed 400,000 shares of capital stock (par $1). **Price**—To be supplied by amendment (expected at $10 per share). **Proceeds** — For investment. **Office**—Englewood, N. J. **Underwriter** — Lee Higginson Corp., New York. **Name Changed**—From Atomic, Chemical & Electronic Shares, Inc.

Oak Mineral & Oil Corp., Farmington, N. M.
Nov. 8 (letter of notification) 2,000,000 shares of common stock (par five cents). **Price**—15 cents per share. **Proceeds**—For exploration and development and other general corporate purposes. **Underwriter**—Philip Gordon & Co., New York.

Old National Insurance Co., Houston, Tex.
March 29 filed 48,108 shares of capital stock (no par) to be offered for subscription by stockholders on the basis of one new share for each nine shares held (with an oversubscription privilege). **Price** — To be supplied by amendment. **Proceeds** — To purchase life insurance in force and assets from other life insurance companies. **Subscription Agent** — Old Southern Trust Co., Houston, Tex. **Underwriter**—None.

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 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.

★ **Pan-Israel Oil Co., Inc. (Panama)**
May 29 filed American voting trust certificates for 1,430,000 shares of common stock (par one cent), of which 1,000,000 certificates are to be offered for public sale, 180,000 shares and certificates therefor are subject to options and 25,000 shares and certificates therefor are to be offered for sale outside of the United States. **Price**—To be the market price on the American Stock Exchange. **Proceeds**—For exploration, drilling and development of oil and gas acreage in Israel. **Underwriter**—H. Kook & Co., Inc., 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.

★ **Pilgrim Helicopter Services, Inc.**
May 22 (letter of notification) 23,500 shares of common stock (par $3). **Price**—$5 per share. **Proceeds**—For the purchase of two helicopters, insurance and working capital. **Office**—319 Investment Bldg., Washington, D. C. **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

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St. & 22nd Ave., North, St. Petersburg, Fla. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

★ **Pittsburgh Reflector Co.**
May 23 (letter of notification) 18,000 shares of class B common stock (par $5). **Price**—$6.25 per share. **Proceeds**—For working capital. **Office**—407 Oliver St., Pittsburgh 22, Pa. **Underwriter**—Kay, Richards & Co., Pittsburgh, Pa.

● **Potomac Electric Power Co.**
May 14 filed 281,435 shares of common stock (par $10) being 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**—$20.25 per share. **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.

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**—573 Mill St., Reno, Nev. **Underwriter**—Utility Investments, Inc., Reno, Nev.

Rainbow Uranium Co., Denver, Colo.
May 8 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—316 Symes Bldg., Denver, Colo. **Underwriter**—Carroll & Co., Denver, Colo.

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.

★ **Rea (J. B.) Co., Inc., Santa Monica, Calif.**
May 29 (letter of notification) 50,000 shares of common stock (par $5) per share. **Price**—$6 per share. **Proceeds**—For inventory and working capital. **Office**—1723 Cloverfield Blvd., Santa Monica, Calif. **Underwriter**—Shearson, Hammill & Co., Beverly Hills, Calif.

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. (6/27)**
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. (6/14)**
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.

★ **Rogosin Industries, Ltd. (New York)**
June 4 filed 75,000 shares of common stock (par $100) and $7,500,000 of 20-year 3% debentures due May 1, 1976. This includes 5,000 common shares and $500,000 of debentures to be received by Beaunit Mills, Inc. in payment for rights to manufacture viscose rayon yarns. **Price**—At par or principal amount. **Proceeds**—For capital expenditures, working capital and other corporate purposes. **Underwriter**—None.

Rohm & Haas Co., Philadelphia, Pa. (6/19)
May 10 filed 4,810 shares of 4% cumulative preferred stock, series A (par $100) and 79,213 shares of common stock (par $20), representing 7.8% of the outstanding shares of each class of stock. **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Drexel & Co. (jointly); A. G. Becker & Co. Inc., Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly). **Bids**—To be received up to 3:30 p.m. (EDT) on June 19 at the Office of Alien Property, 101 Indiana Ave., N. W., Washington 25, D. C.

★ **Sawmill Uranium Co.**
May 25 (letter of notification) 100,000 shares of common stock (par one cent). **Price**—$2.50 per share. **Proceeds**—For mining expenses. **Office**—3460 W. 38th Ave., Denver, Colo. **Underwriter**—None.

Schwartz Carbonic Co., El Paso, Texas
Feb. 27 (letter of notification) 30,700 shares of common stock to be offered for subscription by stockholders on basis of 0.6158 new share for each common share held. **Price**—$7.50 per share. **Proceeds**—For expenses incident to manufacturing and sales of carbon dioxide. **Office**—1600 East Eleventh St., El Paso, Tex. **Underwriter**—None.

● **Securities Investment Co. of St. Louis (6/13-14)**
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.
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
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. **Offering**—Expected today (June 7).

★ **Sierra Pacific Power Co. (6/20)**
June 1 filed 62,576 shares of common stock (par $7.50) to be offered for subscription by common stockholders of record June 21, 1956 at the rate of one new share for each ten shares then held (with an oversubscription privilege); rights to expire on July 6, 1956. **Proceeds**—To repay bank loans made for construction purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp. and Dean Witter & Co. (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; Lehman Brothers; White, Weld & Co.; Carl M. Loeb & Co. and Bear, Stearns & Co. (jointly). **Bids**—Tentatively scheduled to be received by the company at 49 Federal St., Boston, Mass., up to 11 a.m. (EDT) on June 20.

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 Nevada Power Co. (6/25)**
June 4 filed 175,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for construction program. **Underwriters**—William R. Staats & Co., Los Angeles, Calif.; and Hornblower & Weeks, New York.

Southwestern Oklahoma Oil Co., Inc.
Feb. 27 (letter of notification) 15,001 shares of common stock (par 10 cents) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—For expenses incident to development of oil and gas properties. **Office**—801 Washington Bldg., Washington, D. C. **Underwriter**—None.

Strategic Metals, Inc., Tungstonia, Nevada
Jan. 4 (letter of notification) 1,200,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Underwriter**—R. Reynolds & Co., Salt Lake City, Utah.

Suburban Land Developers, Inc., Spokane, Wash.
Feb. 2 (letter of notification) 920 shares of 6% cumulative non-voting preferred stock ($100 per share) and 2,160 shares of common stock (par $10). **Price**—Of preferred, $100 per share; and of common, $15 per share. **Proceeds**—For improvements and working capital. **Office**—909 West Sprague Ave., Spokane, Wash. **Underwriter**—W. T. Anderson & Co., Inc., Spokane, Wash.

Sun Oil Co., Philadelphia, Pa.
April 18 filed 229,300 shares of common stock. **Price**—At the market. **Proceeds**—To selling stockholders. **Underwriter**—None.

★ **Swallow Mining Corp.**
May 22 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—139 North Virginia St., Reno, Nev. **Underwriter**—Charles C. Brown, Reno, Nev.

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.

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.

★ **Tripac Engineering Corp.**
May 25 (letter of notification) 1,200 shares of 5½% cumulative convertible preferred stock (par $100) and 24,000 shares of common stock (par 10 cents) to be offered in units of one share of preferred and 20 shares of common. **Price**—$102 per unit. **Proceeds**—For leasehold improvement, purchase of machinery, equipment and working capital. **Underwriter**—P. J. Gruber & Co., Inc., New York.

● **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) being 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 as of May 25; rights to expire on June 11. **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.

★ **Tubenfin Coil Co.**
May 24 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital and normal expansion. **Office**—8037 Hartford St., Houston, Tex. **Underwriter**—Texas South Coast Securities Corp., 400 Main St., Houston, Tex.

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. (6/20)
May 25 filed 200,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—Chicago, Ill. **Underwriters**—Allen & Co., Bache & Co. and Reynolds & Co., Inc., all of New York.

● **Union Mines, Inc. (6/20)**
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 Tank Car Co. (6/22)
June 4 filed 335,714 shares of capital stock (no par) to be offered for subscription by stockholders of record June 22, 1956 on the basis of one new share for each seven shares held; rights to expire on July 9, 1956. Warrants are expected to be mailed on or about June 22. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Smith, Barney & Co., New York, and Blunt Ellis & Simmons, Chicago, Ill.

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 Life Insurance Co. of N. Y. (6/21)
June 1 filed 650,064 shares of capital stock (par $2), of which 100,000 shares are to be offered by the company for subscription by stockholders of record June 7, 1956 at the rate of one new share for each 10 shares then held. Of the remaining 550,064 shares which are presently outstanding, 310,476 shares are to be sold for the account of Continental Casualty Co. and 239,588 shares for the account of Continental Assurance Co. Continental Casualty is the owner of 510,476 shares (51.047%) and Continental Assurance Co. 240,000 shares (24%) of the outstanding United States Life Insurance Co. stock. **Price** — To be supplied by amendment. **Proceeds** — To company, to be invested in income producing securities. **Underwriters**—William Blair & Co., Chicago, Ill.; and The First Boston Corp. and Carl M. Loeb, Rhoades & Co., both of New York.

★ United States Shoe Corp., Cincinnati, Ohio
June 6 filed 170,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

● United Utilities, Inc.
May 15 filed 251,389 shares of common stock (par $10) being 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**—$21 per share. **Proceeds**—To make investment in and/or advances to company's subsidiaries to defray a portion of the cost of new construction. **Underwriter**—Kidder, Peabody & Co., New York.

Universal Fuel & Chemical Corp.
May 17 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—825 Broadway, Farrell, Pa. **Underwriter**—Langley-Howard, Inc., Pittsburgh, Pa.

Uranium Exploration Co., Salt Lake City, Utah
Feb. 13 (letter of notification) 77,875 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—538 East 21st South St., Salt Lake City, Utah. **Underwriter** — Pioneer Investments, Salt Lake City, Utah.

Utco Uranium Corp., Denver, Colo.
Jan. 30 (letter of notification) 200,000 shares of common stock, which are covered by an option held by the underwriter. **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—310 First National Bank Bldg., Denver, Colo. **Underwriter** — Amos C. Sudler & Co., same city.

Vance Industries, Inc., Evanston, Ill.
Jan. 24 (letter of notification) 7,000 shares of common stock (par one cent). **Price**—$7 per share. **Proceeds**—To selling stockholders. **Office** — 2108 Jackson Ave., Evanston, Ill. **Underwriter**—Arthur M. Krensky & Co., Inc., Chicago, Ill.

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. (6/18)
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 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. (6/13-14)
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.

★ White Vending Co., Inc., Chicago, Ill.
May 28 (letter of notification) $50,000 in notes and chattel mortgages of varying denominations bearing 12% interest. **Price**—At face amount. **Proceeds**—For purchase of inventory and working capital. **Office** — 5808 West Division St., Chicago 51, Ill. **Underwriter**—None.

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.

★ Wind Turbine Co.
May 31 (letter of notification) $300,000 principal amount of 6% convertible debenture notes. **Price** — $100 each. **Proceeds** — For erecting, building and designing of a wind electric power plant. **Office**—East Market St. and Pennsylvania RR., West Chester, Pa. **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.

● WFFH Broadcasting Co. (6/11-15)
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. **Office**—Philadelphia, Pa. **Underwriter**—Boenning & Co., Philadelphia, Pa.

★ Wright Line, Inc.
May 28 (letter of notification) 12,600 shares of class B common stock (par $1) to be offered to officers and employees under the company's stock options plan. **Price**—$2.62½ per share. **Proceeds** — For working capital. **Office**—100 Exchange St., Worcester, Mass. **Underwriter**—None.

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.

★ Youngstown Sheet & Tube Co.
June 5 filed 22,977 shares of common stock (no par) to be offered in exchange for common stock of Emsco Manufacturing Co. on the basis of one share of Youngstown for each three shares of Emsco. Youngstown presently owns 388,853 shares, representing 84.94% of the 457,786 outstanding shares of Emsco common stock.

● Zapata Off-Shore Co. (6/25-29)
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 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. (6/26)
April 30 it was reported company plans to issue 25,000 shares cumulative preferred stock (par $100). **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.

★ British Columbia (Province of) (6/27)
June 5 it was announced that a registration statement is expected to be filed on June 7 or June 8 with the SEC covering an aggregate of $40,000,000 debentures, viz: $20,000,000 of sinking fund debentures due 1986 of British Columbia Power Commission; $10,000,000 of sinking fund debentures due 1981 of Pacific Great Eastern Ry. Co.; and $10,000,000 of sinking fund debentures due 1976 of British Columbia Toll Highways and Bridges Authority. **Proceeds** — To reduce bank loans and for capital expenditures. **Underwriters** — Morgan Stanley & Co.; Harris & Partners Limited, Inc.; and Burns Bros. & Denton, Inc. **Offering**—Expected later in June.

California Electric Power Co.
May 14 it was announced company plans an offering of first mortgage bonds late in 1956, if market and other conditions are then favorable. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; White, Weld & Co. [See also registration of 300,000 shares of common stock in a preceding column of this issue.]

Carolina Power & Light Co. (9/11)
March 22 it was announced company plans to issue and sell $15,000,000 of first mortgage bonds due 1986. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Equitable Securities Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Scheduled for Sept. 11.

Carpenter Paper Co.
May 10 it was reported company is understood to be planning the sale of some additional common stock. **Underwriter**—Kidder, Peabody & Co., New York.

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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.

Consolidated Natural Gas Co. (7/25)
March 15 it was announced company plans to issue and sell $30,000,000 of debentures due 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and The First Boston Corp (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly). **Bids**—Expected to be received on July 25.

Consolidated Water Co.
Jan. 16, Frank A. O'Neill, President, announced that the company sometime between now and the summer of 1956, will probably do some additional financing. **Proceeds**—For expansion. **Underwriters**—The Milwaukee Co.; Harley Haydon & Co., Inc.; and Indianapolis Bond & Share Corp. underwrote class A common stock offering made last August.

Consumers Power Co.
April 7 it was reported company plans to issue and sell $30,000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly). **Offering**—Expected in the Fall.

Copeland Refrigeration Corp.
May 10 it was reported company plans to issue and sell 100,000 shares of common stock. **Proceeds**—For expansion program. **Underwriter**—Baker, Simonds & Co., Detroit, Mich.

Crane Co., Chicago, Ill.
F. F. Elliott, President, on March 18 stated in part: "To meet the cost of present proposed capital expenditures, it appears that some additional financing may be necessary." **Underwriters**—Morgan Stanley & Co. and Clark, Dodge & Co.

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 Paterson, 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. (6/8)
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 as of May 28; rights to expire on June 22. **Price**—$41 per share. **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.

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.

★ Kirsch Co., Sturgis, Mich.
May 29 it was reported company plans early registration of 120,000 shares of common stock. **Proceeds**—To selling stockholders. **Underwriter**—Cruttenden & Co., Chicago, Ill.; and Smith, Hague, Nogle & Co., Detroit, Mich.

● Lake Ontario Portland Cement Co., Ltd. (6/26)
May 21 it was reported company plans to sell publicly approximately $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.

● Montreal Transportation Commission
May 29 it was announced Commission plans to issue $11,500,000 of sinking fund debentures due 1976. **Proceeds**—For purchase of buses, improvements and to repay short term debt. **Underwriter**—May be determined by competitive bidding. Probable bidders: Shields & Co., Halsey, Stuart & Co. Inc. and Savard & Hart (jointly); Lehman Brothers; White, Weld & Co., Blyth & Co., Inc. and Union Securities Corp. (jointly); Kuhn, Loeb & Co., Glore, Forgan & Co. and Salomon Bros. & Hutzler (jointly).

National Steel Corp.
March 12 the company announced that it is estimated that total construction expenditures planned to start in the current year and to be completed in mid-1959 will amount to a minimum of $200,000,000. **Underwriters**—Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.; and The First Boston Corp.

Natural Gas Pipe Line Co. of America
Feb. 20 it was reported company plans to issue and sell late this Spring $35,000,000 of first mortgage bonds due 1976. **Underwriter**—If determined by competitive bidding, the following may bid: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly).

New England Electric System
Jan. 3 it was announced company plans to merge its subsidiaries, Essex County Electric Co., Lowell Electric Light Corp., Lawrence Electric Co., Haverhill Electric Co. and Amesbury Electric Light Co., into one company during 1956. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, the name of which has not as yet been determined. **Underwriter** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New England Power Co.
Jan. 3 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds during October of 1956. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

● **New York Central RR.**
Bids were 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.] The bids were rejected.

● **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, a part of which is expected to include about $12,000,000 of convertible second preferred stock to be offered first to common stockholders, probably in July. **Underwriters**—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 20 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)**
June 4 it was reported company plans to offer 341,550 additional shares of common stock to its common stockholders of record July 11 on a 1-for-10 basis; rights to expire on Aug. 2. **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. **Bids**—Expected to be received up to 11 a.m. (EDT) on July 11.

★ **Pacific Telephone & Telegraph Co. (8/21)**
May 31 the company sought approval of the California P. U. Commission to issue and sell $78,000,000 of 32-year debentures due Aug. 15, 1988. **Proceeds**—To reduce temporary borrowings and for capital expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively scheduled to be received up to 8:30 a.m. (PDT) on Aug. 21. **Registration** — Expected July 27.

★ **Pacific Telephone & Telegraph Co.**
May 31 company sought authority from the California P. U. Commission to offer 1,562,267 additional common shares to common and preferred stockholders on a 1-for-6 basis. American Telephone & Telegraph Co. owns an aggregate of 89.6% of the preferred and common stock. **Price**—At par ($100 per share). **Proceeds** — To repay temporary borrowings and for new construction. **Underwriter**—None.

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.

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). **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 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.

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.

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 Illuminating Co., New Haven, Conn.**
May 29, William C. Bell, President, announced that the company proposes to issue not more than $12,500,000 of cumulative preferred stock (par $100), out of a proposed authorized issue of $20,000,000. The stockholders will vote June 28 on approving the proposed financing. **Proceeds** — Together with short term bank loans, will be used to complete the 1956 to 1958 construction program. **Underwriter** — Chas. W. Scranton & Co., New Haven, Conn.

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
June 4 it was reported offering is expected in near future of over 70,000 shares of common stock. **Underwriter**—Granbery, Marache & Co., New York. **Registration**—Expected soon.

★ **Washington Natural Gas Co.**
May 23 it was reported company plans to issue and sell about 187,500 shares of common stock. **Underwriter**—Barrett Herrick & Co., New York.

Mutual Funds

By ROBERT R. RICH

Equity Holdings Increased During May Market Break; Share Sales Exceeded Redemptions

The nation's open-end investment companies (mutual funds) added substantially to their holdings of common stocks and other securities during May when the Dow-Jones Industrial Average declined by 6.99%, according to Edward B. Burr, Executive Director of the National Association of Investment Companies.

A survey of transactions during May by 35 major mutual funds, representing 79% of total open-end investment company assets, shows that these companies were net buyers of securities in all three major categories—common stocks, preferred stocks, and corporate bonds, Mr. Burr reported.

During May, when the Industrial Average declined 35.91 points, from 513.96 to 478.05, the 35 mutual funds invested $114,042,000 in common stocks, and sold $61,818,000 worth. They also invested $8,077,000 in preferred stocks, as opposed to sales of $4,169,000, and purchased $25,832,000 in corporate bonds, with sales of $5,824,000.

Altogether, Mr. Burr reported, purchase of corporate securities totalled $147,951,000 during May, as opposed to sales of $71,811,000, a net investment of $76,140,000.

As in the previous periods of market decline, investor purchases of mutual fund shares during May were greater than redemptions. Total sales of their own shares to investors by the 35 companies were $82,510,000, while total redemptions by shareholders of these companies amounted to $27,676,000, Mr. Burr reported.

Sales Training Course

Wellington Fund's "Correspondence Sales Training Course" is now available to dealers in revised and consolidated form. "What a Salesman Should Know About Mutual Funds and Investment Trusts" spells out in layman's language definitions, terms and phrases used in mutual fund selling. A second new book, "An Introduction to Selling Mutual Funds," outlines the opportunities, advantages and techniques of selling funds. This informative training material has been bound into two mimeographed books as companion pieces to Wellington's popular "A Guide to Selling Wellington Fund" and the "Salesmen's Training Program."

Electronics Investment Corporation which completed its first year of operations on April 30, 1956, reports total net assets of the Fund to be $11,522,046.93. This compares with $9,150,000 on May 13, 1955, when the Fund started continuous offering of its shares to the public. This represents a growth in total net assets of 25.9%. During the same period the net asset value per share increased from $4.57 to $4.93 per share.

Nat'l Securities Sales During May At All-Time High

Despite declining markets, purchases by long-term investors of the National Securities Series of mutual investment funds in May—the first month of the fiscal year—set a record for that month at $4,741,890, a rise of 33% from the $3,564,288 total for May last year, according to E. Waln Hare, Vice-President of National Securities & Research Corporation which sponsors and manages the series.

80th Quarterly Dividend Paid by Coast Fund

Directors of The Investment Company of America, Los Angeles, on May 31 declared a dividend of six cents a share payable July 2 from net investment income to shareholders of record June 11. This represents the company's 80th consecutive quarterly dividend.

Vincent Broderick Council for N. A. I. C.

Vincent L. Broderick has been appointed General Counsel for the National Association of Investment Companies. In his new post, Mr. Broderick will maintain close liaison with parallel associations and Federal and State regulatory bodies concerned with securities laws. A former Deputy Police Commissioner of New York City, Mr. Broderick is a graduate of Princeton University and Harvard Law School.


Vincent L. Broderick

Petroleum Stocks Top Holdings of Dividend Shares

Net assets of Dividend Shares, a mutual fund managed by Calvin Bullock, are now greater than $215,000,000, according to the semi-annual report for the six months ended April 30, 1956, now being mailed to stockholders.

Net assets on April 30, 1956, were $215,346,172, a gain of more than $26,000,000 over net assets of $188,548,815 on Oct. 31, 1955. Net asset value per share on April 30, 1956 was $2.88, up 13% from the net asset value of $2.54 per share on Oct. 31, 1955.

As of April 30, 1956, dividend-paying common stocks represented 85.01% of total net assets, the balance being divided between government obligations (12.8%) and cash (2.19%).

Since May 1, 1956, petroleum stocks have replaced public utility stocks as the largest investments of Dividend Shares. Petroleum stocks now represent 18.39% of net assets, followed by utility stocks, representing 13.74% of net assets. Chemical stocks and paper and paper products stocks follow, in that order. Altogether, these four groups account for 46.81% of net assets.

Additions to the Dividend Shares Portfolio since Oct. 31, 1955, include 8,000 shares of Ohio Oil, 14,800 shares of Pure Oil, 20,000 shares of Royal Dutch Petroleum, 23,500 shares of Central Illinois Public Service, 10,000 shares of Niagara Mohawk, 20,000 shares of Public Service of Indiana, 22,000 shares of Southern Company, and 12,000 shares of Ford Motor Company.

Principal eliminations included stocks of Western Auto Supply, J. P. Stevens, Sylvania Electric, Southern Pacific, Chas. Pfizer, Pacific Gas and Electric, May Department Stores, and Climax Molybdenum.

Two With Allied Inv.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Howard H. Burns and Hugh H. Summer have joined the staff of Allied Investment Company, Walton Building.

New German Trust Now In Operation

Brown Brothers Harriman & Co. to act as Investment Advisor for German, Swiss and Dutch Banking Group.

To provide the German public with a means of investing in the United States and Canada, a new investment trust, Uscafonds, is being offered to investors there by a group of German, Swiss and Dutch banks, according to Brown Brothers Harriman & Co., New York private bankers retained to act as bankers, custodians, brokers and investment advisors for the new trust.

Uscafonds is the first to be licensed by the Bank Deutscher Laender, under the German Central Bank's recent ruling that German nationals are now permitted to buy foreign securities.

This announcement, according to a statement by Brown Brothers Harriman & Co., represents a significant move in the direction of a free flow of capital between one of Europe's most important economic areas and North America. Since the outbreak of the first World War in 1914, the firm pointed out, dollar investment has been barred for practical purposes to most German investors by war, inflation, exchange control, and other factors. Germany's spectacular industrial comeback since the last war has made available substantial amounts of dollar exchange which many investors would like to place in United States and Canadian securities, as a hedge against future economic and political developments in Europe.

While Brown Brothers Harriman & Co. will furnish its combined services to the new trust, Uscafonds will be managed by Union Investment-Gesellschaft m.b.H. of Frankfort, Germany, which also offered a trust, Unifonds, for selected German industrial and other securities to German investors last April. Of the 18 sponsoring banks, 13 are in the larger West German cities, three in Switzerland (among them, Hentsch & Cie., Geneva), and one, Labouchere & Cie., in Amsterdam. Brown Brothers Harriman & Co. will act solely as financial agent in the United States and not as a distributor. Shares in the new trust are available through the European sponsors and other banks in Germany.

Boston Fund Sells All Ford Stock

Boston Fund, one of the largest mutual funds in the country, in its report for the first quarter of the fiscal year ended April 30, disclosed it had disposed of all of the 14,800 shares of Ford Motor Co. stock which was in its portfolio on Jan. 31 last. Changes in holdings also revealed an increase from 7,000 to 19,000 of Aluminium Limited common.

Total net assets of the fund on April 30 were $148,885,679, equal to $16.81 on 8,854,919 shares outstanding. These figures, all new quarter-end highs, compare with total net assets of $129,657,021, equal to $15.37 a share on 8,436,362 shares outstanding on April 30 of last year.

In the report, Henry T. Vance, President, notes that at the end of the latest quarter, the fund's investments were diversified among 128 issues of common and preferred stocks and 34 issues of bonds. Common stock holdings represented 69.3% of net assets, preferred stocks 13.8% and bonds 16.9%. A year earlier, the figures were 72.7% in common stocks, 13.7% in preferreds and 13.6% in bonds.

Of the more than 27,400 investors who now own shares of the fund, the report observes that over 2,000 are fiduciaries and other institutional-type investors whose holdings are worth approximately $20,000,000.

Other features of the report include sections of "An Alert and Imaginative Point of View," "The Element of Change" and "Keeping Capital Productive."

With Honnold and Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Elvin P. Hicks has been added to the staff of Honnold and Company, Inc., 524 17th Street.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Oscar Lasdon to John A. Coleman, Jr. will be considered by the Exchange on June 7th.

Paul Fischer retired from partnership in Wineman, Weiss & Co., May 31st.

Tripp Takes Note Of Question Marks In the Economy

Policy of TV-Electronics Fund one of "cautious optimism."

Total net assets of Television-Electronics Fund, Inc., of Chicago, rose to a new record high on April 30 at $129,091,464, a gain of 29% since the end of the previous fiscal year on Oct. 31, 1955, the fund's semi-annual report showed.

Net asset value per share on April 30 amounted to $12.17, also a record, compared with $10.44 per share on Oct. 31 last. The number of shareowners reached a new peak on April 30 at 52,951, and shares outstanding climbed to a record 10,604,097.

In his report to shareowners, Chester D. Tripp, President, called attention to the fact that the fund's performance "was achieved during a period of continuing uncertainty." He added that "the general economic picture still contains some question marks and the fund managements' over-all policy remains one of cautious optimism."

"On the whole, however," Mr. Tripp stated, "there is nothing in sight to short-circuit the continuing advances anticipated in the field of electronics, including nucleonics, television and radio, in which your fund has placed its investment faith."

Mr. Tripp reiterated earlier statements relative to the increasing emphasis being placed on portfolio acquisitions in the aircraft manufacturing field "in which the major portion of the dollar cost is in electronic components." He went on to say that "since nucleonics is inseparable from the science of electronics, the progress in the field of atomic power will unquestionably exert a strong influence on future portfolio acquisitions and the values of existing holdings in companies involved in such developments."

Major portfolio changes in the three-month period ended April 30, 1956, follow:

PURCHASES

	Shares
ACF Industries, Inc.	3,200
Amphenol Electronics Corp.	7,600
Boeing Airplane Co.	1,800
Borg (George W.) Corp.	4,500
Chance Vought Aircraft, Inc.	4,000
Douglas Aircraft Co. Inc.	4,800
Friden Calculating Machine Co., Inc.	1,300
General Bronze Corp.	3,000
General Dynamics Corp.	5,200
General Mills, Inc.	7,400
General Tire & Rubber Co.	3,000
Goodyear Tire & Rubber Co.	3,200
International Tel. & Tel. Corp.	2,000
Lockheed Aircraft Corp.	8,000
Mallory (P. R.) & Co., Inc.	2,100
Marchant Calculators, Inc.	2,600
Neptune Meter Co.	2,200
North American Aviation Co.	6,200
Philco Corp.	1,600
Radio Corp. of America	1,400
Royal McBee Corp.	6,600
Sprague Electric Co.	1,500
Telecomputing Corp.	15,000
United Aircraft Corp.	5,000
Zenith Radio Corp.	1,400

SALES

	Shares
Aircraft Radio Corp.	1,000
Babcock & Wilcox Co.	1,400
Beckman Instruments, Inc.	1,000
Bell & Gossett Co.	2,400
Borg-Warner Corp.	1,300
Columbia Broadcast. System, Inc. A	2,600
Consolidated Electrodynamics Corp.	1,400
Curtiss-Wright Corp.	1,900
ElectroData Corp.	2,700
Electronics Corp. of America	1,300
Erie Resistor Corp.	3,000
General Telephone Corp.	2,600
Gross Telecasting, Inc.	2,400
Hammond Organ Co.	4,600
Indiana Steel Products Co.	2,300
Internat'l Business Machines Corp.	2,000
International Resistance Corp.	1,200
Minneapolis-Honeywell Regular Co.	1,400
Motorola, Inc.	1,200
National Cash Register Co.	4,200
Sperry-Rand Corp.	5,200
Square D Co.	1,900
Storer Broadcasting Co.	2,800
Thompson Products, Inc.	1,900
Warner Bros. Pictures, Inc.	5,300
Western Union Telegraph Co.	3,300

Shelley, Roberts Branch

LOS ANGELES, Cal.—Shelley, Roberts & Co. has opened a branch office at 426 South Spring Street under the direction of Richard Christiansen.

Manhattan Bond Fund Additions

The latest six-months report of Manhattan Bond Fund, Inc., which covers a period of declining bond prices, was released May 30. The report reveals a net asset value of $8.08 per share on April 30, 1956, compared with $8.30 per share on Oct. 30, 1955, the end of the fund's fiscal year. Manhattan Bond Fund, Inc. is a mutual fund investing only in bonds. Its total net assets on April 30, 1956 amounted to $25,236,911.

Issues newly added to the fund's investments included the following:

Baltimore & Ohio R.R. Co. convertible income 4½s, 2010.

Fruehauf Trailer Co. convertible subordinated debenture 4s, 1976.

Lincoln Service Corp. sinking fund debenture 5½s, 1967.

M. Lowenstein & Sons convertible subordinate debentures 4⅜s, 1981.

Missouri Pacific R.R. Co. first 4¼s, 1990, series B.

Missouri Pacific R.R. Co. first 4¼s, 2005, series C.

Western Pacific Railroad Co. income debenture 5s, 1984.

Wisconsin Central Railroad Co., first 4s, 2004, series A.

Substantial additions were also made to holdings of five bond issue previously owned.

Puritan Fund Inc. Notes Large Gains

The net assets and number of shares outstanding of Puritan Fund, Inc., a mutual fund with primary emphasis on income, again reached new highs in the quarter ended April 30, 1956. On this date, net assets of the fund totaled $25,379,277 compared with $21,314,737 as of Jan. 31, 1956, an increase of 19.1%. A year ago on April 30, 1955, net asset value was $9,374,254. The number of shares outstanding totaled 3,704,284 as of April 30, 1956, an increase of 13.5% over the Jan. 31, 1956 total of 3,262,978. A year ago on April 30, 1955, there were only 1,413,717 shares outstanding.

Net asset value per share was $6.85 on April 30, 1956 compared with $6.63 a year ago. The April 30, 1956 net asset value per share is after a distribution from realized capital gains of 20 cents a share made on Sept. 1, 1955. On April 25, 1956, a dividend of nine cents a share from investment income was paid by the fund. The same amount was paid a year ago. In the 12-month period ended April 30, 1956, distributions from income totaled 38 cents a share.

Personal Progress

Charles W. Leslie was elected a Director of the Keystone Fund of Canada, Ltd. at the second Annual Meeting held in Montreal on May 17. Mr. Leslie is a Director of Canadian British Aluminium Co., Ltd.; of John B. Stetson Co. (Canada); is Chairman of the Board of A. C. Leslie & Co., Ltd., and for many years has been partner of the Canadian law firm of Wainwright, Laidley, Leslie, Bourgeois and Doheny, which acts as Canadian counsel to the Fund.

Leon A. Lavallee was elected a Director of the Keystone Investment Organization of Canada, the fund's investment adviser. Mr. Lavallee has for many years been associated with Keystone Custodian Funds, Inc. as an analyst specializing in the utilities, finance and insurance industries.

Vercoe Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Harrie L. Thompson has joined the staff of Vercoe & Co., Huntington Bank Building, members of the New York Stock Exchange.

NSTA Notes

BOND TRADERS CLUB OF CHICAGO

Bowling League

The nominating committee, consisting of Lester Thorsen, Glore, Forgan & Co., and Carl Hartwig, Link, Gorman, Peck & Co., have selected the following officers for the year 1956-57:

President—Bill McGregor, Taylor & Co.

Vice-President—John Colnitis, A. A. Harmet & Co.

Treasurer—Frank Cummings, Bear, Stearns & Co.

Secretary—Glen Thoma, Harris, Upham & Co.

Final Team Standings for 1955-56

	Won	Lost		Won	Lost
*Cummings	59	47	Thorsen	51	54
Colnitis	58	48	Williams	49	56
Marr	55	50	Ballisch	48	57
Ryan	54	51	Walsh	47	58

*Won Playoff.

Team High Series

Williams	2,324
Thorsen	2,320
Ballisch	2,298
Ryan	2,298

Team High Game

Cummings	870
Walsh	853
Colnitis	851

Individual High Series

Pollick	632
Wierenga	624
McGregor	616
Strait	616

Individual High Game

Koerner	255
Cook	254
Strauss	245
Colnitis	245

Sweepstakes

Koerner	Williams
Burke	Cummings
Golden	Russell
Barth	Friedman
Thorsen	Brady

High Game Out of the Money

McGregor 206

Mutuals

Koerner Burke Golden

Two With Columbia Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William B. Chenoweth and Ferris F. Macfee are now with Columbia Securities Company Incorporated, Equitable Building.

With A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Robert H. Wheat is now with A. M. Kidder & Co., 207 East Las Olas Boulevard.

With Clair Hall Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Anthony R. Fox is now affiliated with Clair S. Hall & Company, Fifth Third Bank Building.

Green, Erb Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Wilbert V. Maurer is with Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

Dean Witter Branch

SANTA MONICA, Calif.—Dean Witter & Co. has opened a branch office at 1026 Wilshire Boulevard under the direction of Thomas McInerney.

Carroll Co. Adds Two

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Edwin F. Carroll and Thomas B. Finn, Jr. have joined the staff of Carroll & Co., Denver Club Building, members of the Salt Lake Stock Exchange.

With Estabrook Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Marvin L. DeBaise has been added to the staff of Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges.

Taussig, Day Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Alvin Stern has been added to the staff of Taussig, Day & Co., Inc., 509 Olive Street, members of the Midwest Stock Exchange. Mr. Stern was previously with A. G. Edwards & Sons.

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 10	§96.4	*96.3	95.2	94.7
Equivalent to—					
Steel ingots and castings (net tons)	June 10	§2,373,000	*2,370,000	2,343,000	2,286,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 25	7,070,800	7,071,200	7,146,000	6,655,450
Crude runs to stills—daily average (bbls.)	May 25	¶7,797,000	*7,826,000	7,447,000	7,483,000
Gasoline output (bbls.)	May 25	25,649,000	25,550,000	24,904,000	24,669,000
Kerosene output (bbls.)	May 25	1,762,000	2,055,000	2,205,000	2,196,000
Distillate fuel oil output (bbls.)	May 25	12,121,000	11,630,000	11,867,000	10,738,000
Residual fuel oil output (bbls.)	May 25	8,160,000	8,220,000	7,858,000	8,070,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 25	183,510,000	186,753,000	190,188,000	169,373,000
Kerosene (bbls.) at	May 25	20,699,000	19,931,000	17,894,000	25,220,000
Distillate fuel oil (bbls.) at	May 25	72,027,000	68,495,000	61,923,000	80,204,000
Residual fuel oil (bbls.) at	May 25	34,787,000	33,414,000	32,476,000	44,156,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 26	788,297	778,997	778,398	785,589
Revenue freight received from connections (no. of cars)	May 26	664,762	664,222	678,088	664,709
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 31	$562,586,000	$310,263,000	$389,020,000	$324,143,000
Private construction	May 31	390,820,000	150,293,000	238,826,000	216,474,000
Public construction	May 31	171,766,000	159,970,000	150,194,000	107,669,000
State and municipal	May 31	133,136,000	138,131,000	129,312,000	79,762,000
Federal	May 31	38,630,000	21,839,000	20,882,000	27,907,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 26	10,120,000	9,800,000	10,160,000	9,244,000
Pennsylvania anthracite (tons)	May 26	404,000	420,000	563,000	541,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 26	117	122	119	114
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 2	10,598,000	10,927,000	10,815,000	9,537,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 31	238	273	277	203
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 29	5.179c	5.179c	5.179c	4.797c
Pig iron (per gross ton)	May 29	$60.29	$60.29	$60.29	$56.59
Scrap steel (per gross ton)	May 29	$47.50	$49.67	$55.00	$34.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 29	45.400c	45.650c	45.650c	35.700c
Export refinery at	May 29	42.175c	44.150c	45.400c	36.700c
Straits tin (New York) at	May 29	94.500c	96.875c	99.250c	91.625c
Lead (New York) at	May 29	16.000c	16.000c	16.000c	15.000c
Lead (St. Louis) at	May 29	15.800c	15.800c	15.800c	14.800c
Zinc (East St. Louis) at	May 29	13.500c	13.500c	13.500c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 5	95.17	95.26	93.93	96.94
Average corporate	June 5	104.83	104.83	105.00	108.88
Aaa	June 5	108.16	108.16	107.80	112.37
Aa	June 5	106.92	106.92	107.99	110.34
A	June 5	104.48	104.48	104.83	109.06
Baa	June 5	100.00	100.32	100.49	104.31
Railroad Group	June 5	103.13	103.47	103.47	107.44
Public Utilities Group	June 5	105.17	105.17	105.34	109.24
Industrials Group	June 5	106.04	106.04	106.21	109.97
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 5	2.87	2.86	2.97	2.72
Average corporate	June 5	3.46	3.46	3.45	3.23
Aaa	June 5	3.27	3.27	3.29	3.04
Aa	June 5	3.34	3.34	3.33	3.15
A	June 5	3.48	3.48	3.46	3.22
Baa	June 5	3.75	3.73	3.72	3.49
Railroad Group	June 5	3.56	3.54	3.54	3.31
Public Utilities Group	June 5	3.44	3.44	3.43	3.21
Industrials Group	June 5	3.39	3.39	3.38	3.17
MOODY'S COMMODITY INDEX	June 5	412.8	412.1	419.9	397.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 26	239,176	239,754	276,341	269,132
Production (tons)	May 26	285,603	285,921	293,282	274,342
Percentage of activity	May 26	99	97	99	98
Unfilled orders (tons) at end of period	May 26	490,043	536,619	535,018	520,458
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	June 1	108.72	108.94	109.13	106.71
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 12	1,451,531	1,505,610	1,527,717	1,121,250
Dollar value	May 12	$76,312,009	$82,759,993	$79,965,877	$58,803,949
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 12	1,158,592	1,220,665	1,214,538	980,675
Customers' short sales	May 12	4,235	5,958	5,834	6,232
Customers' other sales	May 12	1,154,357	1,214,707	1,208,704	974,443
Dollar value	May 12	$59,600,057	$63,540,360	$61,920,057	$50,053,594
Round-lot sales by dealers—					
Number of shares—Total sales	May 12	290,780	274,080	283,500	272,030
Short sales	May 12	----	----	----	----
Other sales	May 12	290,780	274,080	283,500	272,030
Round-lot purchases by dealers—					
Number of shares	May 12	550,260	590,860	595,080	399,420
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 12	560,780	506,510	557,770	479,170
Other sales	May 12	12,823,970	13,300,590	12,906,630	11,701,210
Total sales	May 12	13,384,750	13,807,100	13,464,400	12,180,380
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	May 12	1,712,550	1,769,500	1,790,900	1,478,350
Short sales	May 12	350,340	334,240	309,280	249,610
Other sales	May 12	1,355,130	1,420,770	1,442,650	1,215,220
Total sales	May 12	1,705,470	1,755,010	1,751,930	1,464,830
Other transactions initiated on the floor—					
Total purchases	May 12	354,410	351,740	444,500	245,320
Short sales	May 12	23,400	23,600	30,100	22,100
Other sales	May 12	367,300	288,660	386,320	247,970
Total sales	May 12	390,700	312,280	416,420	270,030
Other transactions initiated off the floor—					
Total purchases	May 12	653,390	651,931	572,402	493,112
Short sales	May 12	89,090	63,540	68,130	73,490
Other sales	May 12	695,550	769,829	785,143	600,423
Total sales	May 12	784,640	833,369	853,273	673,913
Total round-lot transactions for account of members—					
Total purchases	May 12	2,720,350	2,773,171	2,807,802	2,216,782
Short sales	May 12	462,830	421,380	407,510	345,200
Other sales	May 12	2,417,980	2,479,279	2,614,113	2,063,573
Total sales	May 12	2,880,810	2,900,659	3,021,623	2,408,773
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 29	114.2	114.4	113.8	110.2
Farm products	May 29	90.7	*91.3	89.0	90.9
Processed foods	May 29	102.6	102.3	101.5	103.6
Meats	May 29	83.2	*81.3	78.5	85.3
All commodities other than farm and foods	May 29	121.5	121.7	121.4	115.6

*Revised figure. ¶Includes 873,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,000 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,319 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of March	145,895	132,763	130,272
Stocks of aluminum (short tons) end of Mar.	19,240	17,074	11,970
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of May (000's omitted):			
Total U. S. construction	$2,119,770	$1,868,700	$1,726,525
Private construction	1,287,524	1,266,412	1,147,581
Public construction	832,246	602,288	578,944
State and municipal	639,653	501,995	424,323
Federal	192,593	100,293	154,621
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of April 30:			
Total consumer credit	$35,962	$35,536	$30,655
Instalment credit	28,260	27,964	23,513
Automobile	14,706	14,565	11,482
Other consumer goods	6,183	6,137	5,492
Repair and modernization loans	1,611	1,599	1,534
Personal loans	5,760	5,663	5,005
Non-instalment credit	7,702	7,572	7,142
Single payment loans	2,876	2,839	2,496
Charge accounts	2,996	2,933	2,859
Service credit	1,830	1,800	1,787
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of March (000's omitted)	43,737,870	43,994,169	38,393,197
Revenue from ultimate customers—month of March	$714,161,000	$725,160,000	$650,024,000
Number of ultimate customers at March 31	52,821,809	52,743,335	51,434,305
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of April:			
Contracts closed (tonnage)—estimated	378,937	365,517	270,226
Shipments (tonnage)—estimated	289,616	306,760	242,337
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of April:			
Gas-fired furnace shipments (units)	58,700	60,400	58,000
Gas conversion burner shipments (units)	8,700	8,400	9,500
Gas operated boiler shipments (units)	7,200	6,800	4,900
Domestic gas range shipments (units)	156,400	183,500	183,200
Gas water heater shipments (units)	231,000	263,200	245,200
LIFE INSURANCE — BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of March:			
Death benefits	$207,900,000	$192,500,000	$201,500,000
Matured endowments	55,000,000	52,600,000	58,900,000
Disability payments	9,300,000	8,800,000	9,300,000
Annuity payments	40,000,000	40,700,000	39,100,000
Surrender values	83,700,000	76,800,000	86,700,000
Policy dividends	112,300,000	80,000,000	102,700,000
Total	$508,200,000	$451,400,000	$498,200,000
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of May:			
Industrials (125)	3.97	3.69	4.05
Railroads (25)	5.41	4.97	4.69
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.73	4.66	4.55
Banks (15)	4.52	4.35	4.06
Insurance (10)	3.07	2.89	2.49
Average (199)	4.13	3.87	4.14
NEW YORK STOCK EXCHANGE—As of April 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debt balances	$2,820,776	$2,817,297	$2,752,305
Credit extended to customers	33,012	31,334	48,414
Cash on hand and in banks in U. S.	360,516	342,027	336,842
Total of customers' free credit balances	895,710	959,837	973,129
Market value of listed shares	224,681,678	223,887,163	181,385,690
Market value of listed bonds	102,898,554	103,832,165	104,344,023
Member borrowings on U. S. Govt. issues	76,341	75,611	91,814
Member borrowings on other collateral	2,334,849	2,341,533	2,131,122
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914=100—As of April 15:			
All farm products	233	230	247
Crops	240	239	252
Commercial vegetables, fresh	208	290	270
Cotton	275	267	270
Feed, grains and hay	185	174	197
Food grains	229	223	236
Fruit	218	211	216
Oil-bearing crops	253	245	261
Potatoes	234	196	297
Tobacco	453	453	437
Livestock and products	227	221	242
Dairy products	246	250	241
Meat animals	237	221	269
Poultry and eggs	180	187	185
Wool	226	224	274
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of April:			
Total operating revenues	$877,892,095	$888,984,912	$796,500,626
Total operating expenses	$671,031,930	$678,174,935	$602,555,040
Operating ratio	76.44	76.29	75.65
Taxes	$92,509,249	$99,941,480	$85,529,035
Net railway operating income before charges	$94,159,387	$88,976,188	$87,303,611
Net income after charges (estimated)	$73,000,000	$70,000,000	$65,000,000
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of March (000's omitted):			
Exports	$1,550,000	*$1,354,700	$1,343,200
Imports	1,099,000	*1,049,300	1,019,200
U. S. GOVT. STATUTORY DEBT LIMITATION —As of May 31 (000's omitted):			
Total face amount that may be outstanding at any time	$281,000,000	$281,000,000	$281,000,000
Outstanding—			
Total gross public debt	276,729,255	275,788,569	277,472,387
Guaranteed obligations not owned by the Treasury	61,914	56,342	42,820
Total gross public debt and guaranteed obligations	$276,791,169	$275,844,912	$277,515,208
Deduct—other outstanding public debt obligations not subject to debt limitation	465,393	466,630	505,577
Grand total outstanding	$276,325,776	$275,378,282	$277,009,630
Balance face amount of obligations, issuable under above authority	4,674,223	5,621,717	3,990,369
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of May 31	$276,791,169	$275,844,912	$277,515,208
General fund balances	6,259,382	5,711,817	5,879,608
Net debt	$270,531,787	$270,133,095	$271,635,600
Computed annual rate	2.546%	2.537%	2.348%

Our Reporter's Report

Things just will not simmer down in the corporate new issue market these days it seems. Not so long ago it was a case of investors holding out for what they considered more attractive yields on new debt issues coming to market.

Current returns must be regarded as rather tempting by comparison with those ruling a year ago. And for a spell it appeared that demands of those having funds available for investment had been met in some measure at least.

But now the market is encountering a recurrence of reluctance on the part of potential buyers to take down the general run of new offerings originating via the competitive bidding route.

While the proffered yields are not off much from the recent high levels, bankers have been showing a tendency to do a little shading in their bidding for new issues. And the investor, holding to his own views, evidently is not of a mind to be moved at this point.

Presumably bankers are confident that some easing of money conditions in the near future will work to justfy their current actions. The Federal Reserve, however, has not given any indication up to this time of significant change in its credit views.

True, it bought rather heavily of Treasury issues the past week, but there were circumstances in the situation, such as a substantial "float," plus a rise in money in circulation which made this action necessary to avert a severe, though temporary, squeeze in the money market.

If Price Is Right

It has been demonstrated from time to time through the medium of offerings brought to market by negotiation between borrower and banker, that funds are available when yields meet investors' ideas.

A case in point was Household Finance Corp.'s flotation of $50 million of senior sinking fund debentures this week. Here the situation was sugared a bit by circumstances other than just the attractive yield, 4%. This one moved to a small premium.

The debentures have a maturity of 22 years which doubtless made them attractive for certain portfolios. And on top of that there is a sinking fund which provides for retirement of 65% of the total prior to maturity.

Other Issues Slow

By way of contrast bankers were able to report only "nibbling" by prospective buyers in the cases of the several competitive bidding deals which reached market.

Even Commonwealth Edison Co. of Chicago's $40 million of 30-year, first mortgage bonds, carrying a 3½% coupon and priced to yield 3.50% were more than a bit on the slow side.

The same held true in the case of Potomac Electric Co.'s $10 million of bonds which finally came to market as 3⅝s priced to yield 3.57%, but not until after the high bid had been rejected on a technicality and the issue awarded to the runner-up group.

Cutting Down the Total

The decision of C. I. T. Financial Corp. to postpone its projected $75 million offering of debentures served to reduce the over-all total of new issues for the week.

The determination of the company to forego flotation at this time, states Arthur D. Deitz, President, was its decision to await a better price and rate.

He is convinced that improvement in the securities market and the money market generally is "not too long off."

Joins Curran Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Alda M. Ream is now connected with The Curran Company, 7000 Melrose Avenue.

Joins Fin. Investors

(Special to The Financial Chronicle)

SACRAMENTO, Calif. — Ginji Mizutani has been added to the staff of Financial Investors Incorporated, 1716 Broadway.

Walston Adds to Staff

(Special to The Financial Chronicle)

STOCKTON, Calif. — Doris T. Daley has been added to the staff of Walston & Co., Inc., 137 East Weber Avenue.

With Saunders, Stiver

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Harold E. Kibbe has rejoined Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange. Mr. Kibbe has recently been with L. W. Simon & Company.

Joins Collin, Norton

(Special to The Financial Chronicle)

TOLEDO, Ohio — Glenn N. Schimmel is now with Collin, Norton & Co., 506 Madison Avenue, members of the New York and Midwest Stock Exchanges.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—How much more tenderly government deals with government-sponsored lending agencies who pay no Federal income taxes than with private lending institutions which pay taxes and help support the government, was illustrated in the "Farm Credit Act of 1956," passed by the House last week.

(Other aspects of this legislation were discussed in this column of the "Chronicle" of May 3).

In 1933, Congress passed the law to create the Federal Deposit Insurance Corp., which insures deposits by making assessments against banks on their insured deposits.

Before Congress would vest discretionary authority in the FDIC to curtail the assessments against the private banks, Congress required in 1950 (with the acquiescence of the FDIC and the banks) that the agency pay back to the Treasury the $289 million, the entire Federal capital paid in to launch the FDIC.

Furthermore, Senator Paul H. Douglas (D., Ill.) suggested, and it was accepted in the legislation, that FDIC pay interest on the use of that government money. FDIC paid simple interest at 2%, or an aggregate of nearly $81 million.

FDIC is supported entirely by assessments on banks. Over the some 24 years of its existence, it has not only repaid the $289 million of government capital and $81 million of interest to the Treasury thereon, but it has built up a reserve of $1.6 billion. Every penny of this reserve represents either contributions (via assessment) from insured banks, or earnings on loans and investments into which the proceeds of these collections from assessments were placed.

Finally, FDIC pays all of its administrative expenses, including losses, from assessment money. When a bank is examined by the FDIC, it must pay the costs of the examination.

Farm Credit Is Different

At the same time, 1933, the Congress passed the Farm Credit Act of 1933. That act provided for the setting up of a nation-wide system of farmer associations cooperative in form, to lend money obtained by the Federal intermediate credit banks in the market. The 12 production credit corporations were set up to supervise and establish the production credit associations.

What the PCC's did was to put government capital, in the form of government bonds, into these associations. They thus acquired an earnings asset in the Treasury.

Eventually the Farm Credit Administration DID needle the PCA's to pay back their government capital, and only a handful of them still have direct government money among their earnings assets.

However, the government does NOT require and will not get any interest on that loan of bonds which provided earnings. If a PCA, for instance, had the use of $100,000 of Federal bonds paying an average of 2% over a 20-year period, it paid back no interest on these bonds, as was required of the bank-supported FDIC. That $40,000 of interest was gratis to the production credit associations.

Likewise the FCA never did and will not in the future under the "Farm Credit Act of 1956," assess the production credit associations, as the Federal bank supervisory agencies do taxpaying banks, for the expenses of supervision.

Capital Repayment

Next, the new bill would provide for the retirement of the government capital in the FICB's and the PCC's (1) without interest, and (2) finally, over another 30-year period, or 34 years longer than it took the nation's insured banks to pay back FDIC capital **with interest.**

Finally, the PCC's and FICB's were capitalized entirely with government funds. Hence as Rep. Sidney R. Yates (D., Ill.) insisted on the floor of the House, the combined surplus of $61 million accumulated on their government money belongs to the government.

With the express blessing of the Eisenhower Administration, this surplus stays in the banks. The Administration objected to the feature that in the event of the liquidation of the FICB's, this $61 million would go to the cooperative associations. The Administration did not object to the FICB use of this surplus.

The fuss about who owned what on liquidation occupied the attention of the House. What no one brought out that of a $61-million chunk of money provides a nice piece of earnings.

While this is a perhaps not typical long-term money rate pattern, the FICB's lately have had to pay, including commissions, around 3.6% to borrow money. Using the figure of 3% as their cost of money, this sweet little gimmick provides a neat little annual subsidy into perpetuity, of $1,830,000.

For the Super-State

Canada's foreign minister, Lester Pearson, is very much for the abrogation of "old concepts" of national sovereignty and for moving toward the super-state, it was revealed in a report of the Canadian government. Mr. Pearson, however, believes in going slow toward the goal of the super-state.

What gives the Canadian official's remarks considerable interest in Washington is the fact that Mr. Pearson is one of a committee of three foreign ministers appointed to find out how to emphasize the political aspects of the North Atlantic Treaty Alliance, now that the military aspects are such a patent flop. The move to develop the "political aspects" of NATO got its initiative from the U. S. Secretary of State, John Foster Dulles.

"The twentieth century has seen 'changes that . . . render obsolete many of our old concepts of national sovereignty and . . . make essential the growth and acceptance of the ideal of supra-national association'," the Canadian Weekly Bulletin, a publication of the Dominion Department of External Affairs, quoted Mr. Pearson as stating a few weeks ago in a speech in London. Mr. Pearson's exact title is Minister of External Affairs.

"'This does not mean, however,' he added, 'that we should move *at once* (italics supplied) into world government or some form of Atlantic union or broad political federation with a central legislature and executive, a common citizenship, currency and budget, a single foreign policy, and a defense establishment under central control,' . . ." The Bulletin quoted Mr. Pearson as saying.

"'Our ultimate destiny—to safeguard our very existence—may require some form of federalism on a regional or even a wider basis. But meanwhile we have to work with the institutions which exist today and attempt to adapt them for the more ready and efficient and equitable solution of our current problems'."

U. S. Avoids Such Stand

Critics of the U. S. foreign policy have frequently charged that the State Department is sympathetic to, and moving in the direction of the super-state. However, such critics have been without such a strong confirming statement on behalf of the super-state by any responsible official of the U. S. Government. Observers of foreign affairs say they know of no single governmental official who has made a statement approaching that made by Mr. Pearson on this subject.

On the other hand, despite the fact that Canada's foreign minister is often privately critical of Secretary of State Dulles, he often appears to have a remarkable insight into the U. S. foreign minister's thinking. For instance, an Ottawa correspondent close to Mr. Pearson wrote publicly more than a year ago that ultimately, after the issue had simmered down, the United States would see the Red Chinese admitted into the United Nations. This is now accepted as a foregone conclusion, to be achieved at a session of the U. N. Assembly this fall after the Presidential election is past.

Miscellaneous Items

It is finally dawning upon business that the Celler premerger notification bill offers sweeping possibilities for the regulation of business by the Department of Justice and Federal Trade Commission. Senator Joseph C. O'Mahoney, after first expressing doubts about the advisability of such broad grants of power as the bill would give officials, suddenly turned around and obviously has "fallen for" the bill. The bill already has passed the House, and probably will be reported by O'Mahoney's Judiciary antitrust subcommittee. Whether business has become alert to this bill in time to prevent its favorable report by the full Senate Judiciary committee, remains to be seen. Business was late in realizing its potentialities because of its endorsement by President Eisenhower.

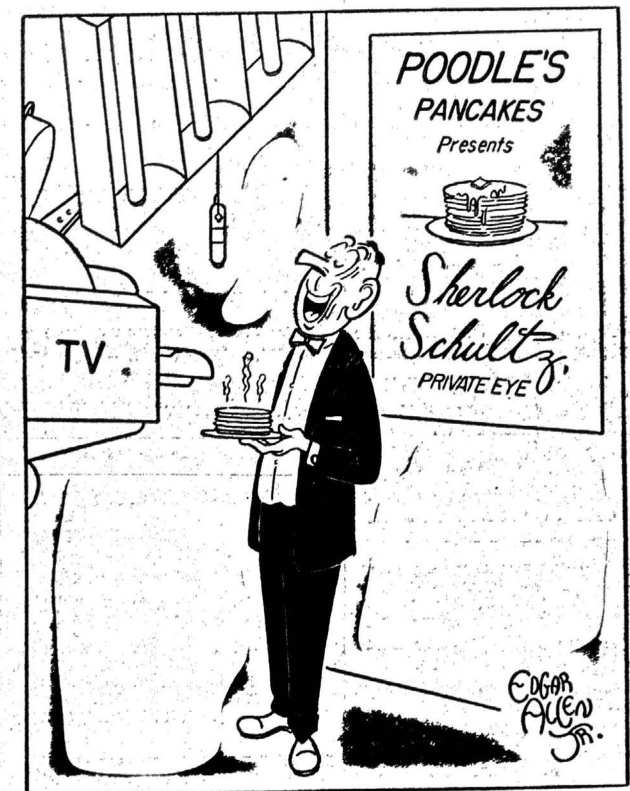
Senator J. William Fulbright (D., Ark.) was promised a hearing on the proposition to shift the corporate normal and surtax rates around for the benefit of small business, when his amendment as a proposed part of the highway financing bill was ruled out. Chairman Harry F. Byrd (D., Va.) said he would give the bill a hearing when he held hearings on the excise tax reform bill upon which the House Ways and Means Committee is working. The Fulbright plan is regarded as difficult to stop if it ever gets to the floor. The chances are, however, that the excise tax bill will not be passed by the House in time for its consideration by the Senate Finance Committee this year.

The new multi-billion-dollar highway bill actually provides for only 50% of the expenditures for Federal, state, and local highway needs the Clay Commission last year said was necessary, or some $50 billion against $101 billion. This leaves another $50 billion to trot out to counter the next business recession.

By requiring the Secretary of Labor to consult with state highway departments before fixing wages under the multi-billion-dollar highway program, the worst features of the Bacon-Davis act are said to be removed.

[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



"——and now we leave the commercial for just one minute to bring you this evening's play——"

Business Man's Bookshelf

Everyone a Stockholder?—Problems in Broadening Share Ownership—James P. Logan—Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. H. (paper) on request.

Manual on Municipal Bonds — Winthrop S. Curvin — Smith, Barney & Co., 14 Wall Street, New York 5, N. Y., $3.50.

Money, Banking and National Income — J. Whitney Hanks and Roland Stucki—Alfred A. Knopf, Inc., 501 Madison Avenue, New York 22, N. Y. (cloth) $6.00.

Nationalism and Progress in Free Asia — Edited by Philip W. Thayer — Johns Hopkins Press, Homewood, Baltimore 18, Md. (cloth) $5.75.

Oil Producing Industry in Your State: 1956 Edition—Independent Petroleum Association of America, 1430 South Boulder, Tulsa 1, Okla. (paper) on request.

Sterling: Its Meaning in World Finance—Judd Polk—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth) $3.75.