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EDITORIAL

As We See It

Governor Harriman of New York is now an avowed candidate. He is not only an avowed candidate but, if one is to take him at his word, a very active one, and among the issues about which he is particularly concerned is what he terms civil rights. He is quite certain that the Democratic party can not afford to proceed with moderation on this subject—on pain of certain defeat this Fall—and he himself certainly has no intention of dealing with it in a spirit of compromise. The Governor has not been very specific, but one gathers that he is referring especially to racial questions and to the behavior of some of the professional anti-communists.

With any determination of the Governor to do what he can in a practical way to assure each and every citizen of this country all the rights and privileges promised him in the bill of rights we have no quarrel. There have been occasions when a champion of this cause was needed, and so long as we remain sensible we can hardly be too careful or too persistent in our efforts to eliminate such abuses—which are unfortunately rather likely to arise in times of stress and strain. Precisely what the Governor has in mind for the Democratic party and for himself that would set him apart from the other candidates for the honor sought by him remains for the future to disclose.

But since the Governor and a number of others in the Democratic party are interesting themselves in civil rights, it may not be amiss to list some of the violence that that same party, has done to civil rights in recent years (giving a broad and meaningful connotation to the term "civil

Continued on page 47

Confidence In the Electric Utility Industry Regained

By HARLLEE BRANCH, JR.*
Retiring President, Edison Electric Institute
President, Georgia Power Company

In reviewing favorable events and setbacks, and encouraging turn by the electric utility industry in successfully combating the socialist trend, Mr. Branch lists the tremendous investments plans by the Ohio Valley, Alabama, Idaho, and American Gas and Electric utility companies, as well as the industry's plans for developing atomic power plants. Believes the various manifestations of the "new spirit" in the industry "will assure the reversal of a 25-year trend toward socialization of our industry," and praises the industry's ability to raise enormous capital funds, produce more efficiently and provide cheaper electricity than ever before.

This is the first general and nation-wide meeting of representatives of the electric industry and related businesses since we were together in Los Angeles last June. While industry problems and challenges have been discussed at meetings of NAEC, AEIC, ECAP, PIP, the EEI committees, and State and regional associations and their technical sections during the past year, none has involved such a large and representative group of industry leaders as is assembled here. It is appropriate, therefore, at the outset of this meeting that we spend a few minutes "taking stock"—reviewing what has happened to our industry during the last 12 months and why.

Harllee Branch, Jr.

Great events have marched across the pages of our industry's history book since last June. While it is risky business to attempt an evaluation of these events so close to their occur-

Continued on page 40

*An address by Mr. Branch before the 24th Annual Convention of the Edison Electric Institute, Atlantic City, June 4, 1956.

Electric Utility Earnings And the Capital Markets

By ALAN H. TEMPLE*
Executive Vice-President,
The First National City Bank of New York

Banker-economist analyzes and relates earnings record of electric industry and its ability to raise capital, and opines the "prospect is still brilliant," providing dollar's purchasing power is protected, there is confidence in fixed investments, and, as circumstances permit, tax bite is reduced, so that savers will save and be satisfied with moderate returns. Mr. Temple illuminates such factors as: (1) growth continuity of electric industry; (2) exposed dependence upon gross revenue expansion—not widening net profit margins; (3) inflated capital costs; (4) inadequate savings; (5) era of cheap money commencing with 1934 gold devaluation, and (6) danger of augmenting rate of real investment with credit to supplement inadequate savings.

If this talk seems to fall into two sections rather than to present a cohesive whole, I ask your indulgence. I want to talk first about your earnings, and second about the capital markets to which you come for so much money, and on which you must depend to finance the great growth which lies ahead of you. There is of course a necessary connection between your earnings and your ability to raise capital. To quote from the popular song "Love and Marriage"—rhymed with horse and carriage—"you can't have the one without the other."

Alan H. Temple

First a look at your earnings. Eight years ago I presented a series of charts at your sixteenth annual convention in this auditorium. The purpose was to compare the behavior of earnings of operating electric utilities in various phases of the business cycle with the earnings of other

Continued on page 42

*An address by Mr. Temple at the 24th Annual Convention of the Edison Electric Institute, Atlantic City, June 6, 1956.

PICTURES IN THIS ISSUE—Candid shots taken on the occasion of the Annual Field Day of The Bond Club of New York appear on pages 33, 34, 35 and 38.

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

Western Union Telegraph Company—Monte J. Gordon, Acting Mgr., Research Dept., Bache & Co., New York City. (Page 2)

Dow Chemical Company—S. Harrison Skiba, Member of Research Staff, A. M. Kidder & Co., New York City. (Page 2)

MONTE J. GORDON

Acting Manager, Research Department Bache & Co., New York City

Western Union Telegraph Co.

The decision to purchase or not to purchase securities, whatever the objectives be, involves essentially a carefully weighing of the favorable and unfavorable factors with the final decision resting upon the side on which the weight is the greatest. Always, there is an element of calculated risk. In many cases, a working out of the favorable factors takes some time and opportunity for successful investment in a particular security continues for a considerable period. Such is the case of Western Union—a company still in the process of transformation with every indication that attainment of management's objectives will result in materially higher values for the stock.

Monte J. Gordon

The dominant company in the field of record communications, Western Union operates a nationwide telegraph system partly over leased lines with connections through contracts with other companies and similar systems to all parts of the world and ships at sea. In addition, the company provides a growing facsimile service and also maintains a microwave network. In conjunction with the latter, in 1955 Western Union acquired a one-third interest in Microwave Associates, a producer of microwave equipment and other electronic devices. In 1956, a 22% interest was acquired in Technical Operations Inc., engaged in electronic and nucleonic work.

In looking back over the past record of Western Union, for about the last 10 years one is struck by the range and sharpness of earnings fluctuations with deficits having been shown in 1948 and 1949. By the same token, the improvement in earnings in 1955 to $2.10 a share compared with $1.51 in 1954 (both figures based on the 6,221,748 shares outstanding at the end of 1955) may be the signal that the company is well on the path to higher earnings. The improvement reflects rate hikes, increasing sales of private wire and facsimile services and a greater message volume. In 1955, the shares were split 4-for-1 and placed on a 25 cents quarterly dividend rate which affords a yield of 5.16% at the present price of 19⅜ on the New York Stock Exchange. Earnings thus far this year are running slightly ahead of the comparable period last year.

In July 1955, 1,036,052 shares were offered via rights at $20 a share to raise funds for expansion of plant. Expansion is projected at about $32 million for 1956 compared with about $27.6 million in 1955. In 1955, the company's entire outstanding bonded indebtedness of $37 million including the $35 million issue maturing in 1960 was refinanced by $38.5 million of Debentures Series A 4 1/8/1980 at an annual interest saving exceeding $250,000. The company's current position is not too good with current assets of $80.3 million against current liabilities of $51.6 million but this has been characteristic of operations for several years and apparently has not proven restrictive.

The speculative element in the Western Union picture is the fact that the major factor in Western Union's earnings continues to be telegram volume. Although growth from private wire and facsimile service is highly encouraging, the still evident dependence on message volume adds to the speculative risk because by far the greatest proportion of such volume originates from business. A holiday, a slowing down of business activity, a strike in certain areas can singly or combined have a magnified effect upon the company's earning power.

To this must be added the impact of the still relatively high labor cost. In this regard, the company's postwar modernization program has improved the speed and efficiency of message handling and reduced labor costs to an important degree with further improvements likely. For example, at the present time, labor costs are believed to be about 61 cents of the sales dollar compared with 64 cents not too long ago. Recently, the company negotiated a contract with the Commercial Telegraphers Union and the American Communications Association for a two-year contract covering about 34,000 workers and providing a general wage increase of 13 cents an hour effective Jan. 1, 1957. These new contracts will probably add about $15 million annually to the company's costs but by continuing mechanization should help to offset these higher costs.

The major appeal of growth in Western Union is its recognized leadership in the new and fast growing field of facsimile, a method of sending and receiving messages in picture form. The company has now about 26,000 Desk-Fax machines in service (this is a compact desk-corner facsimile machine for sending and receiving telegrams) and thousands more are scheduled for installation in 1956. Not only do these devices provide speedier and more convenient service, but they also stimulate greater use of telegrams.

Another adaptation of facsimile is Intrafax which is a leased facsimile system to speed the internal communications of business subscribers. The service transmits typed, written, printed or pictorial matter between scattered building, departments and offices through instantaneous two-way facsimile communication. This communications medium is proving to be highly versatile and can be developed to meet specialized needs.

The third growth element is the leased private wire and facsimile systems. Revenues from these services was almost 20% higher in 1955 than in 1954 and increased about five-fold in the last seven years. An example of an important use is that of the U. S. Air Force involving a 200,000 mile network interconnecting more than 200 Air Force stations.

A relatively new but highly interesting development involves the leasing of a Western Union specially engineered private wire system for the transmission of all types of statistical data by means of punched tape or cards. This permits automatic reproduction of data at the destination, ready for instant processing by electronic computers and modern business machines. This new development, which fits in with a new technique of automation known as Integrated Data Processing, is a further stimulant in the private wire field and its growth is hinged to the expanding field of automation.

Recently Western Union sold its international cable facilities to American Securities Corporation for $18 million subject to certain conditions which, to date, have not yet been met. Revenues from the cable system were only $13.3 million compared with the total operating revenues of $242.1 million in 1955. These funds can be well applied to expanding the growth elements in Western Union's outlook. The problem of acquisition of the telegraph service of the Bell System still continues unsolved. An act passed in 1943 gave Congressional sanction to this acquisition but the company has not been able to date to work out the intent of this legislation. Acquisition and integration of these telegraph facilities would benefit the company materially.

In sum, Western Union is a situation with a clearly discernible speculative risk reflecting the nature of the sources from which it obtains the major portion of its revenues. The company still has an important cost problem. Both of these factors must be weighed against the obvious improvements which have been effected in the company's regular operations and the excellent growth potential of the new areas of record communication into which it has ventured and in which it is a recognized leader. In my opinion, the shares at their present level have marked appeal for yield and capital appreciation for the investor willing to take a calculated risk on the favorable prospects for an improvement in investment value.

S. HARRISON SKIBA

Member, Research Staff, A. M. Kidder & Co.

Members of the New York Stock Exchange, New York City

Dow Chemical Company

"The greatest scientific activity over the last two or three decades has dealt with matters of chemistry."* This statement is indicative of the commanding position enjoyed by chemical companies in the general economy. They share leadership in the field of true growth companies. Why? They are in an industrial field favorable to expanding sales and earnings. They enjoy capable and aggressive managements. They have made increasing and profitable use of invested capital. While exceptional management can overcome many obstacles, its efforts

S. Harrison Skiba

Continued on page 55

*"Resources for Freedom," President's Materials Policy Commission report, June 1952.

The Promising Outlook for Business and the Stock Market

By HARRY D. COMER*
Partner, Paine, Webber, Jackson & Curtis
Members New York Stock Exchange

Market economist, denying importance of historical price comparisons, maintains stocks today are at reasonable levels, based on increased earnings and general economic factors as growth and inflation. Notes many industries, as steel and building, have shaken off their former feast-or-famine nature. Asserts Employment Act of 1946 has made a depression "illegal," and old-fashioned bear market an impossibility. Concludes latest setback merely constitutes typical reaction in a continuing major bull market, which still has far to go to catch up to the economic parade.

Some one has said that if a perfect system were devised for forecasting the stock market it would have no practical value. All of the factors affecting the fortunes of a given company indefinitely into the future would be discounted at once and there would be no more fluctuations. Also, there would be no more need for market analysts, or for discussions such as this one. Under existing circumstances, with forecasting still an *art*, and not a *perfect science*, changing conditions are the order of the day, and new developments present the investor with new opportunities and offer a challenge to the market forecaster.

Harry D. Comer

At the outset I want to say that *I am optimistic about the long-term future of American business, and about the stock market.* My reasoning will be put in the form of answers to several basic questions.

The first question which I will try to answer is—

(1) "Are Stocks High Historically?"

Average prices of industrials which are the market's most important group, reached a new all-time high early in April. Using Standard & Poor's daily index of 50 stocks, Industrials were then somewhat more than double their 1929 peak.

Those who use the Dow-Jones industrial average to measure the market will get widely different results. They compare the recent high with the 1929 high and see a rise of only about 37%. That is in sharp contrast to the 107% rise reported by Standard & Poor's. If we take Standard's big weekly index of 420 industrials, the increase over 1929 works out at 72%, or almost double that of Dow-Jones. It may be difficult to understand this wide discrepancy in measuring the trend of industrials, particularly in view of the fact that Standard's list of 50 stocks includes 24 of the Dow 30 issues.

I do not want to take much of your time to explain why Standard & Poor's result is much more nearly accurate and useful than that of Dow. The wide difference in results is due to a faulty method of compiling data and adjusting for Stock-splits by Dow. A computation several years ago showed that in comparison with their cost in September, 1929, the present list of Dow stocks themselves was 105 Dow points higher than the published figure.

Historical Comparisons Insignificant

So, it is true that this spring stocks were high historically, much above the 1929 high. But such a comparison doesn't mean much, because these stocks are vastly better securities than they were in 1929, better in earning power, dividends and financial strength.

Another way of seeing the point that the achievement of new historical heights does not necessarily mean much is to recall that as far back as 1952 these same stocks entered new all-time high ground. Yet they have since gone on upward a distance equal to about 100%.

So, when one tries to make conclusions on the basis of the market's *simple historical position*, he gets nowhere. He is really trying to answer the question—"How high is up?"

By themselves, prices have little meaning. They must be measured in relation to other factors. This brings us to our second question.

(2) "Are Stocks High in Relation to Earnings?"

As one of my associates recently stated, it is not stock prices that are high, but it is earnings on stocks that are high. Earnings of typical industrial corporations this year are going to be about three times what they were in 1929, on a comparable per share basis. This year's earnings will probably exceed last year's record peak by 5% to 10%.

Stated another way, we find that at their recent top, industrials were priced at only about 12 or 13 times estimated 1956 earnings on a share basis. That is far from a price-earnings ratio of 23 as recently as the postwar year 1946. It also is far below the ratios achieved at other bull market

Continued on page 46

*A talk by Mr. Comer before Cleveland Society of Security Analysts, Cleveland, Ohio, June 5, 1956.

INDEX

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Observations . . .

By A. WILFRED MAY

FORECASTING GAPS STILL OUTSTANDING

The week's dramatic recurrence of a major imponderable, the President's new intestinal attack makes particularly timely the currently - issued annual report of the National Bureau of Economic Research. For this booklet, *Basic Research and the Analysis of Current Business Conditions* contains an invaluable critical evaluation of the present state of business and economic forecasting, by Dr. Salomon Fabricant, its Director of Research. In this position he succeeded Dr. Arthur R. Burns, who as chief of the President's Council of Economic Advisers, is now vigorously trying to put to the maximum *practical* use all available indicators and kindred tools for the discernment of trends. And they are both disciples of Wesley Mitchell, who displayed such unique integrity in realistically disclaiming the possibility of great success in that area.

A. Wilfred May

The Advances

Dr. Fabricant, whose organization for 36 years has pioneered in studies of national income, of the business cycle, of economic growth and other basic economic studies, testing results at every step, here painstakingly shows the "immense" gains in the amassing of current information along with the major gaps. For example, he points out the great advances made in the availability of family income and expense, and borrowing and saving data. These are now ascertainable on a month-to-month basis, in contrast to current unavailability in the 1930's.

Similarly Dr. Fabricant points out the reliability of the newly devised indicator series vis-a-vis the business revival of 1954.

The Other Side of the Medal

On the other hand, he is quick to add the sobering judgment that hindsight—observation after the event—is involved. Commenting "how helpful the indicators will be to those who wish to detect the drift of business conditions remains to be seen," he cites the still unsolved difficulty of distinguishing an erratic fluctuation from a cyclical turn; the problem being accentuated by the appearance of incipient revivals which suffer a relapse, as in 1932, and of similarly puzzling cross-currents at other stages, as in 1951-1952. And the necessity for evaluating the role of intervening government as business stabilizer must not be overlooked.

It is freely admitted that along with greatly improved information about individual processes, we still have much to learn about their economic interrelationships; with further analysis needed of businessmen's expectations, and the process by which prosperity breeds depression.

Difficulties Re Debt

Similarly, we are reminded that the relationship between our startling growth of debt and the concurrent rise in national output requires further exploration. To understand the meaning of debt movements, we must be familiar with changes in the structure of the financial system, in the form and character of debt claims; "matters on which current information is incomplete and much analysis still to be done. Reliable current statistics on lending practices and the characteristics of loans and borrowers have still to be developed. Even a widely usable definition of credit quality is lacking. Work to fill these gaps is in the exploratory stage."

Interjecting "there is painfully much still to be learned about the basic features of our economy," Fabricant further cites the unsatisfactory nature of the current measures of personal savings. The statistics do not include in the individual's net investment, as an addition to savings his purchase-on-credit of an automobile or TV set.

Despite the vast amount of knowledge turned up by the many elaborate studies of consumer instalment loans, Dr. Fabricant observes that here too there are still extant important unknowns, including their connection with business cycles.

While it is clear that debt expansion cannot proceed indefinitely at the past year's pace; questions are still unanswered as to the extent to which production and employment can be maintained at satisfactory levels, and as to rates of growth when debt expansion slows down or comes to a halt—especially when deterioration of credit standards has contributed in important ways to the increase in the debt.

Over-All Blind Spots

Over-all, the forecasting economist is obstructed by the question, not whether the economy *is* different, but *how* different, from "the Old Era."

In the new order, too, a uniform "state of business" has become extinct, with a composite forecast rendered impossible by its "rolling" character.

Nettlesome too is the problem how to weigh the conflicting manifestations of inflation and deflation. The inflation-deflation processes must be handled delicately by those in authority. Credit restriction has the drawback of "across-the-board" application, as well as the connotations of political motivations.

Shortcomings of the Indicators

While the *Statistical Indicators of Cyclical and Recession*, published by the National Bureau and authored by Geoffrey H. Moore, have been justly acclaimed for their contribution, even their shortcomings are freely admitted by the Bureau's authorities. Indicators necessarily portray only

Continued on page 69

The State of Trade and Industry

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

A moderate contraction took place in total industrial production for the country as a whole in the period ended on Wednesday of last week. The most pronounced decreases were reported in the automotive, coal and electric power industries. A comparison with total output for a year ago, however, reveals a somewhat higher level for the current period.

Joblessness in the auto industry continued to rise sharply in early June, the United States Department of Labor reported.

It noted that the number of laid-off auto workers increased by 25,000 to 210,000 in the week ended June 2, as 27,000 workers were released from their jobs while only 2,000 were recalled. It was the heftiest week-to-week gain in auto worker joblessness in more than three months.

At the same time, however, a joint report of the Commerce and Labor Departments pointed out that total U. S. civilian employment continued to rise seasonally between mid-April and mid-May. As of the middle of last month, the agencies stated, the number of job holders stood at 65,238,000, a record for May and a gain of about 1,250,000 from the previous month. May's figure was some 2,500,000 above the like month of 1955 and was pushing close to the record employment high of 65,-500,000 reached last August.

In a separate report, the Labor Department's Bureau of Employment Security said initial claims for state jobless pay rose by 9,100 to 211,400 in the week ended June 2. The increase was reported by 17 states and was attributed to rising seasonal layoffs in the textile, apparel and leather goods industries. Production cutbacks in autos and job separations for inventory taking and vacation layoffs boosted the volume of new unemployment in some states. First claims a year ago totaled 186,100.

In the week ended May 26, the total of workers drawing state unemployment compensation benefits dropped by 68,800 to 1,188,250. The total a year ago was 1,179,770.

Talk of a letdown in steel demand has a hollow sound to the construction industry, since builders have all they can do to get enough steel to keep projects rolling and some are not quite making the grade, states "The Iron Age," national metalworking weekly, this week.

With plate and structural mills operating at capacity, some construction projects are falling behind. As the construction tempo quickens, the situation is likely to get worse and the Federal highway program will heighten the confusion.

The situation in the construction field points up one side of the steel picture largely overlooked in the concentration on easier demand from automotive and other consumer industries. Even in consumer goods, there are signs of better things to come, this trade authority observes.

Other strong points in the steel market include freight car building, capital equipment and oil and gas. These industries are taking everything they can lay hands on and would take more if the steel were available, it adds.

Automotive sales are beginning to perk up over the nation as the lure of summer highways and the promotion of car dealers loosen the purse strings of prospective consumers. And increased sales, plus cutbacks in auto production, are steadily decreasing top-heavy inventories of new cars. It's a certainty that new car inventories will be down to where the auto companies want them by the time new models get into production, it continues.

Meanwhile, steel labor talks are entering a critical phase this week. Union reaction to company counter-proposals will be the first concrete indication of the odds for or against a costly walkout.

A peaceful settlement of labor negotiations does not necessarily mean a significant letdown in steel demand during the third quarter. Consumers are not as pessimistic over their own sales prospects as some earlier appraisals had indicated. The letdown will be due largely to vacations, summer heat and urgently-needed repairs to melting and processing equipment in the mills, this trade weekly states.

"The Iron Age" estimates that

Continued on page 59

Sound Business Principles For Federal Power

By HON. FRANK T. BOW*
U. S. Congressman from Ohio

Representative Bow discusses the authority and duty of the executive agencies to set public power electric rates in accordance with sound business principles when sold under Section 5 of the Flood Control Act of 1944. Examines the six elements entering into rate determination—money costs computation, investment amortization, cost allocation, tax charges, overhead costs allowances, and actual versus pre-construction representations—and concludes rates are not being based upon "sound business principles" by Army Engineers, Department of the Interior, and the Federal Power Commission.

I am glad to have the opportunity to consider a matter to which I have recently devoted considerable study. I refer to the application of sound business principles to rates to be charged for public power, at least where sold pursuant to Section 5 of the Flood Control Act of 1944. (16 USC 825s).

Cong. F. T. Bow

Specifically, I propose to show that it lies within the authority, and likewise is the duty, of the executive agencies to establish Federal power rates in accordance with sound business principles; to point out that in this respect those agencies have been greatly remiss; and to examine what would be the effect of really applying sound business principles as prescribed.

In general, this matter of rates for public power has been viewed primarily from the standpoint of the consumer of the power and only to a minor extent from the standpoint of the sellers, being essentially those citizens who pay Federal taxes. In other words, the matter has been viewed from the standpoint of short-term advantage for relatively few instead of the long-term advantages of all such citizenry.

This is largely because those who are beneficiaries of the existing discriminatory preference are so very vociferous. Rarely is a voice raised in behalf of the taxpayer. Because my State, Ohio, contributes so heavily in proportion, I am all the more inclined to analyze what is involved.

Flood Control Act of 1944

Without taking the time to go into the genesis of the policy provisions, being those in Section 5, of the Flood Control Act of 1944, I quote the vital first sentence thereof:

"Electric power and energy generated at reservoir projects under the control of the War Department and in the opinion of the Secretary of War not required in the operation of such projects shall be delivered to the Secretary of the Interior, who shall transmit and dispose of such power and energy in such manner as to encourage the most widespread use thereof at the lowest possible **rates** to consumers **consistent with sound business principles**, the rate schedules to become effective upon confirmation and approval by the Federal Power Commission."

This is the most specific and influential of the several fragmentary, and too often inconsistent, statutory statements of Federal power policy. I dip into past history only to the extent of pointing out the interesting fact that the Tennessee Valley Authority policy announced Aug. 25, 1933, included the premise that, in its marketing of power, the controlling consideration should be that of "making power available at the lowest rate consistent with sound financial policy."[1]

The importance of the language I have quoted from the Act of 1944, may be judged from the fact that so prominent and ardent a proponent of so-called public power as former Secretary of the Interior Harold L. Ickes used that language in his memorandum of Jan. 3, 1946, promulgating what he stated to be "the primary objectives of the acts of Congress." Although, strictly speaking, no other Act contains just such language. Secretary Ickes cited not merely the Flood Control Act of 1944, but also the Tennessee Valley Authority Act of 1933, the Bonneville Act of 1937 and the Fort Peck Act of 1938 as authorities for the principle that "Power shall be sold at the lowest possible rates consistent with sound business principles."

The criterion established by Congress in the Act of 1944 for setting "the lowest possible rates" is neither the practice of charity, in the form of subsidies, nor discrimination between groups of citizens in respect to rates of charge for power, but rather **sound business principles.** The statute mentions nothing else.

Inasmuch as sound business principles are assumed to apply to the element of rates as set forth in Sec. 5, it is reasonable that the same principles should be assumed to govern in the cases of all of the other elements excepting only where and to the extent that there is an express prescription that they shall not apply. Please understand, however, that what I have to say is regardless of whether the buyer, that is the consumer, of the Federal power is or is not in the preferred classes prescribed in the same Section 5 of the Act of 1944.

Even if we were to consider that "sound business principles" shall control rates in the cases only of Army Engineer reservoir projects, there would be involved all Federal power developments in the East except those of TVA; practically all of those in the Southwest; and largely those in the Missouri Valley and the Columbia River Basin. In all, taking into account those in operation, under construction and authorized, they comprise almost two-thirds of all Federal hydroelectric power development.

Let us now examine the application of sound business principles to the elements entering into the fixing of rates for Federal power. I take them up in the following order:

Charges for the use of money.
Amortization of investment.
Allocation of cost.
Tax charges.
Allowance for overhead costs.
Actual project income as compared with pre-construction representations.

Charges for the Use of Money

Actually it is not a benevolent Uncle Sam or "the Government" that lends the money for the construction of Federal power projects. It is we taxpayers. The money advanced or invested in these projects comes in the main from the use of Federal income taxes, paid of course by corporations as well as individuals.

But we taxpayers are concerned also in the fact that, up to the present time, some of the funds in point have been procured by borrowings against our combined credit. Fortunately the use of this credit is growing less and less. Indeed, inasmuch as the national budget is now being balanced, present advances for the construction of these power projects are practically all from the pockets of the taxpayers.

A fundamental — a sound — business principle observed by those individuals and those banks and other institutions lending money is that the charge for the use of money shall be at least as great as the cost to the lender. Anything less would lead to bankruptcy. Morever, the charge must cover costs of all kinds of making the money available, including overheads. For instance, in the case of a savings bank, there are the costs of gathering the savings and accounting for them; also there must be an allowance on account of loans which have "gone sour."

What is the cost of money to the Federal Government, that is, to us taxpayers? Surely it is not merely the direct charge for interest on the respective bonds, certificates or Treasury bills. The total cost must include that of the floating of the loans, including refunding where that is involved, and of all accounting.

Further, in the cose of money raised by income taxation, there is the proportionate part of the cost of the tax collection system.

As to the cost of the use of money expressed in percent of the advances from the Treasury for construction: At no time has even the mere interest on the long-term Treasury borrowings averaged as low as 2%; yet the Department of the Interior has used that figure, though more recently 2½%. Apparently at present the Army Engineers, the marketing agencies of the Department of the Interior and the Federal Power Commission, at the instance of the Bureau of the Budget, are using a 2½% rate.[2] Of course short-term money is cheaper than the long-term money which is involved; yet at present even 90-day Treasury bills yield almost 3%. On long-term Federal borrowings, the interest rate exceeds 3%.

Estimates of the complete cost

Continued on page 50

*An address by Rep. Bow before the 24th Annual Convention of the Edison Electric Institute, Atlantic City, June 5, 1956.

1 First Annual Report, p. 22.

2 Fed. Pow. Comm. Tech. Memo. 1, Nov. 1955, p. 34.

An Investment Banker Looks at Toll Roads

By WALTER H. STEEL*
New York Resident Partner, Drexel & Co.

Mr. Steel believes: (1) there will be an increasing need for roads that can most equitably be satisfied by the very sound principle of "user-pay;" (2) present construction pause is a healthy thing; (3) Federal highway program will not end the toll road era; (4) short haul will replace long distance toll roads and tolls will be levied on "value of trip" principle; (5) where net revenue ratio to debt service is low, the state should supplement the "user-pay" basic form of payment; and (6) present financing is influenced by limited operating experience and the initial disappointing Ohio experience, and the uncertainty surrounding the Federal Highway Program. Warns toll roads must have an economic need, in discussing what the underwriter looks for in judging economic soundness and financial feasibility.

Near my place of residence in New Jersey there is a road traversing for about eight or ten miles the edge of a number of towns and running more or less parallel to the main highway about a mile away. The main highway is called the Morris Turnpike. The road I refer to is designated "Shunpike."

Walter H. Steel

I have been told that the main road was originally constructed as a toll road. Eventually the farmers and other residents, in resentment, constructed the second road in order to avoid paying tolls. In other words, by means of this second road, they were able to "shun" the Pike. Sort of an organized boycott, if you please!

I mention this bit of history because opposition to toll roads is frequently still with us and is just as positive, if less direct, today. The modern toll road is often a competitive facility. I will touch on this point later.

First U. S. Toll Roads

The earliest toll roads were of dirt—and I suppose at times of plank — construction, usually guarded by a gate—"toll gate"—a designation refined over the years into "toll booth" or "barrier."

The first toll road of consequence in the country—surfaced with hard material — was the Philadelphia-Lancaster Pike, built in 1795 by a privately owned toll company. It had a broken stone surface and covered a distance of 62 miles and is reported to have cost about $7,500 per mile. Recent Pennsylvania Turnpike construction in that same general area ran around $1,000,000 per mile.

Because of the inability of states and municipalities to finance roads, a number of these turnpike companies were formed. As a matter of fact, during the first half of the 19th Century, turnpikes were built everywhere in the East, with some 400 in New York State alone. Later, the movement spread westward to the Mississippi River.

Advent of Cars

The first gasoline automobile was built in 1893 by the Duryea brothers. Seven years later, at the turn of the Century, there were 8,000 automobiles in the United States. By 1925 there were 20 million and today something over 60 million vehicles are under registration. It is easy to understand why at this rate of growth the estimate of 85 million motor vehicles by 1966 does not seem extravagant and why our road problems are very real indeed.

Inadequate Highways

The most recent and perhaps one of the most positive statements concerning our need for roads is found in the report made last April by the Committee on Public Works of the House of Representatives accompanying HR 10660, or the Fallon Bill, providing Federal aid to the states for highway construction. This legislation has passed the House of Representatives and further action is now pending in the Senate.

The statement, in part, reads as follows: "There are two basic factors which are recognized and agreed upon by all concerned. First, the whole economy of the United States is directly dependent upon motor vehicle transportation. Secondly, we are failing to keep our highway systems adequate to meet our needs and the background of deficiency required to be overcome has been and is constantly piling up at an alarming degree. Unless drastic steps are taken immediately, we will fall further and further behind and traffic jams will soon stagnate our growing economy."

The report further states: "Two of the basic reasons for our existing deficiencies are the almost complete cessation of highway construction during World War II and the astonishing increase in the number of motor vehicles. This increase is expected to continue."

Bad Roads Are Costly

The need for improved highways is further emphasized by the shocking number of accidents on our roads. In 1955, 38,000 Americans lost their lives on our highways, to say nothing of the million or more who were injured or crippled. Since the end of World War II, more of our citizens have lost their lives on our streets and highways than were killed by the four years of that war in every theatre combined.

In addition to these human losses, the economic losses are calculated by the National Safety Council to be nearly $5 billion each year. This figure includes loss of wages, medical expenses and property damage as well as cost of insurance. This terrible toll can be reduced through more modern highways.

Another item of cost—the average motorist pays an estimated one cent a mile in additional expense (gas, oil, wear and tear on the vehicle, and lost time) for travel on bad roads. The total of such expenses is estimated at $5.8 billion for the last year.

This recitation concerning the need for roads is probably unnecessary. It is sufficiently convincing to any of us when we venture out on the highways of any metropolitan area, especially on a nice week-end in the spring or summer.

The problem of roads is peculiar to our kind of democracy. Every man is privileged to own an automobile and to drive it when and where he likes. In doing so, he has evinced a willingness to pay any reasonable cost that will assist him in exercising that prerogative.

This very condition has led to sporadic superhighway construction in this postwar period; and toll roads, because of the rapidity with which they may be financed and constructed, have taken the lead.

Tolls have provided a method of financing that speeded construction and saved the states literally billions of dollars.

Thus far, toll roads have been looked upon individually as a means for getting from one place to another, rather than as part of a system. Where the demand for getting from one place to another is the greatest is where the toll road, by its very nature, is most likely to be successful.

Far Safer Roads

Improved safety has been another rewarding factor to the user of toll roads. Modern controlled access highways are far safer than the older roads. On U. S. 1, along the Long Island Sound, the fatality rate last year was 8.1 deaths for every 100 million vehicle miles, while on the Merritt Parkway it was 3.7. The New Jersey Turnpike rate was 2.47, contrasted to paralleling U. S. 1 rate of 5.36. The rate for all New York State free roads in 1955 was 5.3, while on the Thruway it was but 2.83.

Toll roads, as we recognize them today, include turnpikes, thruways, parkways, and in some instances expressways, which have been constructed with monies borrowed from investors for the sole purpose of constructing a particular highway, with the understanding that the investment would be supported by tolls collected from the users of that particular highway for the specific use they make of it. In most instances, this method is the fullest personification of the "user pay" method of satisfying the need for a road.

I sometimes think the term "toll" has an ominous and onerous sound, and that it would be far more appropriate if we referred to "user pay" rather than "toll" roads.

Parenthetically, it would be well to emphasize here that "user pay" roads are rewarding not only to the user but also to the state because payment is collected from users coming from outside the state as well as from the state's own citizens—and the user pays in direct proportion to the extent of that use. To "corridor" states, such as New Jersey, this point is particularly significant.

No "Free" Highways

The greatest fundamental difference between turnpikes and "free" expressways is one of financing. At this point let me emphasize that the word "free" when used in connection with highways is a misnomer and I use it here merely for comparative purposes. Actually there is no such thing as a "free" highway. The motorist pays for it in one way or another, directly or indirectly.

The toll road, or turnpike, came into being only to provide an absolutely essential highway, at a time and place when no funds were otherwise available to satisfy the need. Such roads can be successful only to the extent of the willingness of the traveling public to pay for the use of a highway which it feels is needed, and which could not or had not been provided by other means.

First of Its Kind

The first of the modern toll roads was the *Pennsylvania Turnpike*. The possibility of using the right-of-way of the never completed South Penn Railroad, on which tunnels penetrated several of the mountain ranges, had long been envisioned. In contrast to traveling over the winding road that crossed these mountains, the prospect of traveling rapidly and easily through these barriers was most inviting.

In 1937 the Pennsylvania Legislature created the Pennsylvania Turnpike Commission, with authority to finance, construct and operate a turnpike from Carlisle to Irwin (roughly, Harrisburg to Pittsburgh).

Despite the advantages of a turnpike built under such topographical conditions, there was such lack of investor confidence in the facility that all efforts of the Commission to sell the bonds through normal channels were unsuccessful. The Commission eventually succeeded in obtaining grants totaling 29½ million dollars from the Public Works Administration. The balance of the necessary funds was raised through sale of $40,800,000 of bonds to the Reconstruction Finance Corporation. Subsequently additional bonds were sold to cover final construction costs. This debt was refinanced in 1946 and again in 1948 when it was consolidated with new money bonds to extend the original turnpike eastward.

This summary of the experience in Pennsylvania is sufficient to show the change in public attitude toward toll highway revenue bonds during the 1937 to 1948 period. At the outset, despite its favorable position geographically and topographically, and the fact that only 60% of the cost needed to be liquidated through tolls, bonds could be marketed only

Continued on page 52

*An address by Mr. Steel before the Oklahoma Economic Club, Oklahoma City, May 17, 1956.

New Issue

$50,000,000

State of California

2%, 2¼% and 5% Veterans' Bonds

Dated June 1, 1956 Due February 1, as shown below

Principal and interest (August 1, 1956 and semi-annually February 1 and August 1 thereafter) payable at the office of the Treasurer of the State of California, Sacramento, California or at the office of any duly authorized agent of the State Treasurer including the agent of the State Treasurer in New York, N. Y. Coupon bonds in the denomination of $1,000 registerable as to both principal and interest at the office of the State Treasurer.

Interest exempt from Federal Income Taxes under present laws

Legal Investment, in our opinion, for Savings Banks and Trust Funds in New York, California and certain other States and for Savings Banks in Massachusetts and Connecticut, and eligible as security for deposit of public monies in California

These bonds, to be issued for Veterans' purposes, in the opinion of counsel will be direct general obligations of the State of California for the payment of which the full faith and credit of the State are pledged.

AMOUNTS, RATES, MATURITIES AND PRICES

(Accrued interest to be added)

Amount	Rate	Due	To Yield or Price	Amount	Rate	Due	To Yield	Amount	Rate	Due	To Yield or Price
$2,000,000	5%	1958	1.80%	$2,300,000	2¼%	1965	2.10%	$2,700,000	2¼%	1971	100
2,000,000	5	1959	1.85	2,300,000	2¼	1966	2.10	2,700,000	2¼	1972	100
2,000,000	5	1960	1.90	2,500,000	2¼	1967	2.15	2,900,000	2¼	1973/72	100
2,200,000	2	1961	1.95	2,500,000	2¼	1968	2.15	2,900,000	2¼	1974/72	2.30%
2,200,000	2	1962	100	2,500,000	2¼	1969	2.20	2,900,000	2¼	1975/72	2.30
2,200,000	2	1963	2.05	2,700,000	2¼	1970	2.20	3,100,000	2¼	1976/72	2.35
2,300,000	2	1964	2.05					3,100,000	2¼	1977/72	2.35

Bonds maturing 1973 to 1977 inclusive are subject to redemption as a whole or in part in inverse numerical order on February 1, 1972 or on any interest payment date thereafter at par and accrued interest.

These bonds will be initially issued by the State of California at not less than their par value, and a taxable gain may accrue on bonds purchased at a discount. Investors are required under existing regulations to amortize any premium paid thereon.

When, as and if issued and received by us and subject to approval of legality by Messrs. Orrick, Dahlquist, Herrington & Sutcliffe, Attorneys, San Francisco, California.

Bankers Trust Company — The First National Bank of Chicago — Guaranty Trust Company of New York — Halsey, Stuart & Co. Inc. — Lehman Brothers

Drexel & Co. — Chemical Corn Exchange Bank — The Northern Trust Company — Kidder, Peabody & Co. — Blair & Co. Incorporated — The First National Bank of Boston

The Philadelphia National Bank — Eastman, Dillon & Co. — Stone & Webster Securities Corporation — Phelps, Fenn & Co. — White, Weld & Co. — Salomon Bros. & Hutzler

Paine, Webber, Jackson & Curtis — Mercantile Trust Company St. Louis — American Securities Corporation — Alex. Brown & Sons — Dominick & Dominick — First of Michigan Corporation

Hallgarten & Co. — Laidlaw & Co. — Lee Higginson Corporation — F. S. Moseley & Co. — L. F. Rothschild & Co. — Schoellkopf, Hutton & Pomeroy, Inc. — Stroud & Company Incorporated

Dick & Merle-Smith — Carl M. Loeb, Rhoades & Co. — Francis I. duPont & Co. — Aubrey G. Lanston & Co., Inc. — Laurence M. Marks & Co. — W. H. Morton & Co. Incorporated

R. L. Day & Co. — Braun, Bosworth & Co. Incorporated — Kean, Taylor & Co. — Baxter, Williams & Co. — The Marine Trust Company of Western New York — W. E. Hutton & Co. — The Illinois Company Incorporated

City National Bank & Trust Co. Kansas City, Mo. — Commerce Trust Company Kansas City, Mo. — Geo. B. Gibbons & Company Incorporated

New York, N. Y., June 14, 1956. Statements herein, while not guaranteed, are based upon information which we believe to be reliable.

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., Dept. C., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Air Freight Industry—Analysis with particular reference to **Meteor Air Transport, Inc.**—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Canadian Stocks—Weekly bulletin on Canadian market picture, a mining map portfolio, analysis of stock holdings, and model trading account for short term, medium term and long term—eight weeks trial subscription—$5.00—Canadian Forecaster, Department CF, 111 Railway Exchange Building, Kansas City, Mo.

Economic & Market Review—Bulletin—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Electric Utilities—Comparative Study—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Eligible Book—Preferred and common stocks on Toronto and Montreal Stock Exchanges, considered eligible for investment by Canadian Insurance Companies—22nd edition—Cochran, Murray & Hay, Dominion Bank Building, Toronto, Ont., Canada.

Fixed Income Securities—Survey with particular reference to **Public Service Electric & Gas, Allied Chemical & Dye, Atlantic Coast Line, National Distillers Products**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Freight Transportation Services to New Orleans—Booklet—Industrial Development Staff, New Orleans Public Service, Inc., 317 Baronne Street, New Orleans, La.

Industrial Retirement Plans—A study—Bankers Trust Company, 16 Wall Street, New York 15, N. Y.—paper.

Inside Story of Outside Help — Booklet describing Ebasco Services—Dept. V, Ebasco Services, Incorporated, 2 Rector Street, New York 6, N. Y.

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

Life Insurance Stocks—Comparative Tabulation—Morgan & Co., 634 South Spring Street, Los Angeles 14, Calif.

Market Letter—De Pontet & Co., Inc., 40 Wall Street, New York 5, N. Y.

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

Securities of the United States Government including its agencies and the International Bank of Reconstruction and Development—Analytical brochure (17th edition)— First Boston Corporation, 100 Broadway, New York 5, N. Y.

Titanium—Bulletin—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y.

* * *

American Hospital Supply Co.—Analysis—Unlisted Trading Dept., Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Associates Investment Company — Study — Salomon Bros. & Hutzler, 60 Wall Street, New York 5, N. Y.

Boston & Maine Railroad—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

British Petroleum Co., Ltd.—Data—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y. Also available are data on **Shell Transport & Trading Co., Ltd.**

Brown-McLaren Manufacturing Co. — Memorandum — Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich. Also available are memoranda on **Crowley, Milner & Co., Detroit Aluminum & Brass Corp., Detroit Gasket & Manufacturing Co.** and **Douglas & Lomason Co.**

Central Telephone Company—Analysis—First Securities Corporation, 111 Corcoran Street, Durham, N. C.

Colorado Oil & Gas Company—Analysis—Boettcher and Company, 828 Seventeenth Street, Denver 2, Colo.

Columbia Broadcasting System — Data — Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y. Also available are data on **Canada Dry Ginger Ale, American Airlines** and **Dayton Rubber.**

Consolidated Denison Mines Limited—Analysis—Ross, Knowles & Co., Ltd., 25 Adelaid Street, West, Toronto 1, Ont., Canada. Also available is a report on **Construction Industry in Canada** with particular reference to **Canada Cement Company, Ltd., Dominion Tar & Chemical Co., Foundation Co. of Canada, Ltd., Gypsum, Lime & Alabastine Canada Ltd.** and **Canada Iron Foundries Limited.**

Dover Corporation—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Dynamics Corporation of America—Bulletin—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

Eagle Fire Insurance Co. of New Jersey—Analysis—S. Weinberg & Co., 60 Wall Street, New York 5, N. Y.

Federal Glass Company—Analysis—The Ohio Company, 51 North High Street, Columbus 15, Ohio.

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

W. R. Grace & Co.—Memorandum—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Gulf Life Insurance Co.—Memorandum—R. S. Dickson & Co., Inc., Wilder Building, Charlotte 1, N. C.

Houdaille Industries—Analysis—John J. O'Brien & Co., 231 South La Salle Street, Chicago 4, Ill.

Iowa Electric Light and Power Company—Annual report—Iowa Electric Light and Power Company, Cedar Rapids, Iowa.

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

Micromatic Hone Corporation — Bulletin — de Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Sparks Withington Company.**

Nevada Southern Gas Company — Analysis — First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif.

New York State Electric & Gas — Ten year financial and operating statistical supplement—New York State Electric & Gas, 62 Henry Street, Binghamton, N. Y.

Norris Thermador Corp.—Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Oklahoma Gas and Electric Company—Annual report—Oklahoma Gas and Electric Company, 321 North Harvey, Oklahoma City 1, Okla.

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.**

Plastic Wire & Cable Corp.—Circular—Amott, Baker & Co. Incorporated, 150 Broadway, New York 33, N. Y.

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

St. Louis Steel Casting Inc.—Bulletin—A. G. Edwards & Sons, 409 North Eight Street, St. Louis 1, Mo.

Signode Steel Strapping Company—Analysis—Blair & Co. Incorporated, 44 Wall Street, New York 5, N. Y.

Southern Union Gas Company — Analysis — A. C. Allyn and Company, 22 South La Salle Street, Chicago 3, Ill.

Standard Oil of Indiana—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **Sears, Roebuck & Co., Polaroid,** and **Minerals and Chemicals.** In the June "Pocket Guide" are data on companies in the **Guided Missile** field with lists of common stocks for income, growth and trading, etc.

Strong, Cobb & Company, Inc.—Analysis—C. D. Pulis & Co., 25 Broad Street, New York 4, N. Y.

Western Massachusetts Companies—Statistical study—Western Massachusetts Companies, 201 Devonshire Street, Boston, Mass.

"Syndicats" to Hold Annual Outing

The "Syndicats," a club composed of the secretaries of the syndicate managers of underwriting firms will hold their annual outing at the Echo Lake Country Club, Westfield, New Jersey, on June 22.

Joins W. D. Gradison

(Special to The Financial Chronicle)

CINCINNATI, Ohio — John L. Seinsheimer is now with W. D. Gradison & Co., Dixie Terminal Building, members of the New York and Cincinnati Stock Exchanges.

Problems Confronting Banks

By DR. MARCUS NADLER*
Professor of Banking and Finance
New York University

Dr. Nadler asserts: (1) the banking outlook is more favorable than it has been for a long time; (2) merger trend will continue; (3) competition for savings will become even keener; (4) demand for bank loans will rise; and (5) government bonds are less liquid than has generally been believed. Discusses such banking problems as: loan ratio to deposits, investment portfolio tug-of-war, and capital-risk assets ratio.

The last three decades were marked by great economic and social changes. The concept of a mature economy which was so widely accepted during the '20s gave way to one of a dynamic economy. The dynamism of the American economy is based on the rapid growth of population, the rise in its standard of living, increased production and productivity, and greater emphasis on research which creates new values and destroys old ones.

Marcus Nadler

The economic consequences of these changes were also far-reaching. The country witnessed a decentralized movement of both population and industry, a tremendous boom in home construction, increased mergers and consolidations, as well as a considerable increase in the demand for short-term credit as well as long-term capital to finance not only the expanding economy but also the substantial growth in consumption expenditures.

The position of the government has undergone considerable change also. The garrison economy established after the Korean war necessitates large expenditures for national defense as well as the maintenance of exceedingly high tax rates on individuals and on corporations. The high corporate tax rate makes it more attractive for corporations to finance their capital requirements through debt than through the issue of equities.

Merger Movement

These broad developments were bound to have a considerable impact on the activities and polices of the commercial banks. The post-war period was marked by a great merger movement during which a number of old and well-established institutions were absorbed by larger, more aggressive ones. The principal reasons for mergers are: a desire to diversify activities, to be able to serve new shopping centers, to enlarge services and to effect economies in the cost of doing business. Lack of management in many instances was the dominating factor in mergers.

The merger movement among banks has received a great deal of attention and there is considerable difference of opinion as to what the policies of the supervising authorities toward mergers should be. The answer to this problem is simple. A merger is desirable only when it is to the interest of the public, when it affords better banking services to the community and offers more advantages than disadvantages to employees and stockholders. It is unsound to approach a merger merely from the point of view of how it will affect one individual or a few executives. Bigness alone is also no valid reason for a merger. Efforts may be made by Congress to check the merger movement but the trend will continue.

Keen Savings' Competition

One of the real problems confronting the commercial banks is the keen composition for savings that has developed in recent years. In the State of New Jersey on June 30, 1955, 41% of all commercial bank deposits were savings deposits. It is obvious that the growth—and often survival—of a bank depends on its ability to maintain and increase its savings deposits. The competition will become even keener. Since the nature of savings has undergone a change and has assumed a character more of investment than actual saving, the rate of interest paid by an individual institution plays a much more important role than ever before. The problems that confront the banks, briefly, are these: (1) Are commercial banks in a position to pay the same rate as mutual institutions such as savings banks and savings and loan associations? (2) What can they do to make themselves more competitive? (3) What steps can be taken to place all types of institutions catering to savings depositors on the same competitive basis?

The Demand for Loans

With intermittent swings, the demand for bank loans will increase. Not only is the economy growing but also the cost of doing business is rising and this in turn means that business concerns, particularly small- and medium-sized companies, will need additional working capital. Large corporations will be able to generate the necessary working capital out of internal sources or through the sale of securities in the open market or private placement of debt with institutional investors. The increase in commercial loans that has taken place already has raised the ratio of loans to deposits to a level unknown since the '20s. It also tends to decrease the ratio of capital resources to risk assets.

The problems confronting the banks are these: (1) What is considered a desirable ratio of loans to deposits? (2) What role should the investment portfolio of a bank play? Should it serve primarily as a source of liquidity and secondary reserve or should it play an important role in the earnings of the banks, as it did from the beginning of 1930 to 1951? (3) What place should government obligations of medium- and longer-maturities have in the portfolio of a bank? Past experience indicates that these obligations fluctuate as much as other high-grade obligations and that they are less liquid than has generally been believed. Recent developments clearly indicate that the government bond market does not enjoy the "breadth, width and resilience" which were attributed to it a few years ago.

Ratio of Capital to Risk Assets

Although the problem has often been discussed, up to now the supervising authorities have not laid down any definite rules as to a proper capital-risk assets ratio. It is, however, quite evident that the banks throughout the country will need more capital in order to be able to meet the increased credit requirements of industry, trade and agriculture. The problem before them is how to obtain this capital. It can be done either through the issuance of new shares or through the plowing back of earnings by paying smaller cash dividends and more stock dividends or by converting hidden assets into capital or surplus. It is desirable that banks give more detailed information in their annual reports. In this respect some banks in New Jersey have done an outstanding job. Others, however, seem to regard the stockholder as a necessary evil and do not even publish an annual report.

Conclusion

The recent broad economic changes have had a pronounced effect on the activities of the banks. They have entered new fields of operation, endeavoring to meet the credit requirements of the individual as well as of the large business concern. Consumer, mortgage and term loans play a much more important role than ever before. The demand for loans will grow with intermittent swings, the ratio of loans to deposits will mount, competition for savings deposits will become even keener than at present and mergers among banks will continue. The outlook for banking is more favorable than it has been for a long time. As in the past, so in the future the banks will adjust their policies and activities to changed economic and social conditions

*Summary of an address by Dr. Nadler of his speech before the New Jersey Bankers Association, Atlantic City, May 25, 1956.

A. J. Grayson of Md.

BALTIMORE, Md.—A. J. Grayson & Co. of Maryland, Inc. has been formed with offices in the Court Square Building. Officers are Albert J. Grayson, President and Treasurer; Sol Tepper, Vice-President, and Norman Lev, Secretary.

A. C. Porter & Co. Formed in Houston

HOUSTON, Tex. — Andrew C. Porter has formed A. C. Porter & Co., Inc., with offices at 4538 Palmetto, to engage in a securities business. Mr. Porter will be President of the new firm; Mary L. Porter is Vice-President, and S. E. Harris, Secretary-Treasurer. Mr. Porter was formerly President of Porter, Stacy & Company.

Form Life Plan Inc.

Life Plan Inc. has been formed with offices at 654 Madison Avenue, New York City, to engage in a securities business. Officers are Marcus D. Mason, President, and Lilian F. Douglass, Secretary and Treasurer. Jacob H. Mason is a director of the firm.

Business Outlook Cross Currents And Money Market Questions

By AUBREY G. LANSTON*

President, Aubrey G. Lanston & Co., Inc., New York City

Mr. Lanston does not believe Eisenhower's recent illness changes near future prospects appreciably as far as business and credit conditions are concerned. Discerns: (1) no cause for alarm about the business economy, but warns the business cycle is not eliminated and that, therefore, it is possible a quarterly dip may not be succeeded by an upsurge in the following quarter; (2) a tenuous situation in the capital and Treasury security markets; (3) a close tie between the capital market picture with the availability and cost of bank credit, and wonders whether credit relaxation will be as great as expected and timely enough to enable scheduled capital spending to proceed; (4) no Treasury need for new cash until early Fall; and (5) that the present interest rate level is moderately high—above the average that should prevail in the future, and that only infrequently will short-term yields prevail at levels equal to or higher than long-terms.

I'm glad this meeting was not scheduled a couple of months ago just before the discount rates were raised, as I might have misled you quite a bit around that time. Apparently, I then was suffering from some form of plague, a sort of dysphasia. Dysphasia, according to Webster, is a loss of, or a lessened ability to understand language. You will recall that at about that time, the language of business and of businessmen was understood by some of us to be saying that business activity was not as strong as it was supposed to be, while the same language was understood by some others to be saying just the opposite. It turned out that some rather important people in Washington were suffering from a somewhat similar experience at about that same time.

Aubrey G. Lanston

Now I must confess I cannot be sure I have fully recovered. Therefore, to protect you, I have brought along a miniature, and somewhat old, ouija board. It is my plan to ask your cooperation in an endeavor to turn this meeting into a seance. I shall act as the spiritualistic medium. With the aid of an electronic device I have in one pocket, I shall have the ouija board (that is in another pocket) supply the answers to certain questions I believe may be of interest to you. The questions concern the business outlook, the situation in the capital and Treasury security markets, what the Federal Reserve might do with respect to credit policy and the sort of Treasury financing you might expect over the next three to four months.

When the seance is finished I would like to mention two other things that might be of interest. The first of these has to do with the question of whether we should look at prevailing levels of interest rates and the discount rates of the Federal Reserve banks as being comparatively high or low over long periods of time. I think some of us are inclined to believe that present rates are high while others are inclined to believe they are, actually low. For that reason I thought I would take you back to the 1920's, for the purpose of reviewing the rates of interest that used to be paid on deposits by representative commercial and savings banks in that era and the rates of interest the Treasury was paying, then, on its new issues. Such comparisons have been of interest to me and I thought they might interest you.

The second thing has to do with a claim which seems to be made from time to time that you should expect the yields on short-term Treasurys to steadily rule as high or higher than the yields on long-term Treasurys inasmuch as we have returned to flexible monetary policies. I do not believe that either the facts or logic sustain this point of view and it is rather important, I think, to the management of your portfolio whether you are inclined to accept or reject this thesis.

If you now are ready and agreeable to tranforming this meeting into a seance, I am willing to assume the pose of a spiritualist or a medium and to start to work on the ouija board. You realize, of course, that for so long as we remain detached from the material world, we will see things only in a murky outline. None of us should be expected to be entirely logical. This applies to me in what I say and to you, with regard to what you think I've said. Altogether, therefore, the experience shouldn't be too bad for any of us.

You realize, too, that I should not and cannot be held liable for the accuracy of the answers the ouija board may give. The spirit of *caveat emptor* shall prevail, and vice versa, if there is such a thing.

The Business Outlook

Question number one—**what is business outlook?**

There are, as usual, some bright spots, some less bright, and some dim spots. The bright spots include the strength in non-residential construction, the fact that demands for certain types of durable goods seem to exceed existing productive capacity, capital spending by business continues to be projected at new high levels, Federal Government expenditures seem to be on the up-grade, the government is in pitching once again to help bolster farm income, but, the Treasury will have a fair-sized budgetary surplus for the fiscal year that is about to close.

Let's look at these for a moment. The fact that non-residential construction is booming is not too reassuring **for the long run.** For example, I have heard that 19 new skyscrapers are in one or another stage of construction in the neighborhood of the University Club in New York City. The same sort of mass rebuilding seems to be going on in the Wall Street area. I understand this is not a local phenomena, confined to New York City. The last time such a thing happened was, I believe, during the late 1920's. Whether that suggests we are currently in a period comparable to the years 1924, 1928 or 1929 I don't know. It should be expected, however, that such large scale commercial reconstruction will not be repeated year after year, that is at the same rate for 1957, 1958, 1959 as for 1955 and 1956. Such a bright spot should be viewed, therefore, more as a temporary, than a permanent bulwark for the present high levels of business activity.

The strong demand for durable items covers certain forms of steel and steel products, cement, machine tools and the like. These demands are fortified by the prospects for an enlarged Federal highway program, more schools, hospitals, buildings and business plants. The demand springs, also, out of technological advances and the need to reduce the unit costs of labor. These demands are durable forces that originate partly in the confidence of businessmen, and of people generally, in a better tomorrow.

It is possible, nonetheless, to overestimate the weight of business spending in the over-all economy in which there are a number of cross-currents. For example, earlier this year the Department of Commerce projected business expenditures for new plants and equipment at a level of about $33 billion for the first quarter and $35 billion for the second quarter. This proved to be a fairly accurate forecast. The point is that during the first and second quarters the annual rate of such expenditures increased by $2 billion. At the same time, and in spite of this, business has not appeared to be as strong in the second quarter as in the first. We can be almost happy about that because we were pushing pretty hard against some ceilings in both quarters but it illustrates that enlarged business spending does not insure us against some decline in business activity over-all.

The Department of Commerce projection for the third quarter, released last Friday, puts business capital expenditures up an additional $1.9 billion. Thus, they will serve once more as a sustaining force in the economy, but they are not counted upon to prevent a third quarter dip. Perhaps, we should, too, remember that such contemplations, even plans, on the part of business are subject to change with little warning. Undoubtedly, we will come to a time when forecasts of even this short-run character and kind will prove to be less accurate or disappointingly wrong.

Continued, subsidizing government aid for farmers is a boomerang affair. To the extent that farm prices are thus increased, the costs of food to the rest of the population are increased in some degree also. How bright a spot should we consider this to be?

It is difficult for me to look upon mounting Federal expenditures in general as a bright spot. I include them as such because a number of others do. It seems to me that things would look brighter if we could be more confident that Federal spending would decrease steadily over the years, if we could be more certain that taxes would be reduced steadily, and, if we could look forward with confidence to a steady reduction in the public debt.

Less Optimistic Side

On the less optimistic side of the business outlook there are a number of factors to consider. For example, some of the soft goods, industries that were breaking records not so long ago (before the new minimum wage went into effect) seem to have lost their steam. Residential construction is at a good level, compared with past years, but it is lagging compared with last year and does not leave the builders' lobby entirely happy. Perhaps, however, the causes may be traced to a gradual satisfaction of past-accumulated demands and partly to the increased costs of land and of construction. Unless the stretched shoe-string of governmental subsidies, sometimes referred to as mortgage credit controls, can be stretched even further no near-term up turn in residential construction seems likely.

Automobiles! A year or so ago few would have believed that the 1955 record of sales would be attained. It takes time to pay off the indebtedness that enabled this record to be reached. Much of it was extended for a period of three years. The introduction of new models, in the fourth quarter, currently is being counted upon to turn sales upward with some zip. The ouija board wonders whether this will prove to be the case.

The steady rise in the prices of certain sensitive industrial commodities was a source of worry as recently as last March and April. Since then some pronounced weaknesses have appeared. Perhaps, the historical business cycle isn't as dead as we may have hoped. The near-term trend in such prices deserves thoughtful and continuing attention.

Along similar lines, the steel wage negotiations are supposed to be a tug of war wherein, if organized labor succeeds in obtaining extraordinary concessions from the industry, the latter will raise prices and a new wage-price spiral will be started. Maybe this will happen. There is, however, another possibility. Maybe an increase in the price of steel cannot be made to stick! Trees don't grow to the sky, even steel trees.

Then there are the mounting totals of private debt. It is no longer just a matter of the capacity of the borrower to repay. A reduced capacity of lenders to lend has come into the picture, and this is not entirely a consequence of Reserve credit policies. Commercial banks can shift from a willingness to lend 40% of their deposits to a willingness (or eagerness) to lend 50% to 60%. However, a shift from 60 to 65% is a lot harder to make. And, in the case of savings banks, you can lend only the money that your depositors leave with you. In time, a too rapid increase in the amount of private debt is bound to be held down by a diminished ability on the part of lenders to lend. Our present prosperity has been both partly created and partly sustained by an unusual rate of rise in private debt. A reduced ability to keep up such a borrowing pace may demonstrate that, momentarily, the recent and current levels of business activity have become vulnerable.

I note, however, that the ouija board is cautioning me to be smart. It says I should not try to answer the question about the business outlook in any clear-cut manner. It says, I should beat about the bush, that I should remind you that certain early-moving business indicators have leveled off during the past six months. This, of course, isn't news. We all know that business generally has leveled off but, the ouija board suggests that when such early-moving business indicators leveled off in 1947-48, in 1950-51 and in 1952-53, the next short-term trend in business was downward.

Indeed, the ouija board now seems to be getting rather flippant. It wants to know what will induce a fourth quarter upsurge if third quarter activity slows down more than seasonally. It wants to know if the brighter prospect for the fourth quarter depends on the successful sale of 1957 models of new automobiles and, if so, why this currently is more than a hope. It wants to know whether the continued expansion in capital spending will be enough to prevent a further downturn in the fourth quarter. It suggests there is always the danger that while capital spending plans may not be reduced in the aggregate, the rate at which they go forward may slacken, and, if a given program is carried out in 15 months instead of 12, this is equivalent to a 25% reduction in the annual rate of such expenditures.

All told, however, there seems to be no cause for alarm about the business outlook although it might be unwise to conclude, complacently, that business cycles are a thing of the past, or that the business boom will be resumed after a lapse of a few months.

Tenuous Capital and Treasury Security Markets

Question No 2—**What is the situation in the capital and Treasury security markets, what are the forces that are at play and the outlook for bond prices?**

In a nutshell, a somewhat tenuous balance currently exists. By this I mean that bond prices are likely to either move up along a fairly broad front, or to move down with some zip, generally. It would be rare for a market as tenuously balanced as this one to

Continued on page 54

*An address by Mr. Lanston before the 23th Annual Trustees Day Savings Bank Association of Massachusetts, Boston, Mass., June 11, 1956.

Of Dynamos and Dividends

By IRA U. COBLEIGH

Enterprise Economist

A current line about electric utilities and their service to this generation of users and investors.

Unaffected by the excesses of the pyramided holding companies of the nineteen twenties, and their fancy financing by such as Hopson and Insull, the operating electric utility companies have gone serenely on their way building a solid record for solvency, and for growth in power generation, customers, volume of business, earnings and dividends.

Ira U. Cobleigh

While it was the New Deal fashion of the thirties to vilify all privately owned utilities, quite indiscriminately, (making no distinction between holding and operating company); and to plump for public power everywhere—on the Tennessee, the Columbia and at Passamaquoddy, the tide has now turned.

Today even in that heartland of government power, the Pacific Northwest, people have perceived some of the fakery in subsidized public power. They've even voted to switch back, in certain instances, to private companies. Moreover, Idaho Power Co., after years of jousting with the bureaucrats, finally got its series of low dams on the Snake River instead of a big, highly illogical and uneconomic dam, the pet project of the public power lobby for a decade. Public service companies even have a better and more descriptive name these days — investor-owned utilities (instead of "privately owned"). Further, the industry enjoys as never before the respect of Congress, of the electric consumers, and the confidence of investors.

No better illustration of the effectiveness of investor-owned public service companies could be offered than the inter-company effort to build the two big plants of the Ohio Valley Electric Corp., with a capacity of 2,365,000 watts, to serve the Atomic Energy Commission at Portsmouth, Ohio. These plants cost $385 million and were completed in three years, by a corporation jointly controlled by a number of investor-owned utilities. Why, 20 years ago such a power facility would surely have been built as another TVA!

There has been some disposition to regard utility shares as primarily income type, or defensive securities, whereas in fact, many have, on the record, been growth issues moving ahead faster than the Dow-Jones industrial averages and increasing their dividends even more rapidly. This advance in earnings and dividends is a logical reflection of the 1945-1955 industry increases of 130% in productive capacity, and 140% in gross earnings. In this same 10-year period, companies such as Houston Lighting and Power, Central and Southwest Corp., Arizona Public Service and Florida Power and Light, and Utah Power & Light Co., serving some of the most rapidly growing sections of the country, have turned in amazing performances. Utah Power and Light Co., for example, has increased its dividend eight times in the past 10 years.

In general, utilities have one defect as growth stocks—they do not, as a rule, retain and plow back as high a percentage of net, as many industrials. This is because investors have come to expect liberal cash dividends, and further, because regulatory commissions might be more reluctant to approve rate increases if the undistributed earned surplus got too fat. (The company might look so prosperous as not to require rate relief.) Because of these lesser plowbacks, and the urgent need to build new generating plants to meet expanding demand, utilities have to hit the capital markets quite regularly. When interest rates are low, low cost financing leaves more net for common stocks, so that they tend to rise for that reason. Right now, however, the situation is reversed. The higher coupons and preferred dividends required to attract buyers in the last few months has delivered a visible sogginess to utility shares.

This sogginess should not persist for long. The continued vista for electric growth is just too good. There's a great to-do about automation in industry—but look how far the electric variety has already gone in our homes. An automatic clock radio wakes us up and brings us the news; we shave with electric razors, cook with electric stoves, freeze and refrigerate electrically, wash and dry dishes and laundry electrically, cool with electric fans or air conditioners, "do it yourself" with electric tools and mow with electric lawn mowers. As a result, the average residence uses 2750 kilowatts a year—an all-time high. And it won't stop there. Many ten thousands of homes will hit a new plateau of use, just as soon as they upgrade their wiring systems to receive a bigger power load; and the biggest juice hound of all is just around the corner—the household heat pump to heat in winter, and cool in summer. It will require upwards of 12,500 kilowatts a year, and present some powerful competition to oil and gas heat systems.

Having delivered ourselves of this somewhat rambling tribute to the dynamo and dynamic utilities, let's spend the remaining paragraphs combing over a few stock issues, worthy, by virtue of their record, their dividends, and their bright prospects for sustained expansion.

You can't discuss the drama to any extent without bringing in Shakespeare. Equally, you can't discuss top flight utilities for very long without citing American Gas and Electric. This integrated holding company serves a population of almost five million in a highly industrialized section of the Mid-West and Upper South. A pioneer in many of the advances in the electric industry (including atomic power), one of the lowest cost major producers on earth, with unexcelled engineering and financial management, AGE with unbroken dividend record going back to 1909, merits sustained investor confidence. Common at 55 paying $2 (plus extras) is an authentic blue chip among the kilowatts. AGE common is held by some 330 institutional investors (if you're concerned about the stockholding company you keep!).

If growth interests you, you then lower your yield sights; for most of the issues in that category today yield 4% or less. For example, Florida Power and Light and Houston Lighting & Power, two of the fastest growers, yield currently around 2.80%. Other attractive growth items would be Arizona Public Service at 21½ paying $1; Tampa Electric at 29 paying $1; Texas Utilities at 39 paying $1.28; and Montana Power at 45 paying $1.80. Montana has a special appeal in that it could easily pay out more than the current 60% of net, and no stock financing would seem likely here for at least five years.

If you are more concerned with higher current yields, then look at St. Joseph Light and Power at 23½ paying $1.40 to yield 6%. Other good yielders are Public Service of New Hampshire at 17 paying $1 to yield 5.80%; Detroit Edison, and Consolidated Edison yielding about 5.20%; and Southwestern Public Service at 26 paying $1.32 yielding 5.1%. Most of the New England companies pay out between 75% and 85% of net in cash dividends. (The lowest majors in this department are Houston Lighting, paying out 53%; Florida Power and Light, 55%; and Duke Power, Cleveland Electric, and Cincinnati Gas and Electric, mailing out around 60% of net in cash dividends.)

Viewed as defensive securities, electric utilities have much in their favor. The electric bill is high on everyone's priority schedule of payment. You either pay it, or your house is dark, your toast raw, and you miss Ed Sullivan's Toast of the Town. An industrial company pays for its juice or it stops producing. Another thing, if there is some slackening in electric demand, companies can shut down the older and high cost generating units (which they need for peak demand) and sluice the juice out from newer, more efficient plants. This tends to sustain earning power.

So whether your goal is income, capital gain, or market defense, there is an excellent list of electric shares to select from. Choose your objective and remember that the growth factor is importantly a matter of geography, and prepare to accept at least 1% or less in the yield column to get it. Fine dynamos make durable dividends.

J. A. Avary Jr. With Goodbody & Co.

ATLANTA, Ga.—J. Arch Avary, Jr. has become associated with Goodbody & Co., 45 Forsyth Street. Mr. Avary was formerly a Vice-President of the First National Bank of Atlanta.

Securities of W. Va.

HUNTINGTON, W. Va. — Securities, Inc. of West Virginia has been formed with offices in the Chafin Building. Officers are William T. Miller, President; James C. Tweeddale, Vice-President, and Waldo C. Burns, Secretary and Treasurer.

Pension Trust Growth Potential

By ROBERT S. SWAIM*

Vice-President, The First National Bank of Chicago

Foreseeing an enormous growth potential for the trust business in pension and profit sharing trusts, Chicago First National Bank official portrays the recent rapid growth to almost 30,000 approved plans in operation with an estimated total of $20 billion assets to finance the payments of future benefits—leaving an estimated four-fifths of the labor force still uncovered. Mr. Swaim credits social security, high excess profits tax and wage stabilization for the general acceptance of the pension principle; discusses different kinds of trusts; and presents variable annuity as a suggested solution to depreciated payment purchasing power.

Pension trust is the newest of the services that we render customers of our trust departments. It is a form of trust business that has grown to tremendous proportions and one that affects the welfare of so many people in all walks of life. In addition, I have found that it is an intensely interesting form of trust administration. I would, therefore, like to report in a general way on what the pension trust divisions of our trust departments are doing, why we consider this attractive bank business, and some of the current developments in this field.

Robert S. Swaim

When I was at the Graduate School of Banking some years ago, Lou Headley gave a definition of Trusts that I have always remembered. He said, "A Trust is a Trust, and it is not something that is not a Trust." I think that is a good definition of a Pension Trust. A pension trust is a trust, pure and simple, and it's not a pension Plan. The plans are something quite apart from the trusts that we administer, something, indeed, that we should avoid injecting ourselves into. A pension plan is a part of an employer's personnel program that says in effect that if an employee continues to work until he is 65, the company will see to it that he gets a pension for the rest of his life. Of course, no lawyer would draw a document that is that simple, so the language of the plan actually goes into a lot of detail, because it covers definitions of employees and all the conditions that normally occur during the period of employment, but that basically is a pension plan. Being a part of a personnel program, the employer himself, or a Retirement Committee that has been appointed for that purpose, should and usually does determine all questions that arise in connection with the eligibility of employees, their continuity of service, the maturity and amount of benefits, and all other matters that are involved in the administration of the Plan. Having adopted the plan, it then becomes necessary for management to provide the where-with-all to pay the pensions when they mature.

*An address by Mr. Swaim before the 54th Annual Convention of the American Institute of Banking, Dallas, June 6, 1956.

Back in the Twenties

Some companies, particularly in the past, paid their pensions informally out of any funds that happened to be available when the monthly payments became due, or at least out of internal reserves that had been set up for that purpose, but without creating an actual trust. Back in the 20's it was not unusual to find retirement plans maintained on this pay-as-you-go basis. But the depression of the 30's proved the fallacy of that informal kind of funding and demonstrated the necessity for segregating pension reserves from the financial risk of being a part of the employer's corporate assets.

As a result of that experience, and in order to take advantage of the favorable tax treatment available under our Income Tax laws, most employers nowadays establish segregated pension reserves while the employee is still working, out of which his pension will be paid after he retires. Some of these reserves are used to buy deferred insurance or annuity contracts for the employees under an insured plan. Others are used to create a trust into which deposits are made each year and from which the pensions are paid as they mature. This would be a trust funded plan and is the field in which we as Corporate Trustees have become so active.

Dollar Averaging

Basically, these are the same kind of trusts that our trust departments have lived with for years. Funds are deposited with us, we invest them, and account for our actions, and distribute them. Instead of having our beneficiaries described in the trust agreement, the Pension Committee tells us who to pay, how much, and when, but we are entitled to act on its instructions. There are some rather technical provisions of the Income Tax law that we have to watch in order to maintain our tax exempt status, because as you know these trusts qualify under the Code for income tax exemption. But every phase of our trust department work requires specialization, and these accounts can be very valuable appointments. They are accumulating trusts, growing each year, and their average size after a few years' duration is on the whole rather substantial. Instead of receiving our entire trust deposits at one time as we do in the case of a testamentary trust or most living trusts, we receive a continuous flow of new funds for investment which gives us the opportunity of applying the theory of dollar averaging, to a substantial degree, in maintaining our investment programs. Personal contacts are almost entirely confined to our dealings with corporate officers or members of the pension committee, so there is a minimum of time consuming contact work with individual beneficiaries. We expect these trust when installed to be a permanent part of the employer's personnel policies and, therefore, they can generally be considered long term appointments.

Finally, but by no means least, the retirement program of an employer is usually very dear to the heart of its executives, and our ability to participate in it contributes enormously to an intimate banking-customer relationship.

While the extensive use of Pension and Profit Sharing Plans, as we know them today, is relatively new, a few that are still in existence were established well before the turn of the century; but these are the exceptions. Probably not over 100 of the plans approved by the Treasury Department go back earlier than 1930, while today there are almost 30,000 of these approved plans in operation, with an estimated total of something over $20 billion worth of assets accumulated to finance the payment of future benefits.

Encouragement by Social Security

The adoption of our Federal Social Security program was, I believe, largely instrumental in encouraging the adoption and later widespread use of private retirement plans. Social Security tended to awaken in the minds of the general public the thought that retirement security could be provided through some means other than an individual's own personal savings, and it also provided a very substantial segment of the people throughout the country with a basic retirement income upon which private plans could be superimposed, so that the private plans became one of supplementation rather than a means of providing the entire source of retirement income, and this, of course, kept the cost of such plans down considerably.

For these reasons, by the time we reached the high tax rates of the excess profits tax period and the restrictions against wage increases imposed by the Wage Stabilization Board, the conditions were ripe for general acceptance of the principle of pensions, leading to the first great expansion of these plans that occurred during the war years. In those early years few pension plans included any benefits to employees who left the company for any reason before they actually retired. The result of this was that unless an employer were willing to have some employees retire with inadequate pension benefits, he probably was not willing to hire any one past middle age because the cost of an adequate retirement benefit would be prohibitive to fund during a short period of employment.

One change that has occurred since then has been the adoption of industry wide pension plans which permit employees to change jobs within the same industry and carry their accumulated retirement credits with them. This same theory is now being extended to many individual plans which create vested rights to a future pension after some limited period of employment, so that a person who works for several companies during his entire career may accumulate a series of pension credits that could provide a full benefit to him when he finally reaches age 65 without throwing this entire cost on the final employer.

Depreciated Purchasing Power

A basic weakness in pensions, as in the case of any other fixed dollar income, is its depreciated purchasing power in an inflationary climate, and many attempts have been made to improve that condition. One step in this direction is to relate an employee's pension to his final average compensation instead of his career average. Some employers have combined a pension plan and a profit sharing plan, the pension assuring an accumulation of fixed retirement credits each year, plus a proration of profits in high profit years, the benefits of both being consolidated at retirement. While these developments tend to improve the pension level, the pension is still a fixed amount at retirement, and its purchasing power is still subject to any deterioration that occurs after the employee retires.

This deterioration in the purchasing power of pension dollars is certainly an acute problem to people on retirement and a great deal of thought is being given to that subject. One suggested solution is the use of a variable annuity for a part of the pension. Under this arrangement, a portion of the reserves would be invested in equities, from which the pension would be paid in units rather than in dollars, the value of each unit rising or falling each year with the market value of the investment portfolio. The theory is that the market value of equities tends to follow in a general way, at least, the same trends as changes in the cost of living. This theory is still in its formative stages, although a few plans have actually been adopted along these lines.

While the term "pension trust" is used generally to describe this whole field of trust business that is related to employee retirements, in its technical sense it is only one of several types of plans that fall into this general classification. Technically, a Pension Plan refers to a plan where either the costs or the benefits can be actuarially computed.

Profit Sharing Plans

Another major classification of plans which are also used to produce retirement benefits are profit sharing plans. Under these the employer's annual contributions are a certain percentage of his corporate earnings for the year. This deposit is held in trust with corresponding balances credited to employees' participating accounts usually in the ratio that their compensation for the year bears to each other. Each year the trust earnings and investment gains or losses are allocated proportionately to those participating accounts until an employee retires when the value of his account is paid to him either in a lump sum or in installments or by acquiring an annuity for him that will pay him a monthly benefit for life.

Profit sharing plans appeal to management because the annual cost is related directly to corporate earnings each year instead of being based, as in the case of pensions, on an insurance premium or an actuary's estimate of the funding requirements of the plan, neither of which is related directly to corporate earnings. Relating each year's deposit to corporate earnings also gives the employees a direct interest in the production of those earnings.

The success of these plans has been phenomenal. As I attend meetings of groups of employers who have profit sharing plans in operation, I never cease to be amazed at the enthusiasm the plans seem to develop. Repeatedly, I have seen business men travel the entire breadth of the country at their own expense, not to sell something, but merely to tell other business men how much profit sharing has meant in the development of their business and how enthusiastic their employees are over its results.

I think one of the reasons for the increasing popularity of profit sharing plans is their versatility. They can and often do have something in them for every one. Many people feel that a pension plan lacks current appeal particularly to a younger age group who has little interest in retirement. A profit sharing approach commences to build up equities immediately, creating reserves that can be used for so many purposes. In the event of death, they provide a benefit that is payable to a beneficiary of the employee's own selection and even in the case of resignation or discharge, they normally include severance benefits. Relating the contributions to each year's corporate earnings rewards each employee for the contribution that he has made toward those earnings and so profit sharing serves as an incentive program. The reserves that are established can be used for emergencies such as permanent and total disability, or current medical and hospital expenses. As thrift incentive programs, contributory plans encourage employees to save regularly by payroll deduction, so adding to the value of their interest in the trust. Many of the trusts include some provision for investing in the stock of the employer, and so serve as stock purchase plans. Restricted loan privileges provide an immediate source of credit to employees in case of financial emergency and they have on occasion been used to provide supplemental compensation during periods of lay off or other lack of work.

Not all profit sharing plans include all of these features. They are typical, however, of some of the forms of benefits that can be utilized under such a program to provide financial security and estate accumulation, as well as ultimate retirement benefits. While many large companies have them, they are particularly adaptable to smaller companies because they do not involve the use of actuarial assumptions and the number of lives involved has no significance. Certainly the enthusiasm of so many firms that have adopted deferred profit sharing plans, and their ever increasing popularity, indicates that we can expect an even further increase in this form of our retirement trust business.

Savings Plan

A modification of the profit sharing approach that has also increased in popularity lately is the Savings Plan that permits employees to make regular deposits into a trust, by payroll deduction, which are then invested by the Trustee in either government bonds or company stock, as the employee elects, with sometimes a third option of investing in a selected list of investment trust shares and the further privilege of changing these investments from time to time at the employee's own option. Withdrawal privileges are flexible enough to justify the employee treating his equity as a savings reserve but at the same time there is an inducement to allow the investments to accumulate until retirement. Under these savings plans, the employer normally makes a matching deposit into the trust, which is invested by the Trustee in company stock.

The expanded use of these savings plans and other similar programs indicates an increased interest on the part of employers in encouraging employees to become stockholders, but their basic principle, I believe, is the pay-as-you-go feature that offers a convenient means of acquiring small units of stock regularly instead of buying on credit and running the risk of a falling market before the stock is actually paid for.

Supplemental Unemployment Trust

Probably the newest type of trust that for administrative purposes is usually handled in the pension section, is the new Supplemental Unemployment Benefit Trust. You many remember that the Supplemental Unemployment Benefits contracts negotiated in the automobile industries last summer, sometimes called Guaranteed Annual Wage Contracts, provided that trusts were not to be actually created until the company had received a tax ruling that its contributions would be currently deductible for Federal income tax purposes, and also a ruling from the Department of Labor that its contributions would not be included in computing the regular pay rate of any employee. The contracts also provided that even after the trusts were created, no benefits would be payable until rulings have been received from states in which at least two-thirds of the employees were located, that these payments would not disqualify the employee from receiving state unemployment benefits.

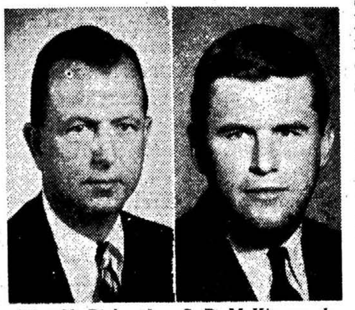
Favorable rulings on the tax deduction features, and to the effect that contributions would not be included in computing the employee's regular rate of pay were released during the winter, but rulings from the several states as to the effect these private plans will have on the right of employees to receive current state unemployment benefits have not yet been issued by all of the states. As a result, while a number of these plans have been negotiated which will ultimately require the creation of trusts to carry them out, only a few trusts have actually been created so far, and we are now really only on the threshold of the extended activity that we expect to see in this type of trust account in the immediate future.

Enormous Growth Potential

Here then is a segement of our trust department activities that we have seen grow almost from a zero balance to many billions of dollars over something less than 12 year period. It is a classification of trust business that most certainly is not static, but dynamic in its ability to meet the changes demanded by a growing and aggressive economy, and progressive thinking in the field of employee relations. That it still has an enormous growth potential is indicated by a recent report of a Senate Sub-committee investigating pension and related plans, which estimated that only about one-fifth of the present working force of the nation is covered by existing plans. Where this type of trust business will lead, we have no way of knowing, but I am convinced that it forms an essential part of our social scheme, that it is a legitimate and essential trust service which we are called upon to perform, and that with proper planning and with intelligent and courageous supervision it can continue to provide a profitable source of business to the trust departments of our banks.

Bixby Jr., McKinney Jr. Join G. H. Walker Co.

ST. LOUIS, Mo. — William H. Bixby, Jr. and Clifford P. Mc-



Wm. H. Bixby, Jr. C. P. McKinney, Jr.

Kinney, Jr., sons of the St. Louis managing partners of G. H. Walker & Co., 503 Locust Street, members of the New York Stock Exchange, have joined the firm as registered representatives.

William Bixby, Jr., a graduate of Yale, joins the firm's Clayton, Mo., office, after several years of commercial banking experience. Clifford McKinney, Jr. was graduated from the University of Virginia in 1954 and has spent the past two years in Japan and Hawaii in the Armed Services. He will be in the St. Louis office.

Their fathers, William Bixby, Sr. and Clifford P. McKinney, Sr., have been active in the investment banking field continuously since 1907 and 1923, respectively.

Oscar B. Gould Opens

MIAMI BEACH, Fla.—Oscar B. Gould is conducting a securities business from offices in the Surrey Hotel.

Roger Johnson Adds

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Don H. Mathison has been added to the staff of Roger G. Johnson & Co., Professional Boulevard.

N. J. Bond Club to Hold Field Day

The Bond Club of New Jersey will hold its annual spring field day on Friday, June 15, at the Echo Lake Country Club, Westfield, N. J. The program will include golf, horseshoe pitching, swimming and badminton.

Golfers will compete for the regular trophy for lowest net. Members with low scores will also have a playoff at the fall outing for the Foy Porter Memorial Award, which is a permanent trophy.

Minot, Kendall Merges With Chace, Whiteside

BOSTON, Mass.—The business of Minot, Kendall & Co., Inc. has joined that of Chace, Whiteside, West & Winslow, Incorporated, 24 Federal Street, Boston, members of the Boston Stock Exchange. Waldo S. Kendall and Fred M. Roberts will be located in the Boston office and Albert W. Lennan in Worcester.

Albert W. Bianchi

Albert W. Bianchi, partner in Pyne, Kendall and Hollister, passed away June 12 at the age of 56 following a heart attack.

Joins Gerard Jobin

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — John C. Spearman has become affiliated with Gerard R. Jobin Investments Ltd., 242 Beach Drive, North.

Joins Clement A. Evans

(Special to THE FINANCIAL CHRONICLE)

SAVANNAH, Ga. — Milton F. Eisenberg has been added to the staff of Clement A. Evans & Company, Inc., Liberty National Bank Building.

The Business Investment Trend

By LOUIS J. PARADISO*
Assistant Director-Chief Statistician
Office of Business Economics, Department of Commerce

Notes Statistician, in evaluating fixed capital outlays and the inventory situation, reports that: (1) planned business capital expansion in 1956 far exceeds prior years—comparable to the high rate in the Korean period; (2) manufacturers' sales projections of 6% rise from 1955 to 1956 appear to be reasonable, and a moderate downturn should not alter investment plans substantially; (3) nonresidential construction is one-fifth above a year ago, and industrial machinery unfilled orders are higher than last year, and (4) inventories in general are at a record volume but do not appear to be burdensome, though some products, as in the case of automobiles, have a high inventory-sales ratio. Explains the reasons for, and characteristics of, capital goods spending, and describes effect upon the economy.

The economy in the past six months has been on a high plateau. Widely divergent movements in the major sectors have featured the developments this year in contrast to most of last year when the trends were generally upward.

Sources of GNP Growth

Two major sources of spending have been responsible for the high level of activity. First, consumer buying has contributed importantly to our prosperity. In the past year, consumer expenditures for goods and services have increased $13 billion, at an annual rate, compared with a rise in GNP (the market value of all goods and services produced) of $23 billion—accounting for nearly three-fifths of the entire GNP increase. All of the increase over the year has been in purchases of non-durable goods and services. Second, the advance in business outlays for investment purposes has accounted for the remaining two-fifths of the total rise in GNP over the year. Of the total $10 billion investment advance, $7 billion was in plant and equipment and $3 billion in change in inventory investment. These data indicate that business spending on investment goods and consumer spending on soft goods and services have been the prime forces in the 5% lift in economic activity in the past year. In recent months, business spending for capital goods has been making an even more important contribution to economic activity.

Louis J. Paradiso

I shall concentrate on some aspects of business outlays for fixed capital goods and on the recent inventory situation.

American business is accelerating its spending on plant and equipment for several major reasons:

(1) Businessmen view favorably the long-run demand prospects for all kinds of goods and services and a large and increasing proportion of their programs are based on long-term considerations.

(2) Strong demands have been exerting heavy pressures on current capacity in many sectors.

(3) Increasing competition in the markets requires large capital outlays to effect cost reductions, diversification, new product developments and quality improvements.

In the 11 years of the postwar period (assuming that the 1956 programs are realized) businessmen have spent over $250 billion on plant and equipment. This has resulted in an overall average increase in productive capacity of more than 50% since the end of 1945. In 1956 businessmen have programmed expansion outlays far exceeding that of any prior year, signalling a new round of expansion comparable to the high rate achieved in the Korean period.

We should keep in mind that much of the projected increase in outlays has already been achieved and from now on the rise is expected to be on a more moderate scale.

Current Expansion Characteristics

Several basic characteristics stand out in the current expansion:

(1) All major industries anticipate sizable increases from 1955 to 1956. Currently manufacturing and railroads are especially strong.

(2) All size groups of companies are participating in the advance.

(3) In manufacturing, the larger sized firms have programmed significantly larger increases on the average than the medium- and small-sized firms.

(4) Greater emphasis is being placed on capacity expansion this year; outlays by manufacturers for modernization and expansion will comprise one-half of total outlays as compared with a ratio of two-fifths last year. As a result relatively greater emphasis is on construction projects.

Effects on Capital Goods

The effects of these programs are evident from reports of capital goods suppliers.

(1) **Construction.** Dodge awards for private non-residential work were at an all-time peak in March, with first quarter awards about 40% above those in first quarter 1955. Manufacturing increases were especially large. In terms of current activity which is measured by value in place, industrial and commercial construction are more than one-fifth above a year ago.

(2) **Equipment.** Shipments of companies in the industrial machinery industry which increased 12% (seasonally adjusted) from March to December of last year, advanced another 12% during the first three months of this year. Unfilled orders of these companies have been rising for over a year. At the end of March of this year, the value of their backlogs was 60% above a year ago, and was equivalent on the average to six months of current sales.

An important consideration in appraising the prospects of fulfillment of currently projected investment programs is whether sales and profits turn out close to expectations. In general, the sales projected by manufacturers in early 1956 of a rise of 6% from 1955 to 1956 appear to be reasonable given developments so far. It should be noted that some sizable programs have been projected in the face of expected sales declines, e.g., $1 billion increase in the capital outlays of the motor vehicles industry.

In the light of these considerations, moderate changes in business activity this year would probably not alter investment programs substantially since many of them have been based on longer-run factors, some on realistic appraisal of sales prospects, and others are of a cost reducing nature.

I shall now turn from fixed investment to developments in inventory investment.

Inventory Adjustment

Inventory accumulation has continued for more than a year. At the end of March of this year, the book value of trade and manufacturing inventories was $85 billion, up $6 billion over March of last year. During most of 1955 the rise was associated with the sharp advance in production whereas in the more recent period inventory accumulation has continued even though production has leveled off. Since mid-1955 the marked shifts in inventory investment have, to a large extent, reflected developments in the automobile industry. Inventories exclusive of cars held by new car dealers have shown a rather steady rate of accumulation throughout the first quarter of this year. New car inventories were reduced in the third quarter of last year, increased sharply in the fourth, and further increased but at a much more moderate rate in the months of this year.

Rise in Durable Goods Inventory

During the first quarter of this year, the book value of trade and manufacturing inventories increased by $1.6 billion, seasonally adjusted. Of this total, manufacturing industries accounted for $1.5 billion, while wholesale and retail inventories were little changed. Compared with a year ago, it is also clear that manufacturing companies were responsible for the major part of the accumulation. In the manufacturing sector, we find that most of the inventory rise occurred in the durable goods industries.

Increasing Unfilled Orders

Furthermore, in recent months the inventory accumulation has been centered in the primary metals, machinery and aircraft industries. Although within these broad groups the inventory trends have been quite mixed, an underlying factor in the inventory accumulation has been the increasing volume of backlogs held by these industries. The value of unfilled orders held by the durable goods manufacturing industries at the end of March was $54 billion. This was one-fifth above that of a year ago and comprises about 4 months current sales. In dollar terms, the backlogs are up $9 billion from March 1954. Of this total rise, the primary metal industries have accounted for $2 billion, non-electrical machinery $3 billion, and transportation equipment other than motor vehicles for $2 billion.

Examination of recent trends in inventories by stages of fabrication reveals additional characteristics of the pattern of activity in the durable goods sectors. Work-in-process stocks, which moved up sharply last year in response to rising production schedules, have shown little change in the first quarter of this year. Purchased materials have assumed greater importance associated with the increases in backlogs and higher industrial prices. In particular, marked advances in raw material purchases were noted by the metal working producers, exclusive of motor vehicle firms. Finished goods inventories of durable goods producers have not shown any acceleration in the rate of increase from the last three months of 1955. A recent development has been some significant accumulation in finished goods stocks of the non-durable goods industries, particularly in textiles. Total working stocks of all non-durable goods industries, on the other hand, were unchanged.

Inventory Changes Summarized

In summary, the highlights of recent inventory changes are as follows:

(1) The inventory accumulation in the past year has not been extraordinarily large and for most of the period has been associated with increases required to support rising activity. Because of rising industrial prices, book values of inventories have shown larger increases than has been the case in physical stocks.

(2) In general, inventory-sales ratios have been rising in recent months and in most major groups of manufacturing, retail and wholesale trade have returned to about the levels of a year ago.

(3) Due to the diverse trends in demand in recent months, inventories of some products have become excessive in relation to current sales. In the case of the new passenger car market, the record high stocks are exerting an important influence on the production schedules of the motor vehicle industry.

(4) Although inventories are at a record volume, they do not appear to be burdensome on a broad basis at the present time. Any change in this position is of course dependent on the near-term trend of final demand.

*Talk by Mr. Paradiso at the 40th Anniversary Meeting of the National Industrial Conference Board, New York City.

Business Man's Bookshelf

American Capitalism: A Liberal View—Massimo Savadori—Pall Mall Features Limited, 123 Pall Mall, London, S. W. 1, England (paper) 50 cents.

European Coal and Steel Community, Part II — Bureau of Business and Economic Research, University of Maryland, College Park, Md. (paper).

Consumption and Business Fluctuations: A Case Study of the Shoe, Leather, Hide Sequence—Ruth P. Mack—Princeton University Press, Princeton, N. J. (cloth) $7.50.

Detroit Money Market 1934-1955 — G. Walter Woodworth — Bureau of Business Research, School of Business Administration, University of Michigan, Ann Arbor, Mich. (cloth).

Industrial Retirement Plans—Study—Corporate and Pension Division, Bankers Trust Company, 16 Wall Street, New York 15, N. Y.

Investment Companies 1956—16th annual edition—Arthur Wiesenberger & Company, 61 Broadway, New York 6, N. Y. (cloth) $20.

Operations Research for Management, Vol. II—Edited by Joseph F. McCloskey and John M. Coppinger — Johns Hopkins Press, Homewood, Baltimore 18, Md. (cloth) $8.

Preserving Our Prosperity

By ARTHUR O. DIETZ*
President, C. I. T. Financial Corporation

In the course of emphasizing consumer credit's strategic role in increasing consumption and, in turn, ever-expanding output, employment, and living standards, and in refuting those fearing credit over-expansion, Mr. Dietz projects an upward growing economy which is expected to increase productivity 25% by 1965. Rules out inflation in peace time, stresses the importance of public psychology and discussion, praises the average man's ability to self-regulate credit-use "in depressions as well as booms," does not rule out cyclical deflationary tendencies, and describes forces at hand to bring a downturn under control.

Taking the broad view first, I believe this a good time to speak out if we have faith in the strength of the American economy and the wisdom of the American people. It is time for us all to behave like experienced men in the face of minor fluctuations in the business curve and to keep in mind the long pull—the upward movement of the American economy which in the next ten years can be expected to add at least 25% to our productivity and put today's prosperity in the shade.

Arthur O. Dietz

As we look about us and read the papers we see many people worrying seriously about inflation. Another group sees deflation as the bogeyman, while others vacillate on alternate days between the fear of inflation and fear of deflation.

There are many degrees of inflation but few of us ever take the trouble to define what measure of inflation we are discussing. I assume no one really fears that this country is likely to experience the kind of enormous inflation that wrecked the currencies of Central Europe within the past generation.

No Peacetime Inflation

A sweeping general inflation can occur only if the public's appetite for goods greatly outstrips its appetite for money. In view of the productive capacity of the United States, I cannot foresee the possibility that we shall ever be faced with a serious shortage of goods—of industrial products—in peacetime.

Right now, in a period of high prosperity and record consumer savings and income, we have some 900,000 unsold new automobiles in the hands of dealers and the factories are operating at best on part-time. All leading appliance makers are limiting their output in the face of high dealer stocks. Agricultural surpluses continue as a major national problem. Our basic natural resources are abundant. All fuels are in plentiful supply. Huge capital expenditures, mechanization and technical advances on all fronts are continually improving our capacity to turn out goods faster and with great efficiency.

A shortage of things for America to consume? Our problem is likely to lie in the other direction. Can we possibly consume all we can produce?

To be sure, we can always have specific shortages, and these may bring pressure on prices. This exists in the steel industry right now. The huge capital expenditures program announced by industry has put temporary pressure in steel supplies. Greater pressure, probably, has been exerted by the threat of a steel strike or of higher steel costs if there is a steel settlement without a strike. For both reasons, there has been considerable building of inventories and bidding for available supplies. But that will shortly be over, as soon as the steel wage negotiations are ended, and then I predict that steel production will drop appreciably below capacity for a time. Steel is the single most important industrial force in our economy. Yet even the inflationary tendencies observable in this industry are not leading us into a general inflation. Any automobile man, farmer, textile man or merchant will tell us he fells no inflationary effects on his business.

Now of course, there is another side to the coin I have been describing. You may say to me, "Yes, Dietz, I'll agree that we are always likely to have all the things we can consume, and then some, but what difference will that make if the people lose confidence in their money?"

Rules Out Cheap Money

To that question, I would answer that you have described something that is possible but, in my opinion, highly improbable. I do not believe any national administration or the banking system will ever deliberately cheapen the dollar to that extent. If we ever start the printing presses as the Germans did, we can get ourselves an inflation all right—but I rule that out for a people who possess this nation's accumulated economic wisdom and experience, and the democratic political processes we enjoy.

The current situation supports this belief. Maybe you or I or a lot of other people do not particularly enjoy the present squeeze on the money supply and the high cost of borrowing which is the result of the Federal Reserve System's determination to "lean against the wind" of a credit boom. However, it is the existence, within our banking system, of this power to make money dear — and, therefore, goods cheap in relation to money —that should remain as a bulwark against deliberate money inflation in peacetime.

In summary, we have a tremendous industrial machine capable of producing more goods than we can possibly use. Except for possible weather catastrophes, our farms appear always capable of growing more than we can eat, or give away or sell abroad. Our monetary policies are likely to be administered with reasonable intelligence. How then, can we fear an outbreak of real inflation?

Earlier I mentioned some deflationary tendencies—another possibility that is causing a lot of worry this season. Right now, in fact, a business decline is receiving the major play in the statements and headlines. Let us examine for just a moment some of the opposing forces which are at work in the economy to cause or to avert a significant recession later this year.

You will note that I approach the subjects of inflation and deflation differently. I believe a real inflation is impossible under our present business and political system. I wish I could say the same for a real deflation. My convictions on that score must be severely limited.

The business cycle has not been repealed. We must expect downturns that will seem very painful while they are occurring.

There are some dark clouds hovering out on the business horizon. To name a few, there is the high break-even point in many industries. Sales volume must stay high or many establishments will find themselves in the red, with consequent curtailments of payroll and profits. There are the heavy accumulatitons of inventories in some lines. There is the heavy tax bill which industry and the individual must continue to carry. There are the relatively high prices that prevail in some lines, primarily because of the high costs and taxes previously mentioned. There is the fact that public confidence and consumer expectations must be maintained in an economy largely founded on durable goods, for otherwise consumers as well as industry can always start postponing further purchases of durables and getting by with what they have. You gentlemen perhaps can think of still other negative factors.

Countering Deflation

Yet, from where I stand, any bad business break seems unlikely for some time to come. There appear to be too many favorable circumstances and too many forces at hand which can bring a downturn under control. Let me list a few:

(1) The height of our present prosperity — evidenced by the number of persons employed, high personal income, enormous savings, and so forth—places us in a very favorable position from which considerable slippage could occur without things really getting very bad, except by comparison with the peak period.

(2) The present tightness of credit allows for ready relaxation which can be used at any time to give the economy a shot in the arm.

(3) A reduction of substantial proportions in the personal income tax is always possible, even easy, under the present condition of a sizable budgetary surplus. When this occurs, it is likely to boom business, so it is probably wise to defer action for the time being. But please don't misunderstand me. For the long pull, both personal and corporate Federal income tax rates are too high today. They undoubtedly are deterrents to initiative and effort by both people and corporations.

(4) I believe the automobile industry will begin another very good production-and-sales year, starting this fall. We will be on the right side of the two-year pattern of ups-and-downs that seems unavoidable under the present system of biannual model changes. Color television may be just about to come into its own too, so the appliance industry will be in for a pickup.

(5) The strong underpinning our present economy derives from the very large Federal defense expenditures will continue for a long, long time, it appears. To this can be added the impact of the new interstate highway program and other huge government outlays, not the least of which is the large, Federal civilian and military payroll, which is virtually layoff-proof.

(6) At the first sign of a serious downturn in the economy, the government, no matter which political party is at the helm, undoubtedly will embark on an even broader works program. This would have wide public support because it would provide additional schools, hospitals, mental institutions, highway and other construction for which a pressing need can be shown.

(7) Consumers have put aside a tremendous amount of liquid savings. The Federal Reserve Board estimates the total amount at $210 billion. For the past several years, the Department of Commerce credits the American people with adidng an average of about $18 billion per year to their accumulated savings. The rate in the first quarter of this year was somewhat higher than in the last half of '55 and it is expected that the rate for the second quarter will be even higher. This simply means that American families have reserved a lot of buying power in the past and have a great deal of current buying power which is not being used. The savings pool is a real safeguard for the economy.

(8) Unemployment insurance, Social Security, company termination pay and retirement plans, and the guaranteed annual wage, all are devices that will help consumers maintained their purchasing power if there is a lag in employment. Any downturn that would lower prices would actually improve the position of the growing army of retired people who are living on assured incomes and who could be expected to continue to spend willingly and consume more in such a period.

(9) Our large population of war babies and postwar young children is aging rapidly, creating new customers for a constantly-widening number of products and services as they approach adulthood. Meanwhile, a fine crop of infants is being born to keep the pipeline of future customers full. We are growing our own customers for tomorrow and doing it in a big way.

Up to this point, I have avoided discussing one important aspect of the economic situation that rightfully belongs in an appraisal of current or future conditions. This is consumer credit, to which everyone now assigns an important place in the business picture. You may not realize it, but this is a fairly recent phenomenon. To me it seems only a few years ago that consumer credit was allowed only a place in the side-show tent.

Instalment Credit's Importance

There is a great deal of controversy going on about whether consumer credit, and particularly installment credit, is or is not too high, is or is not being properly administered, is or is not actually contributing to the well-being of the American people.

Since instalment credit is my business, I should like to give you my views on this subject.

The importance of consumer credit was recognized in President Eisenhower's recent Economic Message to Congress. As you know, he said the development of consumer instalment credit has been highly beneficial to the nation's economy and he recommended that a study be made of this form of credit, with consideration to the possibility of legislation authorizing Federal controls over its terms, on a standby basis.

From this recommendation has come the program for a very broad study of instalment credit that the Federal Reserve Board is sponsoring. When the results of this welcome study are in, some time next year in all probability, we will all know a great deal

Continued on page 53

*An address by Mr. Dietz before the New York Chamber of Commerce, June 7, 1956.

THE MARKET... AND YOU

By WALLACE STREETE

With the market set for the seasonal summer rally, now that it has worked back up to the mid-May highs in overcoming last Friday's nervous setback, there'll be a scramble for those "behind-the-market" issues which are sure to share in the expected 13% average "hot weather" runup. Such rise would follow past seasonal precedent.

Behind-the-Parade Issues

If you like the average stocks you'll find among them at least a half dozen issues that are considerably behind the parade at the present time. There's Loew's, for instance. It sells for not much more than half its 1946 high of 41, and, of course, is still below its 1929 and 1937 best levels.

* * *

Another is International Harvester. And there's National Distillers, American Tobacco and Woolworth—all resting well below their best efforts of 10 years ago. True, some of these reflect troubles that beset whole industries ... but troubles have a way of clearing themselves up over a period of time.

* * *

If you like issues with some foreign intrigue, take a fresh look at some of the international utility issues. There's American & Foreign Power, yielding some 5.7%, Brazilian Traction Light & Power with a 7.1% yield, and International Utilities available at a 4.3% basis.

* * *

Foreign Power, the largest U. S. owned utility operating abroad, is principally a supplier of electricity to Latin-American countries. It and the other foreign utilities are benefiting from the remarkable growth taking place in the hitherto backward world areas.

Automation Beneficiaries

Should you feel strongly about the advent of widescale automation there's a whole regiment of issues that will benefit from this important force. Some already have taken hold in the market but such issues as Black & Decker, Chicago Pneumatic Tool, Joy Manufacturing, Syndey Tool and Warner & Swasey have low price-earnings ratios, all under 10.

* * *

If yield and price-earnings ratios are your criteria you may be interested in such variety chain issues as J. J. Newberry and H. L. Green. Newberry yields 6% and has a 9.3 price-earnings ratio. For H. L. Green the figures are 7.5% and 9.8. Among department chains Allied Stores offers a yield of 6.1% and sells at 9.9 times earnings.

* * *

The flurry this week in the oils reflected considerable propaganda about the underground wealth of certain oil companies. The point is that companies which devote themselves solely to production have but for the most part just one asset—oil in the ground. Thus in pricing the shares of these companies the consideration should be in barrels per share and the value per barrel. The reserves of Cities Service, for instance, are held to be worth $108 a share based on a conservative figure of 75 cents a barrel for oil and four cents per thousand cubic feet for natural gas — this for a $67 stock. In the same category we find Texas Pacific Coal & Oil, Seaboard, Honolulu and Texas Gulf Producing.

A New Fund Favorite

Outboard Marine has been making the headlines, since investment trusts "found it." The company, a leading manufacturer of outboard motors and parts and a producer of power mowers, is expected to earn $5 this year — earned $3.68 in 1955, $2.55 in 1954 and $1.41 in 1953 — and there's expectation its $1.60 dividend will be raised.

* * *

A fairly newcomer—Plastic Wire & Cable Corp. — which incidently makes what its name implies, earned an estimated $1.90 a share in the first six months of this year, has declared dividends at the rate of 60 cents a year and sells at less that five times earnings. The little Connecticut company has in seven years increased its sales five-fold, and what's more important, its net by the same proportion.

* * *

Speaking of sales increases Food Machinery & Chemical, which has an "in" in the labor-saving machine field, has volume currently 32 times that of just before World War II.

* * *

Minerals and Chemicals Corp. of America — which took its name in 1954 following merger of Attapulgus Minerals & Chemicals Corp. with Edgar Brothers Co.—expects a sharp boost in earnings and sales in the next 12 to 18 months, due to new facilities coming in and broadening markets as a result of expanded research.

* * *

Cutler-Hammer was a favorite this week. It is a major producer of electric motor controls used largely in industrial installations. Earnings are expected to show a good gain over the $8.53 a share of 1955 and dividends totaling $4 annually are expected. The growth of electrical controls should carry this one along with it.

Promising Electrical Equipments

With the outlook for electrical equipment suppliers promising for the long-term, three prospects for gain are receiving attention. Arrow-Hart & Hegeman Electric Co. expects to better its 1955 record which saw shipments rise 15% and net income 38% to $2.5 million or $5.18 a share. . . . Wagner Electric Corp. sees production changes benefiting its second half. In 1955 its sales gained to $92.2 million from $82.1 million in 1954 and profits gained to $4.7 million or $5.04 from $1.9 or $2.05 a share in the previous year. . . . I. T. E. Circuit Breaker Co. is expected to run well ahead in 1956 of its 1955 results. It earned $1.7 million or $1.48 a share on $73 million net sales, against $1.6 million or $1.43 a share earned on $67.7 million of sales in 1954.

* * *

With National Supply at 68½, this oil and gas industry supplier appears a bargain when 1956 prospective earnings of between $9 and $11 a share are considered. For 1955 it earned $7.51 a share. The $3 dividend rate, which offers a 4.5% return, will be earned 3 to 3½ times and the stock would seem to be selling at only 6 to7 times earnings.

* * *

The slipoff of Niagara Mohawk, due to the rock-collapse damage of its Niagara plant, would seem to make it a bargain. Its $1.80 dividend gives it a yield of 6%, which is high for such a quality issue.

W. D. McCabe Opens

SAN ANTONIO, Tex.—William D. McCabe is conducting a securities business from offices in the South Texas Building. Mr. McCabe was previously with W. S. Bain & Co., and Emerson & Co.

Joins Ball, Burge

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Berwyn T. Moore, Jr. is now with Ball, Burge & Kraus, 120 West Second Street. He was formerly with Westheimer & Company.

Donald Sloan Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oregon — Walter E. Jensen is now with Donald C. Sloan & Co., Cascade Building.

J. J. Murphy Opens

JACKSON, Miss.—J. J. Murphy is engaging in a securities business from offices at the Edwards Hotel.

With Babbage & Kessinger

(Special to THE FINANCIAL CHRONICLE)

LEXINGTON, Ky. — Sumter M. DaVega is now with Babbage & Kessinger, Security Trust Building.

NSTA Notes

AD LIBBING

Charles A. Bodie

Harold B. Smith

Charles Bodie of Stein Bros. & Boyce, Baltimore, our Advertising Chairman of the Baltimore Security Traders Association, reports 100% renewals for our convention issue of the "Commerical & Financial Chronicle." We are indeed very proud of Charlie who has done such a wonderful job for the past several years.

I would certainly be glad to hear from our other Chairmen should they be in a position at this time to give us some of their results.

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

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago will hold its Thirtieth Annual Field Day and Golf Outing at Nordic Hills Country Club on June 23, 1956.

GEORGIA SECURITY DEALERS ASSOCIATION

The Twentieth Annual Summer Outing of the Georgia Security Dealers Association will be held on Friday, June 22, at the Capital City Country Club (Brookhaven) in Atlanta. The program follows:

1:00 P. M. Golf, Swimming, Tennis.
5:00 P. M. Cocktails.
7:00 P. M. Dinner.
'till 12:00 A. M.? Investment opportunities?

Tony Budd, of R. S. Dickson & Co., is Ticket Chairman this year. He and Sam Preston, Wyatt, Neal & Waggoner, are collecting a fine list of prizes. Tickets are $1.00 apiece and any additional ones you need can be obtained from him.

The Golf Tournament is being handled by "Sonny" Ellis at Courts & Company.

Reservations must be made by June 19 for the members of each firm who plan to attend, with Edward R. Adams, Clement A. Evans & Co., Inc.

BOND CLUB OF DENVER

The Denver Bond Club Bowling League completed the 1955-1956 season with prizes and trophies awarded to the winners and final team sweepstakes by Howard Carroll of Carroll & Co., President of the Denver Bond Club, who was Master of Ceremonies.

Final Standing of the Teams for the Season Was

Team	Won	Lost
(1) J. A. Hogle & Co.	52	23
(2) Bosworth, Sullivan & Co.	51	24
(3) Bromfields (Garrett Bromfield & Co.)	43	32
(4) Founders Mutual Depositor Co.	42	33
(5) Colorado Grain Co.	38	37
(6) Harris, Upham & Co.	38	37
(7) Boettcher & Company	37	38
(8) Merrill Lynch, Pierce, Fenner & Beane	35	40
(9) J. K. Mullen Co.	33	42
(10) Garrets (Garrett Bromfield & Co.)	29	46
(11) Mountain States Securities Corp.	27	48
(12) Peters, Writer & Christensen Inc.	26	49

High Team Game: Bromfields 580
High Team Series: Bosworth, Sullivan & Co. 1585
High Individual Game: James Hill—Boettcher & Co. 246
High Individual Series: Oscar Hasselgren—Colorado Grain Co. 636
Final Night Team Sweepstakes Winners: Bromfields

League Committee Members for the Season: Oscar Hasselgren—Colorado Grain Co.; Roscoe Ayers—J. K. Mullen Co.; Don Bromfield—Garrett Bromfield & Co.

League Committee Members for the Season 1956-57: Oscar Hasselgren—Colorado Grain Co.; James Hill—Boettcher & Company; Russ Chatlain—Bosworth, Sullivan & Co.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Vivian K. Osborne has been added to the staff of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

With Mitchell T. Curtis

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Truman E. Spencer has joined the staff of Mitchell T. Curtis & Co., 156 Montgomery Street.

Joins Real Property

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Walter H. Broner has joined the staff of Real Property Investments, Inc., 233 South Beverly Drive. He was formerly with Waddell & Reed, Inc.

Three With Jamieson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Herbert L. Bartram, Rollo M. Emmons and Frank B. Harriman have been added to the staff of H. L. Jamieson Co., Inc., Russ Building.

The Railroad Industry and Federal Transportation Policy

By FRED G. GURLEY*

President, Atchison, Topeka and Santa Fe Railroad Co.

Railroad executive suggests that "three shall-nots" be employed in meeting competition with other forms of transportation; reviews the problem of adequate freight car supply and the applicability of cost accounting to the value of service rate determination concept; and weighs the effects of inflation upon the rail industry. Mr. Gurley urges rejection of the yardstick that judges rates on the basis of whether it would attract "more than a fair share" of the available traffic or adversely affect competing carriers in view of tremendous highway and waterway transportation growth — largely unregulated, and stresses extent to which such competition can obtain rates that take traffic from the railroads.

As I see it, the American railroads are now both witnessing and participating in a great change. We are, at one and the same time, a highly regulated industry and one engaged in an intensely competitive endeavor and with a rapid increase in the tempo of competition.

Fred G. Gurley

Perhaps the best approach to an appreciation of this great change is to discuss first the report of the Presidential Advisory Committee on Transportation Policy and Organization, which is generally referred to as the Cabinet Committee Report.

I assume you know something about it already, but you cannot know *too much* about it and the specific legislative proposals which were made following the Cabinet Committee Report. Both the report itself and the specific legislative proposals are tremendously important to everyone in the railroad industry and, for that matter, to anyone interested in transportation either as a carrier, shipper or member of the general public.

Cabinet Report Committee

In July, 1954, President Eisenhower named a Cabinet-level committee to make a comprehensive up-to-date review of transportation policies and problems and after several months of study, the report was issued in April, 1955. On May 4, 1955, at his press conference, President Eisenhower described the report as a brilliant piece of work and announced his approval of its basic principles and purposes.

*An address by Mr. Gurley before the 62nd Annual Meeting of the Accounting Division of the Association of American Railroads, Los Angeles, Calif., May 29, 1956.

The report recognized, to quote its opening sentence, that "within the short space of one generation this country has witnessed a transportation revolution." The revolution, as described in the report, is the change from a situation where the railroads had what amounted to a practical monopoly of inland transportation to the present situation which is marked chiefly by widespread, intensive and ever-increasing competition for the nation's freight traffic by railway, highway and waterway.

The report recognizes the large part that governmental promotion of highway and waterway transportation has played in bringing about this change. The report points out, however, that despite the growth and spread of competition, until it pervades the whole field of transportation, the government has intensified its regulation of common carriers by rail and highway, while at the same time exempting large segments of the highway and waterway transportation industries from all or most of such regulation.

The result has been tremendous expansion and growth of carriers in the exempt or partially exempt fields at the expense of the regulated common carriers—and particularly the railroads. Along with these developments there has been the increasing tendency of shippers to provide their own means of transportation, particularly on the highway.

The Cabinet Committee Report emphasizes the importance of the common carrier in the transportation picture and recognizes the railroads as the common carrier backbone of our national transportation system. It points out that present restrictive rate regulation often prevents the railroad or highway common carrier, as the case may be, from realizing its inherent economic advantage by reducing its rates in those situations where it can provide the service at a lower cost than other competing forms of transportation.

This is turn has prevented the shipper and the consumer from realizing the full benefits of low-cost transportation which would be available if greater freedom were given to the play of competitive forces.

Basic Recommendations

The basic recommendations of the Cabinet Committee, as stated by its Chairman, Secretary of Commerce Weeks, are that Federal policies should be amended in two major respects:

First, "to permit reliance on competitive forces in transportation pricing";

and *secondly,* "to assure the maintenance of a modernized and financially strong system of common carrier transportation adequate for the needs of an expanding and dynamic economy and the national security.'

The Cabinet Committee Report advances a number of proposals to carry out these two objectives in the form of amendments to the Interstate Commerce Act. Bills incorporating these proposals were introduced in Congress in May of 1955 at the request of Secretary Weeks. Last fall a preliminary hearing was held before the Transportation and Communications Subcommittee of the House Committee on Interstate and Foreign Commerce. This hearing was limited to a general description of the proposed legislation by the Secretary of Commerce and members of his staff and to general comments by representatives of the various modes of transportation, including the Association of American Railroads.

A few weeks ago the Sub-Committee commenced hearings on the specific provisions intended to carry out the Cabinet Committee recommendations and the Subcommittee is still in session. Witnesses for the railroads were heard early last month.

"The Three Shall-Nots"

As I said a moment ago, the first major recommendation of the Cabinet Committee is for increased reliance on competitive forces in transportation pricing. To accomplish this, changes are proposed in the statement of the National Transportation Policy and in several of the rate-making provisions of the Interstate Commerce Act. The railroads have suggested, however, that the objective can be accomplished by adopting just one of the proposed changes—a change that is easy to state, i.e., the addition of what has been called "the three shall-nots" to the rule of rate-making in Section 15a of the Act.

In substance the proposed change would mean that when the Interstate Commerce Commission reviews reduced competitive rates proposed by a given form of transportation, it "shall not" consider:

(1) The effect of such rates on the traffic of any other mode of transportation;

(2) The relation of such rates to the rates of any other mode of transportation; or

(3) Whether such rates are lower than necessary to meet the competition.

These three "shall not" declarations go to the very heart of the problem. While the I. C. C. would still retain its power to fix reasonable maximum rates and reasonable minimum rates and to prevent discrimination, no longer would it be able to condemn reduced rates — even when such rates are fully compensatory — merely to protect the traffic of some other form of transportation. We are convinced that all too often the test of lawfulness has been whether proposed rate reductions would attract "more than a fair share" of the available traffic or otherwise adversely affect competing carriers.

"Fair Share" of Traffic Is Unworkable

It is hard to say how the public interest can be served by any attempt, however well-meaning, to divide available business between competing forms of transportation on any concept of fair shares. But even if one were in favor of a system for dividing the traffic among competing forms of transportation by regulatory fiat, he would have to concede that such a system is wholly unworkable when it is applied to only a part of the transportation industry and in varying degrees to that limited part. Yet that is exactly the situation which we have in this country today.

Even as late as the twenties, the railroads handled practically all domestic freight traffic and a fairly complete scheme of rate regulation was therefore practicable. Since that time, however, there has been a tremendous growth of highway and waterway transportation — largely unregulated—and the field to which the complete system of regulation applies is becoming progressively narrower.

Effective regulation of contract carriers by motor vehicle is impossible because they are not required to publish the rates they actually charge and may change them secretly and at will. All motor carriers — even common carriers—are exempt from rate regulation when handling agricultural and related commodities. Another factor which cannot be overlooked is the large and rapidly increasing volume of private carriage, which is, of course, entirely free from rate regulation.

In 1954 — the latest year for which such data are available—only about one-third of the total intercity freight traffic handled on our highways was subject to Federal rate regulation. And this figure includes not only common carriers, but also contract carriers who are substantially free from effective rate regulation.

The exemptions from regulation in the water carrier field are even greater. The Interstate Commerce Commission has stated that these exemptions make "effective regulation of water transportation impossible." In 1954 only 11% of the tonnage on the Mississippi River and related waterways was subject to any degree of rate regulation. Even the small segment of waterway traffic which is regulated has the benefit of a "shall-not" provision which prevents the I. C. C. from considering the effect of reduced water carrier rates on other forms of transportation.

Thus the competitive struggle in the transportation field includes fully regulated carriers, partially regulated carriers, and carriers that are wholly exempt from any form of rate regulation. In this state of affairs the railroads become the special victims when the I. C. C. attempts to exercise its rate powers in an effort to see that all forms of transportation receive a fair share of the available traffic.

The rates actually charged by the contract carriers are not published and the exempt carriers who are subject to no rate regulation are in a position to price

Continued on page 56

Equity Capital for Truck Lines

By JAMES W. SHOEMAKER*
Partner, Schwabacher & Co., San Francisco

Noting that expenditures for trucking account for 7.5% of G.N.P. and that the proportion is expected to increase about 50% in the next 20 years, Mr. Shoemaker advises the highly individual owned trucking industry to consider seriously the public equity market for its capital needs. Refers to these considerations: (1) threat of inheritance taxes; (2) value of detached, skilled appraisal; (3) useful media for expansion; and (4) helping the firm meet competition. Illustrates steps that must be taken to undergo underwriting and placing a stock issue on the market.

As many of you know, Moody's is a statistical publishing company. Among its many manuals is one on Transportation. This volume contains over 1,500 pages. Of these 1,500 only 8 pages are devoted to 14 companies in the motor carrier industry. Since this manual was published, two or three other companies have come to market so there may be 16 or 17 now. These are the only companies with stock outstanding in public hands. The number of companies with publicly held shares is, of course, no measure of the importance of your industry. Rather, it is a measure of the reluctance of this segment of transportation to utilize public markets and the channels of public investment.


James W. Shoemaker

In a recent article in the "Harvard Business Review," Mr. Robert Weaver, Jr. sums up the reasons small business — and these apply to many not so small as well —fail to utilize the public securities markets. Among these are:

(1) Many business men do not have a clear picture of the specific advantages of public financing.

(2) They do not know how to go about getting such financing.

(3) They feel they will lose control of their business.

(4) They do not know where their appeal to the investor lies.

(5) They misunderstand the role of the underwriter and are distressed by his seemingly high fee.

(6) They are overawed by SEC regulations—in your case SEC and ICC regulations.

In our discussion we will try to clarify some of these points.

"Why should I go to the public for funds?" a proprietor asks. "I built this business from a second-hand truck to an interstate system. I borrowed and I ploughed back my earnings. I can keep on borrowing and ploughing back—I don't need outside help." Well, can you? This company probably started in the 30s. Since then the needs of the business have enlarged and taxes have taken a heavier share of earnings. The plough-back "ain't what it used to be." And speaking of taxes, they have a personal application as well.

Inheritance Taxes

The chances are this truck company may have a net worth of several millions and so the rugged individualist who owns it is a millionaire on paper. In the event of his death, however, his company and his family could be hard pressed to raise the cash needed to pay the inheritance taxes on this **papier-mache** estate. The Internal Revenue Department so far fails to recognize re-incarnation. It took Bridey Murphy 150 years to turn up—and when she did she was in Denver, well out of Irish jurisdiction. The government won't wait a 150 years to discover you re-established in Red China.

Now in the valuation of your estate the government is going to be polite but arbitrary and it will probably come up with a figure your heirs will dispute. I valued a closely held security for an estate at 50 cents on the dollar a few years ago. After two ponderous years the government says its worth the full dollar. The government is arbitrary, determined, and has the last compelling word—even with individualists—alive or deceased.

As a consequence, your estate is assessed so much and after a lengthy trip through the Tax Court your heirs find that they have to pay a very substantial sum in inheritance taxes. What are their assets? Some insurance, some cash, some real estate but primarily the stock of a company with no public market. Their problem is to convert some of this stock into cash, but how? No informed investor will buy a minority position and an unmarketable one even at a bargain price.

So what happens . . . the company goes into debt or the family goes into debt and the company or the family, or both, buy shares from the estate and so raise the required cash to pay the tax. I know several instances where another death of a major stockholder in a closely held corporation will create a terrific problem for the heirs and for the company. Both have about exhausted their credit in buying shares and paying inheritance taxes.

There's not much option in inheritance taxes. You have 15 months after death in which to pay up and that's it.

So failure to establish a market **now** may lead to a forced sale at whatever the market might bring during that 15 months of grace after death. While the owner is alive he can choose the time to sell a portion of his stock. That time may be today or tomorrow or the next day . . . the moment that appears most opportune. He can establish a public market for the shares either through sale of some of his own stock or new stock to provide new capital for the enterprise, or a combination of private sale and company financing. The source of the shares is not too important. The essential point is that this company now has shares outstanding in the public markets, shares that are quoted daily so there can be no question of value. A block of stock can be sold with no great cost or difficulty. That's one reason for seeking public capital for your business.

Investment Diversity

Another reason is simple common sense diversity of investment —getting some money out of this concentration of wealth and putting that money to work in other productive channels. The old adages "an anchor to winward," "don't put all of your eggs in one basket," etc., are still valid. A few months ago the Ford Foundation sold some Ford stock — $640 million worth—for this very reason. One business can go bad, can be badly depressed, but representation in many businesses through stock ownership, if it does not eliminate, at least softens that hazard.

A third, and in this industry the most important, reason for using the public equity markets is that through the medium of public stockholders you can open wide the avenues for expansion.

Business Expansion

One way in which business expands is through purchase, merger or amalgamation. A marketable stock gives an effective tool for this procedure. No business can stand still—particularly a truck line . . . it becomes larger or it loses the competitive race.

As you know, under present law, where the stock of one company is exchanged for that of another and 80% or more of the stock is acquired, the exchange of securities is non-taxable. Now it is unlikely that any seller will exchange the closely held unmarketable stock of his own company for the closely held unmarketable stock of the acquiring company.

But suppose the stock of the acquiring company has a broad public market . . . the value of the shares can be easily determined every day either on one of the great stock exchanges or in the even greater Over - the - Counter Market. Suppose this stock has a fine past record and a promising future . . . then you have a desirable security to offer in exchange for the unmarketable closely held stock.

I have talked a good deal about why the public should be allowed to participate in your industry. Now let's discuss how you go about securing public participation . . . how you sell your stock to the public. You do that best through an investment banker. Your first job is to select that investment banker.

Underwriting

Now the selection of your investment banker is a highly important decision. You can't go shopping. Your decision should be made before you approach anyone and your choice is going to be somewhat limited. I say limited because just as you have contract haulers, exempt carriers, common carriers, passenger carriers, and so on—we in the investment business have firms that specialize in tax exempt securities, in brokerage, in underwriting at wholesale, in retail sales or a combination of these functions. There are firms that are allergic to securities that relate to any form of transportation . . . railroads, airlines, bus lines, truck lines . . . the one exception might be pipe lines. On these industries the stifling hand of bureaucratic regulation falls hardest, so some investment bankers simply refuse to consider the stocks of industries attractive whose every move is permissive.

Then, too, there are firms that won't undertake the underwriting of issues under a certain minimum size, say a million dollars, so this factor again limits your selection. But **there are** investment banking houses that sell the stocks of trucking companies and **there are** houses that do relatively small financing jobs — a few hundred thousand dollars—as well as those who do only larger deals. Select the one that fits your need. You are likely to find such a firm in your home community or in the region served by your lines. Your own backyard offers the best market for your securities—that's where your trucks are seen, where you and your company are known —we hope favorably.

Make your selection of an investment banker with the same care that you choose a personal physician. Get the most capable, able, reputable, bankers available to you. Study your problem. Consult with your commercial bankers, your lawyers, your accountants. Investigate **before** you approach your investment banker and once you approach him, stay with him. Above all, don't shop your deal . . . it quickly becomes thin and shoddy merchandise no one will touch.

Remember that in the selection of your investment banker you are entering on an intimate financial relationship . . . one that may last a lifetime or several lifetimes. It is a little like choosing a wife, except that sentiment has no place in this choice.

The function of the investment banker is simple—he performs the service that a merchant performs, i.e., he buys at wholesale from the issuer and he sells at retail to the public. He collects the bits of capital — the excess funds — the savings that the public accumulates and through the instrument of bonds and stocks, the investment banker puts that money to work in building a new school house, construction and equipment of a new factory, buying new trucks or new terminals for a trucking company, needed working capital for an expanding business. A friend of mine used to make a speech called, "Fitting Overalls to Dollars" and that's a rather descriptive title for the work of the investment banker.

Underwriting Function

This purchase of an issuer's securities and their re-sale to the public is the "Underwriting Function." This is a term we have borrowed from the Insurance Field and means a sharing of the risk. A committee of the House of Commons in 1825 defined insurance underwriting as . . . "Whenever there is a contingency the cheapest way of providing against it is by uniting with others, so that each man may subject himself to a small deprivation in order that no man may be subjected to a great loss." And that is what we do when we underwrite an issue—we and our partners in the deal assume the risk that the stock or bonds can be resold.

I said the "purchase of an issuer's securities" and that is an exact description. You, as the issuer, and we as the investment banker, agree on the price, the details of an issue of bonds or stock. You issue these securities and we buy them . . . the whole lot . . . and we give you our check for the securities. Your money is assured. We then own these bonds or stocks and to get our money out and to make a profit, which is as important to us as it is to you, we resell the issue at a marked-up price to the public. If we have made a poor appraisal of the worth of your issue, if the market goes against us after purchase, we either lock up the deal or we mark it down to a level where it can be sold . . . where it will be attractive to purchasers. Most firms cannot afford or will not lock up a deal—if they make a bad mistake in judgment or events change the market pattern so drastically that the issue becomes unmarketable, they simply take their loss and go on to the next deal.

Investment bankers, like insurance men, spread the risk of an underwriting. If the issue is at all sizable, we take in other houses as partners, each of whom will bank a definite portion of the deal. These are all underwriters. One house, usually but not necessarily the originating banker, heads the group and attends to all the details of the underwriting.

The mechanics of the sale of securities are interesting but what concerns you most is how do **I** go to market with **my** issue?

Let's say you have selected your investment banker and you go to him with your financial problem . . . the sale of stock in your company.

Before you go to all of this trouble you should do a little soul searching on your own account. Remember that the investment banker is first going to risk his own money and his reputation and second, he is going to ask his customers to put **their** money into **your** enterprise. The customer is the final repository and if anything goes wrong, the banker has lost a customer.

Cold Detachment

So the investment banker approaches your problem sympathetically, courteously, but with cold detachment.

In my Senior Partner's office there used to hang the mounted head of a marlin. For years we made decisions under that fish head, with a cold gray glass eye fixing us with an unemotional gaze. In a sense that fish eye was symbolic of the consideration we gave or should have given our investment banking problems.

Now the investment banker, like any merchant, seeks attractive merchandise. He looks for stocks which will give his customers a reasonable income or will grow in value, or both. There are plenty of securities in the market today that will do that, and this new stock you propose to sell is in competition with all of these. In other words, you must be prepared to give value . . . and good value for the money, you expect to receive.

A man came into our office one time and he had a business for sale. A cursory check of the figures and a telephone call confirmed the absurdity of the price he asked. The operating ratio was high, the saftey record poor, the equipment was poorly maintained. We mailed back the elaborate brochure. Handsome photographs and tooled leather can't obscure poor performance. Your investment banker knows values for unless he does, he won't be an investment banker very long.

Now I have all the sympathy in the world for the man who hon-

*An address by Mr. Shoemaker before the 1956 Spring Meeting of the National Accounting and Finance Council of the American Trucking Association, Washington, D. C., May 25, 1956.

estly and proudly thinks the business he founded and built is worth more than the market thinks it is. Usually this is a case of unfamiliarity with market values. If you are in the trucking business or the chemical business, or the department store business, you are likely to be ignorant about the market for stocks, so the sentimental value of your business has little relation to its real worth to others. Its a little like the appraisal we put on our children. To us they are the best, the finest, ever born. Their teachers may rightly take a more realistic view, but that doesn't alter our own biased ideas.

Then, too, there is the matter of hidden values . . . property bought long ago that cost little and is now worth a great deal. Unless there is some most unusual circumstance, book values in any company are not too important to the public shareholder. All old large corporations have hidden values. Book values have little or nothing to do with price. The stability and growth potential of earnings and dividends are the real price determinants. Brick and mortar, machinery and rolling stock that doesn't earn its keep is worth only salvage value to the investor.

So when you come to market with your securities, be prepared to accept the market appraisal. You can't get more than that.

Your investment banker is careful and conscientious. He will investigate you thoroughly before he indicates an interest in proceeding with your underwriting . . . much less sign a contract with you.

Information about you and about your company, about any company, is plentiful and abundant. A few intelligently placed telephone calls can tell an investment banker whether or not this business you offer him is worth exploring further.

The banker and his partners are trying to answer questions such as these: "Is this a sound piece of business?" "Is it one to which we wish to lend our name?" "Is it one we can sell to our customers with confidence?" and "Is it likely to be attractive to them?"

Research Staff

Assuming these questions or most of them are answered in the affirmative, the banker goes to work. His staff will first make some study of your industry and unless they are familiar with the trucking industry, its size and vigorous growth will amaze them. The staff will report that the expenditures for trucking and activities related to trucking account for about 7.5% of Gross National Product and that this proportion is expected to increase to over 10% in the next 20 years. They will find that the trucker's share of total freight rose from 5% in 1944 to 20% last year. All of you are familiar with these impressive facts and others that delineate the history of your industry's development.

However, our researchers will find other facts that are disturbing. He will see that as an industry your operating ratio declined steadily from its 1945 peak to 1948—then with one exception grew steadily until in 1954 it stood at 96.5%. Last year this ratio declined to 96.2% but still well above 1948's 93.4%. He will note that despite a doubling in gross revenues your net income after taxes was less in 1955 than in 1948. He will have to take into account the ever present possibility of substantial tax increases for highway use, the pressure for granting ICC permits more liberally, and many other factors that affect you individually and collectively.

So much for the industry. That is background for the study of your particular company.

Data Compared

Now we get down to cases, a comparison of your figures with those companies whose securities are publicly outstanding . . . Interstate, Consolidated Freightways, Pacific Intermountain, McLean, Associated, and others. The staff will want to see how your equipment maintenance expense compares with that of these other companies and the industry, how do you compare on transportation expense, terminal expense, sales tariff and advertising expense, insurance and safety, depreciation and amortization, operating taxes and licenses? In other words, how well do you maintain your equipment, how efficient are you as an operator? Have you shown imagination and ingenuity in your operations — comparable, say, to PIE's pioneering economies. Have your earnings been stable? Can you pay a dividend regularly? If so, how much and will the earnings and dividend increase in time?

A part of this comparison is a study of various price ratios of the stocks of those companies with outstanding shares . . . the ratio of price to current earnings, to five or 10 year average earnings, to book value, to dividend return . . . all these comparative factors, these yardsticks, are going to determine the price you can expect to get for your stock, for your stock is going to be marketed in competition with these shares that have found their level in the public markets.

Unless there is some very singular feature that can be dramatized for the investor, something that appeals to his imagination and promises some future large profit, don't expect to get more than the going market. In fact, expect to get a little less, because to be successful your stock must be a bit of a bargain—a real value. Someone once defined value as "a moment of equilibrium in a sea of opposing forces." The investment banker must capture that moment of equilibrium for that is the price at which he thinks your stock can be sold. He can do this partly through mathematical comparisons, and perhaps more importantly through the exercise of his own experienced judgment.

Capital Structure

In his study of your company, the investment banker may suggest some rearrangement of your capital structure. Closely held companies usually have relatively few shares outstanding. They start that way and they are likely to continue that way. In all probability the stock will have to be split to be attractive to the public. The generally popular price range is $10 to $20 per share. In this range investors can perhaps buy 100 shares with the same money that 10 shares would cost at the higher price. More Fords are sold than Continental Mark IIs. You are selling your stock to the public and in order to do that you must make the package and the price attractive. So the investment banker will figure about what he thinks he can get for your shares and then he will ask you to split your stock into the number of shares needed to bring it into this price range.

At your second meeting, the banker is likely to say to you: "We think we can sell this stock. If we were to go to market today it would net you $10 a share. I can't tell you what it will bring when we go to market three months hence but barring anything unforeseen, I think you can count on somewhere around the $10 price, it might be $9, it might be $11 . . . that depends on the market."

We have settled that a deal can be made. You are satisfied, or reasonably so, with the price level you can expect. The banker is satisfied he can market your shares around a certain market level.

Other Services Performed

Now we go to work — **at your expense**—for you will pay the cost of the audits, your legal fees, and the circular printing costs. On any size deal, and I mean by this around a million dollars or more, these cost will run in the neighborhood of $35,000 to $50,000. They may be more or they may be less, dependent on the size of the deal, the condition of your books, etc. If you use one of the well known firms of accountants or if you use some local firm equally well known in the community where you expect to market the stock, your problem will be simplified. If you employ an obscure firm, you may have a problem. Remember that you are asking investors to put their savings into your company and these investors have a right to be assured that the figures you give them—the audited statement of earnings, the balance sheet—**are independent** products of a competent unbiased firm. Independent audits are costly. We required one once for a company we were financing and the audit cost them $20,000, but the auditors did turn up a claim for a tax refund of $90,000, so maybe it wasn't such a bad deal after all.

I don't want to give the impression here that I disparage the small C. P. A. firm. It can be just as competent, maybe more so, than a group of big name juniors, but we are preparing a piece of merchandise for market and good business demands that we make it attractive. One way to do that is through the use of familiar names. Of course, if your firm—Joe Digit & Co., is well known and highly respected in your community, use him. We just don't want any facts and figures in your circular questioned. You must remember that the responsibility for disclosure is largely yours and partly ours and both you and I rely on our accountants and our lawyers.

The same is true of the attorneys you use. You will save time and money in the preparation of your application and your circular if you use a law firm that is familiar with corporate practice—one that is accustomed to practice before the ICC or if that isn't possible, before the SEC. The reason I say, if possible, is that many fine corporate lawyers who have broad experience in the preparation of registration statements for the SEC have never had occasion to see an Interstate Commerce Commission application through the mill.

I mention these points since many corporations start with a good enough accountant and a good enough lawyer for a small little business but the business grows, its affairs become more complex, its problems multiply, and the company outstrips the experience and the abilities of its legal counsel and its accountant. They are good general practitioners but they don't specialize and in this operation you need a specialist—a good obstetrician.

I know of one company, a closely held company and a good sized company at that, that has never been audited by a C. P. A. They started with a public accountant and he still does the books.

Loyalty is an excellent quality but when we invite the public to participate in our business, we cannot afford the risks of omission or error in the discharge of the liabilities you as an issuer assume or that we as underwriters assume. Keep in mind that you and ourselves are subject to certain sections of the Securities Acts although the offering itself is exempt.

Printing costs represent another substantial cost and here again you should employ a specialist in this field—one of the firms accustomed to printing registration statements, prospectuses or circulars. The investment banker will send copies of this circular to all who purchase your stock. The cost will be on a par with your legal and accounting fees.

The preparation of this circular is quite a task. In it you bare your corporate soul—if a soulless corporation can be so blessed. Here you accurately and dispassionately describe your property, your operations, your routes, your franchises, your competition, your principal shareholders, the salaries of the principal officers, their bonuses, retirement plans, insurance, labor relations contracts—particularly those with officers or larger shareholders . . . all the pertinent facts, good or bad, which can give a true picture of your company and its operation.

Keep in mind that while the ICC does not require the use of an offering circular, some such document may be required under State Blue Sky Laws. Furthermore, investment houses which undertake to offer carrier securities publicly prefer to use a written form of prospectus or offering circular.

Form S1

There is no required form these circulars must take, but I think you will find that most investment houses will follow the SEC registration and prospectus Form S1.

It must be remembered that while offering circulars are not subject to the registration and prospectus provisions of the Securities Act of 1933, these documents are subject to the fraud and misrepresentation provision of Sections 12 (2) and 17 of that Act and are also subject to Rule X-10B-5. Among other things, these statutory and regulatory provisions provide for civil liability and criminal penalties in cases where the offering circular omits material facts. Consequently, it is necessary to follow the SEC rules as they relate to the content of prospectuses so as to avoid omission or failure to make adequate disclosure of material facts.

The Securities Act of 1933 is a disclosure statute and it is the duty of the Securities and Exchange Commission to require an issuer to set out the facts so that an investor can make an informed decision. Unlike the Interstate Commerce Commission, the SEC is not concerned with the purposes for which the company will use the proceeds of the issue—so long as such purposes are adequately disclosed in its registration statement.

The ICC is intensely interested in the purposes for which securities are issued for the Commission can only authorize such issuance for the purposes set forth in Section 20a of the Interstate Commerce Act. This creates a rigid statutory pattern that compels the ICC to be **primarily** concerned with the purposes for which a carrier is issuing securities, and the effect of such issuance on the carrier's ability to perform its functions.

Now your attorneys and the investment banker's attorneys draft and re-draft these documents. Yes, the investment banker has his own attorneys—and the banker pays this one. Some years

Continued on page 20

Continued from page 19

Equity Capital for Truck Lines

ago the issuer paid the banker's attorney's fee as well as his own. Unfortunately, that pleasant custom has changed.

All this means sweat and travail —and believe me, it's just that. On a final draft a few weeks ago 11 of us met in a lawyer's office—4 lawyers, 3 accountants, 2 company officials, 2 investment bankers . . . we worked until 9 o'clock making revisions the SEC requested in their deficiency letter. Pages and pages of revised documents were sent to the printer that night. We had proofs the next morning. A company officer took a plane to Washington that afternoon and the final document was filed the next day. We offered the issue on schedule.

And so we are ready to go to market. A price to you and a price to the public has been set. There is a difference of 10% to 15% between these two prices. This difference or spread is the investment banker's gross profit. From this he pays his salesmen who are all too likely to measure the investment merit of any security by the gross commission paid to them, he gives concessions to other dealers, pays advertising costs, all the expenses of the deal. What is left is his profit. Issuers frequently question the size of the profit, but keep in mind this is essentially an underwriting operation. Your money is assured . . . the Underwriter's is not until he has sold his stock.

Whose Underwriting Cost?

Issuers often consider the Underwriter's spread as a cost. I don't think it should be so considered. The Underwriter's deal is with you . . . you and he negotiate a price for your shares—a wholesale price for the entire issue—and you are paid on that basis. Like any merchant, the Underwriter marks up the merchandise he has purchased and sells it at retail—the cost is his, not yours.

Now your stock has been sold. You have a thousand new shareholders — new partners in your business, helpful partners, and you may have a new Director on your Board — the investment banker or his representative. Furthermore, you have a new interest in life—the price of your shares in the Over-the-Counter Market.

Sale of your stock to the public, creation of a market for these new shares does not end the work of the investment banker. I said earlier in this discussion that you should choose your banker carefully because this was a lifetime relationship. In a sense, the investment banker's work and responsibility really begin when the first offering is completed.

Now he must maintain a bid for your shares—continue to sell the shares to his customers and to other dealers . . . he must try to interest other securities dealers in your stock—the more interest he stimulates outside his own organization, the better the market for your shares. You, the issuer, can help in your treatment of new shareholders, in alert public relations, in your readiness to give any proper information about your company, good or bad.

The investment banker on your Board can be helpful in all of these matters and you will find that his firm's wide range of interests is likely to help your business as well in many ways. Knowing the more intimate details of your business means that his advice on future financing can be more intelligent. He will be well worth the Director's fee, I hope, you pay him.

This, then, is investment banking and the role the investment banker can play in supplying equity capital — or perhaps long-term borrowed capital—to your company.

As the small units of your industry merge to become larger corporations and as these companies in turn grow and prosper, the trucking industry's acquaintance with the investment banking profession is going to become more and more intimate. If you choose your investment banker well you will gain wise counsel, and a useful friend.

Fred Vogell Enters Real Estate Business

Frederick Vogell

DOYLESTOWN, Pa.—Frederick W. Vogell has become associated with Wynne James, Jr. of Doylestown in his real estate business. Mr. Vogell was formerly in the investment business in New York City for many years, most recently with Globe Securities Corp.

Joins Samuel Franklin Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert A. Morefield has joined the staff of Samuel B. Franklin & Company, 215 West Seventh Street.

With King Merritt

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — John R. Coffey has joined the staff of King Merritt & Company, Inc., 1151 South Broadway.

With Wagenseller Durst

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Ray D. Sinatra, Jr. is now with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange.

With Francis I. du Pont

(Special to The Financial Chronicle)

PASADENA, Calif. — Orville G. Gryte has become connected with Francis I du Pont & Co., 723 East Green Street. He was formerly with Hill Richards & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

The handling of this year's foreign aid bill is a good example of how politics is played in Washington, particularly in an election year.

Carlisle Bargeron

Men and political parties are looking for issues, points of conflicts with which to face their opponents. You can't just go out on the hustings and say you are as good as your opponent, believe the same things he believes. You've got to be different even if it means shifting back and forth.

This is certainly what has happened on the foreign aid bill. It was only a few months ago that the Administration was under fire for stinginess on foreign aid. It was worshipping the dollar at the risk of alienating our dear friends abroad and jeopardizing our national existence in the cold war.

I reported at the time about an experience the foreign aid administrator, John B. Hollister, had with a group of international journalists. He had just returned from an extensive tour of our foreign aid facilities and it was well known that he hoped to effect some reductions in spending. His fellow Ohioan, Secretary of the Treasury Humphrey, was all for him.

At the time the Russians were on a spree of promising and the journalists practically demanded that Hollister give them a headline such as "U. S. is to step up its foreign aid program to meet Russian threat."

I came away from the meeting convinced that Hollister had held his own and would not be deterred in his determination to cut the aid program down. But a tremendous roar broke out from the Democrats in Congress. Dollar-mindedness over national security was naturally to be expected from a big business cabinet, it was charged.

Then lo and behold when the Administration submits to Congress its request for foreign aid funds for the fiscal year beginning July 1, it turns out not to be a reduction at all but a tremendous increase over the appropriation for the current fiscal year. Its request totalled $4.9 billion as compared with $2.7 billion for the current year.

The situation in Congress turns completely around with the Democrats leading a fight to reduce the amount. In the House this has succeeded to the extent of $1.1 billion being lopped off the Administration's request, leaving $3.8 billion which, of course, is $1.1 billion more than the current fund. The House cut $1.1 billion from the Administration's request despite the feverish pleas of the Administration and both Republican and Democratic leaders that the reduction at least be held to $600,000,000. It seems that the Administration felt we could skim through the threat to our security with a reduction from its request of $500,000,000 but not one slightly more than twice that amount. You wonder what geniuses these men who get up these figures must be. What's a billion here or there among friends?

The Administration hopes to get some of the money restored in the Senate but there two very able men, Senators Byrd and Russell, are to make a determined effort to cut the funds back to the current $2.7 billion level.

Indeed, Senator Russell is toying with the idea of diverting the entire foreign aid money to the building of B-52 jet bombers. After President Eisenhower apparently succeeded in quieting a rebellion in the Pentagon over how the loot should be divided, he is now experiencing a flank attack from General Curtis E. LeMay, head of the Strategic Air Command. LeMay, is demanding that Congress give his command an additional $3.8 billion for the B-52 jets.

Connoisseurs of government spending should be able to get considerable mental exercise over the question of how to spend this $3.8 billion, give it to General LeMay for more B-52 jet bombers or use it for foreign aid. To a spender such as I, one who is for bigger and better spending, it doesn't make any difference, just so, for heaven's sake, we don't turn back from the spending progress that has already been made, more than $50 billion in foreign aid since World War II. To turn back would be retrogressive when it is a progressive people we want to be.

Walston Adds to Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Jack R. Krause has been added to the staff of Walston & Co., Inc., 550 South Spring Street.

Joins Dean Witter Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Melvin D. Gorshow is now affiliated with Dean Witter & Co., 632 South Spring Street.

With Mason Brothers

(Special to The Financial Chronicle)

SAN JOSE, Calif. — Gilbert F. Zehner is now connected with Mason Brothers, Bank of America Building.

Stephenson, Leydecker Add

(Special to The Financial Chronicle)

OAKLAND, Calif. — Roy L. Thomas is now with Stephenson, Leydecker & Co., 1404 Franklin Street.

Joins Fin. Investors

(Special to The Financial Chronicle)

SACRAMENTO, Calif. — Masao Tambara has joined the staff of Financial Investors Incorporated, 1716 Broadway.

Three With Kinnard Co.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Arthur R. Inman, Raymond W. Keller and John D. Newell are now with John G. Kinnard and Company, 133 South Seventh Street.

2 With Minneapolis Assoc.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Raymond I. Anton and Wesley H. Eggleston have become affiliated with Minneapolis Associates, Inc., Rand Tower.

With Smith, La Hue

(Special to The Financial Chronicle)

ST. PAUL, Minn. — Russell L. Douglas is now connected with Smith, La Hue & Co., Pioneer Building. He was formerly with Minneapolis Associates, Inc.

New Business Pattern Cited by Rukeyser

Citing substitutions of rolling readjustments for traditional cyclical depressions, prominent economic analyst urges prompt handling of individual problems. Noting continued high level of business activity, Mr. Rukeyser concludes further expansion depends on confidence.

The key to achieving long-term prosperity without intermediate smash-ups is to meet problems as they come up, rather than to try to duck or evade them.

Merryle S. Rukeyser

This view was expressed June 13 in the concluding address at the New York State Telephone Association, at Schroon Manor, N. Y., by Merryle Stanley Rukeyser, economist, nationally syndicated columnist, and well-known business consultant.

"A new pattern has emerged," Mr. Rukeyser, who is author of "Financial Security in a Changing World," declared, "since the close of the shooting phase of World War II. Instead of traditional cyclical depressions occurring simultaneously over the national economy as a whole, there has been a series of rolling readjustments, industry by industry. Right now, while business as a whole continues on a high plateau, there have been corrections in automobiles, farm implements, and textiles.

"These rolling readjustments refute the wishful thinking to the effect that we have found the recipe of non-stop booms. The myth that 'it ain't gonna' rain no more'—to use the title of a once popular song—is refuted by visible changes in specific industries. If, however, these past errors can be corrected promptly instead of accumulated, then the national economy as a whole remains healthy, and avoids the necessity for general liquidation. A better banking system, and social stabilizers, which mitigate the harshness of competition on economic casualties, cushion declines.

Need for Responsible Leadership

"But such gadgets should not becloud responsible leadership in industry, unions, and government of the principle that we set the course for our future by the decisions we now make. It is folly to assume that, willy nilly, we shall be affluent irrespective of our behavior and judgment. Our fate is not foreordained; it is within our control, but, in order to achieve the optimum, we should create circumstances and conditions making for prosperity. This means not only statesmanship in government, but also in other organizations, such as business corporations and labor unions.

"Right now when inflation seems to be under control as a result of an end to Federal budgetary deficits and as a result of independent Federal Reserve action in the credit field, the public should be aware of the inflation-breeding potentiality of pressure to advance wage rates more rapidly than productivity increases. Right now a new wage pattern is under discussion in the negotiations between the Big Three steel companies and the union. The decision reached will have far flung economic repercussions.

"In spite of shrinkage in volume in some industries, the overall national economy in the first half of 1956 has stayed on the high plateau achieved in the last quarter of 1955. Part of the strength stems from the long term confidence of corporate executives, who have stepped up their investment in new tools of production for the future. The political and social climate, which has ended the 20 year feud between business and the government, has added to this type of confidence. The hopes for better living standards depend on such investment not only in technological improvement in facilities, but also on research which will create new and better products. A static approach is inconsistent with the expectation of rising levels of material well-being."

Wilfred L. Goodwyn, Jr.

Wilfred L. Goodwyn, Jr., partner in Goodwyn & Olds, Washington, D. C., passed away June 8 at the age of 50.

Amalgamated Sec. Co.

Amalgamated Security Co. has been formed with offices at 80 Broad Street, New York City, to engage in a securities business. Partners are Jerome Lerner, Bertie Reiter and Samuel Lerner.

Clifford H. Hunter Opens

COEUR D'ALENE, Idaho—Clifford H. Hunter is engaging in a securities business from offices in the Henson Building.

Forms Plains Secs. Co.

AMARILLO, Tex. — Herbert Peek is engaging in a securities business from offices at 4215 West 14th Avenue under the firm name of Plains Securities Co.

Planned Inv. Co. Formed

FOREST HILLS, N. Y.—Norman A. Spector and Bernard C. Bernstein are engaging in a securities business under the firm name of Planned Investment Co. from offices at 100-10 67th Road.

No Devaluation of Sterling

By PAUL EINZIG

Prominent British Economist compares present devaluation scare with previous ones and concludes there is nothing at present to justify such an anticipation. Dr. Einzig fears, however, that there will continue to be a series of minor crises which will prevent Mr. Macmillan from really taking the necessary stringent anti-inflation action to forestall a slow but steady attrition of the economy.


Dr. Paul Einzig

LONDON, Eng.—A minor sterling devaluation scare developed on the Continent at the beginning of June, as a cause and effect of the weakness of sterling. The view gained ground in Zurich, Frankfort and other Continental foreign exchange markets that the Government would be unable to hold sterling in face of the adverse effect of a further rise in wages on the balance of payments. This wave of pessimism derived stimulus from recent public speeches by the Prime Minister and the Chancellor of the Exchequer, emphasizing the adverse consequences of further wages increases. Needless to say, these official warnings were made for domestic consumption. As is usually the case, however, they produced more effect abroad than at home.

There is nothing in the immediate technical situation that would justify the anticipation of a devaluation of sterling. Devaluation scares in recent years were preceeded by an outflow of gold. In the present instance there has been a moderate but steady inflow of gold in the past six months or so. Even though the gold reserve is far from adequate, it has been increasing gradually. Notwithstanding its recent depreciation sterling was still a shade above its dollar parity of $2.80, at a time when speculators were canvassing rumors of its prospective devaluation. As far as is known the Exchange Equalization Account has not supported sterling since December last. So the technical position does not in itself justify pessimism as far as the immediate future is concerned.

Against Fluctuating Exchange Rate

Mr. Macmillan is determined to maintain sterling at its present parity, notwithstanding any adverse pressure. Although his predecessor, Mr. Butler, was at one time flirting with the idea of widening the margins of permitted fluctuations around the parity, Mr. Macmillan has no such intentions. He realizes that to do so would serve no useful purpose, for an adverse pressure would bring the sterling dollar rate to its lower limit, no matter what the figure of that limit would be. So that the Exchange Equalization Account would lose gold in any case.

Admittedly, persistent speculative pressure on sterling would materially weaken its defenses. From this point of view the recent influx of foreign balances has become a source of potential weakness. These funds were returned to London towards the end of last year and early this year when their owners realized that the devaluation scare of last summer was unjustified. Unless the Government's policies inspired them with sufficient confidence they may withdraw their funds once more, which would mean a decline of the gold reserve, even if as the Chancellor believes, the balance of payments is now in equilibrium.

Devaluation No Remedy

Unless the Government succeeds in checking wages inflation British goods might become priced out of their overseas markets, in which case a devaluation might become necessary to adjust sterling to its changed purchasing power parities, and thereby to restore the competitive capacity of British exports. The Government is only too well aware, however, that such a remedy would be purely temporary. In existing conditions the rise in the prices of imported goods that would follow a devaluation would be succeeded, after a very brief interval, by a more than corresponding rise in wages. Before very long sterling would become once more overvalued compared with its purchasing power parities, and the devaluation would have to be repeated once more. The Government is determined to take a stand against devaluation precisely because it is aware that devaluation would not solve the problem except purely temporarily.

In a way a revival of the sterling scare to an extent to which it would reduce the gold reserve to danger level might facilitate Mr. Macmillan's task of dealing with domestic inflation. The moderate improvement that has taken place during the last six months is about the worst thing that could have happened from this point of view. The improvement has not been sufficient to make a fundamental difference, but is has been more than sufficient to make it politically and socially difficult for the Government to resort to drastic and unpopular remedies.

Had the outflow of gold continued during the last six months, the situation would be by now sufficiently grave to make it psychologically possible for the Government to resort to a really drastic credit squeeze. It would have become politically possible to deal with the problem of rent control and to discourage excessive demand for housing accommodation by raising rents to economic levels. This would make it possible for the Government to restrict house building, thereby reducing excessive pressure on labor, steel supplies, etc. It is now realized that the Government should have taken the opportunity of last year's sterling scare to deal with rent control. A revival of a major sterling scare would provide another opportunity.

Minor Crises Prevent Real Cure

What is to be feared is not a major crisis but a continued moderate but chronic crisis. Unless and until the danger of a depletion of the gold reserve and of an ensuring unemployment through a curtailment of raw material imports, becomes sufficiently absolute, British public opinion will not stand for the drastic remedies needed for putting the situation right. If each time the situation is just patched up and Britain carries on with a narrow safety margin, she will continue to be exposed to a series of minor crises none of which is sufficiently grave to arouse the nation but each one of which is sufficient to weaken further the national economy. It would be incomparably better to have a major crisis and get it over.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Frank W. Burr, Robert L. Cudd and Paul H. Ramsay have been appointed Vice-Presidents in the Trust Department of the **Chase Manhattan Bank of New York**, J. Stewart Baker, President, announced on June 7. Mr. Burr is in charge of the Estate Planning Division and Messrs. Cudd and Ramsay are in the Personal Trust and Estates Division. All have been associated with the Trust Department since they joined the bank's staff in 1929. Also in the Trust Department, James A. Fryatt, Frederick C. Miller, Henry W. Pfister and Horace Tomlinson have been promoted to Assistant Vice-Presidents and Edward S. Mangeot was appointed an Assistant Treasurer.

* * *

A stock dividend at the rate of one share for each five held has been declared by trustees of **The Hanover Bank of New York**, subject to approval of stockholders and the Superintendent of Banks. The dividend would be payable Aug. 31, to holders of Aug. 3. This will increase The Hanover's capital stock from $30 million to $36 million. A special meeting of stockholders will be held Aug. 1 to authorize the necessary amendment to the bank's charter. It is anticipated that after payment of the stock dividend the regular annual dividend of $2 per share will be continued on the larger capitalization. The bank's trustees also have declared a regular quarterly dividend of 50 cents per share, payable July 2, to holders of June 15.

* * *

Chemical Corn Exchange Bank of New York, has elected Thomas A. Boyd to its Grand Central Area Advisory Board, it was announced on June 12, by Harold H. Helm, Chairman. Mr. Boyd is Senior Vice-President and director of General Telephone Corporation. He is a director also of General Telephone Corp. of Indiana; General Telephone Service Corp.; General Telephone Directory, etc.

* * *

The Castle Hill Office of **The First National City Bank of New York**, moved into new quarters on June 11, at 1265 Castle Hill Avenue near Westchester Avenue. The new quarters will have four times as much space as the former quarters diagonally across the street. Robert W. Hertzel is Manager of the office, a position he has held for the past four years. Harold G. Wilkinson is Assistant Manager.

* * *

Following a meeting of the Board of Directors of **The New York Trust Company** on June 12 Adrian M. Massie, Chairman of the Board, and Hulbert S. Aldrich, President, announced the following promotions: Walter H. Brown and Myron B. Griswold, Assistant Vice-Presidents were appointed Vice-Presidents; Ramsey E. Joslin was appointed an Assistant Treasurer; Lester D. Kurth and Alexander B. Warrick were appointed Assistant Trust Officers.

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Irving Trust Company of New York, has named William E. Petersen to head its Branch Office Division. He was formerly Vice-President in charge of Irving's Empire State Office. Mr. Petersen has been associated with Irving Trust Company since 1928.

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The appointment of Herbert H. Ruess as Assistant Treasurer of the **Federation Bank and Trust Company of New York**, was announced on June 11 by Thomas J. Shanahan, President. Prior to joining Federation Bank last year, Mr. Ruess was a member of the Credit Department of the **Federal Reserve Bank of New York** and from 1946 to 1950 was Credit Manager of the **Trust Company of North America.**

* * *

Announcement is made as of June 12 by the **Excelsior Savings Bank of New York** that Francis S. Bancroft was elected Chairman of the Board of Trustees and Willard F. Place elected President both effective as of July 1. In addition to these changes, the Board of Trustees at its meeting on June 11 elected John P. Billhardt Executive Vice-President to succeed Mr. Place, E. Ames Bleda, Vice-President and Treasurer, and Margaret M. Reilly, Secretary. Mr. Bancroft, for many years a partner in the real estate concern of Pease & Elliman, entered the service of the bank in 1945 and since May, 1949 has been its President. During his tenure as President the bank's assets increased from $98,000,000 to $160,000,000, and deposits from $87,500,000 to $143,000,000. Mr. Place, formerly Vice-President, joined the bank on Sept. 1 last year as Executive Vice-President. Mr. Billhardt, who succeeds Mr. Place as Executive Vice-President, was formerly with the Title Guarantee & Trust Co.; he came with the bank in 1950 and has been Vice-President-Treasurer.

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William H. Burkhart, President of Lever Brothers Co., has been elected a member of the Board of Trustees of the **Harlem Savings Bank of New York**, according to an announcement by Glover Beardsley, President of the bank. Mr. Burkhart is also a director and member of the Executive Committee of Lever Brothers Co. and is associated in an official capacity with various other concerns, his affiliations including membership on the Board of Trustees of the Citizens Budget Commission, New York and he is likewise a member of the Board of Directors, Fifth Avenue Association, New York.

* * *

Edward Allen, Assistant Manager of the **Cortlandt Street Office** of the **East River Savings Bank, New York,** died suddenly on June 13, on the campus of Rutgers University, New Brunswick, N. J., where he was attending the Graduate School of Banking conducted by the American Bankers Association. He was 51 years old. A resident of Long Island, Mr. Allen had been with East River since October, 1926 and was a member of the Quarter Century Club. He was a graduate of the American Institute of Banking and had been enrolled in the Graduate School of Banking since the summer of 1955. He would have graduated in 1957.

* * *

A special meeting of the shareholders of the **Franklin National Bank of Franklin Square, Long Island, N. Y.,** will be held on June 26, to vote on the payment of a combined special and regular stock dividend payable to shareholders of record on the date of the meeting (June 26), according to an announcement by Arthur T. Roth, President. The dividend will amount to 550,400 shares which is equivalent to 28.23% of the outstanding capital stock. It will be issued at the rate of 688 shares for each 2,437 shares held. Stock certificates representing this dividend payment will be distributed on July 16. Mr. Roth indicated that earnings in the first six months of 1956 will exceed those of the similar period last year. He further stated that the combined special and regular stock dividend also represents a capitalization of the premium on the sale of new bank stock which took place in January of this year. References thereto appeared in these columns Feb. 2, page 639 and Feb. 23, page 956.

* * *

William J. Wallace, Jr. has been advanced to Assistant Vice-President at **The Franklin National Bank, Franklin Square, N. Y.,** according to President Arthur T. Roth. Formerly Assistant Cashier in the Branch Loan Development and Administration Department, Mr. Wallace will soon assume new duties as Manager of the South Shore office, Rockville Centre, in anticipation of the retirement of Frank W. Breitbach, Vice-President, which was announced simultaneously. Mr. Wallace joined Franklin National from the **Chemical Corn Exchange Bank, New York,** in 1955.

* * *

Under the charter of the **Suffern National Bank & Trust Company** and under the title **"Rockland National Bank of Suffern,"** a consolidation was effected on May 31 of the **Suffern National Bank & Trust Company of Suffern, N. Y.,** with common stock of $500,000, the **First National Bank & Trust Co. of Pearl River, N. Y.,** with common stock of $210,000 and the **Ramapo Trust Co. of Spring Valley, N. Y.,** with common stock of $300,000. At the effective date of the consolidation the U .S. Comptroller of the Currency announces the consolidated bank had a capital of $1,010,000, in 101,000 shares of common stock, par $10 each, surplus of $1,270,000 and undivided profits, including capital reserves of not less than $531,696.

* * *

The National State Bank of Newark, N. J., has announced promotion of Carmen R. De Santis to be Assistant Cashier in the Port Newark branch office and of Richard W. Hires to be Assistant Cashier in the Orange branch office, according to the Newark "Evening News" of June 4. Mr. De Santis, it is stated, has been with National State since 1950 and at its Port Newark office since 1953. Mr. Hires has been with the bank since 1951 and in the Orange office since January.

* * *

The offering at $41 a share of 202,800 new shares of capital stock (par $10 per share) was approved by the stockholders of the **First Pennsylvania Banking and Trust Company of Philadelphia** on May 28. The increase in the outstanding capital stock from 2,028,000 to 2,230,800 shares, will it is indicated realize approximately $9,000,000. The newly authorized stock is offered to stockholders on the basis of one new share for each 10 shares held as of May 28, with rights expiring June 22. A group of 31 investment banking firms headed by Drexel & Co., Merrill Lynch, Pierce, Fenner & Beane and Smith, Barney & Co. is underwriting the new issue. The trust company, which has 29 offices, is planning to open three additional offices.

* * *

Richard S. McKinley, a retired Vice-President of the **First Pennsylvania Banking & Trust Co. of Philadelphia** died on June 7, according to the "Philadelphia Inquirer," which states that he began his banking career with the **Bank of North America** in 1887. The "Inquirer" also said in part: "He was a former President of the old **Main Line Trust Co. of Ardmore,** and served on the Advisory Board of the Wayne Branch of the Pennsylvania Co. Mr. McKinley was 88 years of age at his death.

* * *

The Oil City National Bank of Oil City, Pa., reports a capital of $500,000 effective May 31, the amount having been increased from $300,000 by the sale of $200,000 of new stock.

* * *

Two Portsmouth, Va. professional and civic leaders have been elected members of the Portsmouth Board of **The Bank of Virginia of Richmond, Va.** They are Dr. Russell M. Cox and Herman M. Jones, President of Tyree-Jones Motor Corp. Election was by action of the bank's General Board of Directors at the regular June meeting held in Richmond on June 8. Dr. Cox graduated from the University of North Carolina and received a degree in medicine from the University of Pennsylvania. He held a postgraduate residency in pediatrics in Philadelphia and practiced in that city for two years. He has practiced in Portsmouth for 34 years. Dr. Cox serves on the Naval Advisory Council, Fifth Naval District, on the State Board of Medical Examiners, etc. In addition to being President of Tyree-Jones Motor Corp., Mr. Jones is Secretary and Treasurer of the Portsmouth Insurance and Investment Corporation. Mr. Jones is also Secretary-Treasurer of the Tidewater Development Council, and a member of the National Automoblie Dealers Association, etc.

* * *

The issuance of a charter on May 31 was announced by the Comptroller of the Currency at Washington for the **Montrose National Bank of Houston, Texas,** to be formed with a capital and surplus of $500,000 each. In the Primary Organization L. E. Cowling is indicated as President, with George R. Traylor as Cashier.

Population Projections to 1975

By DR. ROBERT W. BURGESS*
Director, Bureau of the Census

To provide businessmen as firm a picture as possible of future developments, Census Bureau head submits four projections of the nation's population in 1960, 1965, 1970, and 1975, and estimates that the percentage increase in the total population for the 20-year period, 1955 to 1975, would be 38, 34, 30, and 25%, respectively. Lists some of the factors accounting for birth rate rise and large net annual population gains, and suggests projections should be checked and reviewed regularly. Believes increasing strains on the economic front will cause reduction in the population rate of increase within a relatively few decades.

I am very glad to participate in this panel session on population problems, because I know, from nearly 30 years of experience with a manufacturing company that effective handling of business problems requires a working picture of probable future developments. One future development that is basic for the analysis of nearly every business problem is the gain in national population and associated changes in population distribution by locality, and by age groups. The Census Bureau has, as one of its duties, the task of analyzing this gain in population and preparing and publishing projections of national population and related factors. These projections, we believe, are proving helpful to many business enterprises and, if properly understood, can prove helpful to others.

Dr. Rob't W. Burgess

Past and Present Population

Before describing the basis of our projections which, of course, depend largely upon an analysis of past and present conditions, let me recall some of the key figures for recent growth of the United States population:

(1) In the decade between the Censuses of 1940 and 1950, total population increased by 19,000,000 as compared with an increase of 9,000,000 from 1930 to 1940; 17,000,000 from 1920 to 1930; 14,000,000 from 1910 to 1920; and 16,000,000 from 1900 to 1910.

(2) On a percentage basis, the increase from 1940 to 1950 was 14.5%, about double the 1930 to 1940 increase, but about the same as the 1910 to 1920 rate of increase and less than the rate of increase in the other decades since the establishment of the United States.

(3) Reliable statistics built up from births and deaths and net immigration, show that the increase in numbers 1950 to 1955 was 13,000,000, about 8½% of the 1950 population and that the gain in the 1940 to 1950 decade as compared with the previous decade was due mostly to a sharp increase in births in the second half of the decade.

(4) In words, the declining trend in the rate of growth of the United States population which was noted in 1940 flattened out at or a little before that time and a rising trend was established before 1950.

This important reversal of trend has aroused great interest and stimulated several lines of thought. In the first place, the question arises—can a reasonable projection be made as to what will happen to the total population in the next two or three decades? In the second place, what effect will these increases in population have on demand for business products and services, on education, on demand and supply of workers of all grades and on various social and economic problems? More broadly, should we view the consequences as an unquestionable advantage to the nation or as a matter of grave concern, or as a mixture of bane and blessing requiring careful analysis and intelligent action by government at all levels, by trade and industry, by families and individuals?

Before I state any figures in connection with our projections, I should like to discuss their logical basis and significance. I said a few minutes ago that businessmen need a picture of probable future developments, and I am now recommending the population projections we can offer, which are not claimed to be exactly such a picture. I agree that what is wanted is a firm forecast of the future, and that neither I nor anybody else can provide that. I am suggesting that our group of four projections is a useful first step or guide to underlie the forecasts a business executive must make. By a projection I mean a series of figures for the population in 1960, 1965, 1970 and 1975, computed on the basis of (1) the population classified by age and sex and recent Census Bureau estimates show it to have been at a recent date, and (2) a defined set of assumptions as to birth rates, death rates, and net immigration in each year up to 1975. These assumptions as to birth and death rates are based on an analysis of the record for the period 1938 to 1955 of the births per 1,000 women in each five year age group, and of the deaths of men and women of each age. The Census Bureau has exercised judgment as to what assumptions lead to projections that can reasonably constitute part of the basis for a forecast, but does not state which of the four projections is most likely. In fact, I understand from our experts that each of the four projections has particular appeal to one or more of them.

I should like to say that I personally put my oar into the

Continued on page 48

*An address by Dr. Burgess in a Panel on Population Problems at the 40th Anniversary Meeting of the National Industrial Conference Board, New York City.

Public Utility Securities

By OWEN ELY

Outlook for the Electric Utility Industry

The electric utility stocks made a creditable showing during the recent market "shakeout," declining less than 3% while industrials and rails dropped about 10%. It is true that the utilities had had their own individual decline during the month of April (attributed mainly to the rise in interest rates), with only a moderate recovery thereafter — nevertheless their failure to follow other groups down recently was encouraging. The modest improvement in the bond market has of course been helpful, and there has perhaps been some switching recently from cyclical industrial stocks into the more "defensive" utility shares.

Utilities are making an excellent showing with respect to earnings. In the month of March, 1956, the following gains were reported compared with the same month last year:

	%
Number of Customers	3
KWH Sales:	
Residental	12
Commercial	10
Industrial	17
Total	14
Revenues	10
Gross Income	11
Net Income	12
Balance for Common Stock	13

In addition to the $78 million earned for common stockholders in the month of March, actual cash earnings included an item of $9 million for "Deferred Federal Income Taxes." While most utilities do not carry this saving through to net income, nevertheless it represents cash available for re-investment in the property. However, it is usually segregated in the balance sheet and hence doesn't get into the rate base. Deferred taxes result from "accelerated amortization" of emergency facilities, and from accelerated depreciation under the 1954 tax code.

Due to the rise in interest rates, some holders of utility stocks may have feared that interest charges would increase so fast as to reduce common stock earnings. Certainly this is not the case. While gross electric utility plant increased nearly 8% during the year ended March, the amount of interest on long-term debt increased only 6% (interest on bank loans is not disclosed). While three or four companies paid somewhat higher rates on new bond issues during April and May, any increase in such costs was cut in half by Federal income taxes, and the net increase is a very minor factor in the **total** interest charges, which include many issues put out in earlier years. The reason why utility stocks are affected marketwise by rising interest rates is apparently their competition on a yield basis with preferred stocks and possibly second-grade bonds —i.e., investors who buy for yield only would naturally prefer senior securities with safer income if there is a narrow spread in yields.

The electric utilities reported good earnings despite somewhat higher prices for fuel. While electric output increased over 14%, fuel costs were up less than 12%. This differential may be explained in part by improved hydro output; March hydro was the highest monthly output on record, 13% over a year ago. But the estimated consumption of coal (or estimated coal equivalent of other fuels) in March was only 10% over last year. With increased efficiency due to new generating units only 0.94 pound of coal per kwh was consumed compared with 0.96 pound last year.

During World War II, due to the shortage of materials and manpower, very little new generating capacity was constructed. Hence, the average reserve in relation to peak load became too low, and a substantial part of the new plant installed since 1945 has been designed to bring the reserve up to a more normal level. Assuming median hydro conditions, the utilities now have a safety margin of nearly 19% over peak load, although this may decline to about 17% by the end of this year due to the comparatively light construction program. According to a forecast made in the 19th semi-annual EEI Electric Power Survey, there will again be a reserve of 19% in 1958 and evidentaly that is regarded as a normal level under present conditions. With adverse hydro conditions, the reserve would be only slightly lower.

Nowadays the electric utilities do less equity financing than in past years. This is partly due to the fact that many utilities have raised their equity ratios to 35-40% and are now content to merely maintain the ratio at that level. During the 1940's many of these companies emerged from holding company control with relatively low equity ratios — many of them around 25% — so that some postwar financing has been devoted to improving their ratios. Now equity financing need merely provide for its share of construction needs. The amount of total financing has also been reduced by the improved cash flow resulting from special tax savings referred to above.

During the postwar period many companies have also gradually raised their dividend payouts. The current payout averaged around 72% of earnings and there are indications that it may gradually go a little higher. During the past year the average dividend rate on the 30 electric utility stocks included in the Moody average has increased from $2.21 to $2.32, an increase of about 5%.

The outlook for continued growth of the electric utility industry remains excellent. In order to balance the rapidly growing summer air-conditioning load, utilities in the South are now turning to the heat pump which is a substantial winter and summer load builder. In the North some builders are now using ordinary "resistor" electric heating on a room-by-room basis. This eliminates the cost of furnace room, furnace, chimney, wall ducts, radiators, etc., and reduces original building costs. It is clean heat and quickly available. But it is competitive with other fuels only when electricity is obtainable in the upper rate brackets around one cent or one and a half cents.

In any event, with or without electric heating there are plenty of other gadgets such as laundry driers, color TV, etc., which will boost electric sales and maintain the electric utilities as our most consistent growth industry.

H. O. Peet Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Barrick W. Groom is now with H. O. Peet & Co., 23 West Tenth Street, members of the New York and Midwest Stock Exchanges.

Views of Five Brilliant Minds

By ROGER W. BABSON

Babson Park head relays views of five "brilliant minds" regarding Middle East oil, safest investment, communications, rearrangement of atoms, and "true wealth."

I meet many interesting people, especially when in Florida where, during the winter, brilliant minds gravitate. As I have just returned to Massachusetts, I wish to mention five such men.

Roger W. Babson

One of these men is an international oil expert who has just returned from Arabia. He states that a small area in the Far East contains more oil than all other sections of the world. He doesn't believe that World War III will happen during our lifetime; but if it does, the war will be for the control of this fabulous wealth of oil. He says: "Arabia is where the United Nations' Headquarters should be located!"

Another very interesting man, one of the nation's greatest "fundamental physicists," is interested only in studying atoms. He thinks that our banks, factories, and stores are mere "peanuts"; and that I should not waste time studying them. He talks of the marvelous possibilities from rearrangement of atoms so as to make anything cheaply—perhaps life itself—and the securing of free power from or through the air.

Archeologists Make You Think

Another interesting man is one who has just returned from excavating the great city of Carthage in Northern Africa. Here are found seven layers of cities, averaging some 75 feet, one below the other. All were once rich and powerful; all but the last have been destroyed. This man would not own any property in any vulnerable large city. He says: "The safest investment is a small, fertile, well-watered farm in the center of the United States." Based on all previous history, he foresees within 100 years a complete collapse of our "experiment with Democracy," to be followed by a Dictatorship and later a Monarchy.

My next choice is a famous parapsychologist from a leading university. He is studying the most advanced methods of psychic communication, including clairvoyance, telepathy, and other extrasensory powers. He hasn't much use for telephone wires or even present methods of broadcasting. To hear him talk, you would think we were still living in the "Stone Age," with little realization of our powers to think or communicate.

What Is Beauty?

My last visitor was a shabbily dressed man who had traveled over a 1,000 miles to discuss "Beauty," which to him included architecture, paintings, music, jewelry, and even perfume. "These," he said, "are the few things which we find in the oldest tombs of the wealthiest Egyptian Pharaohs." He believes these are the best investments today. To enjoy these things, he claims that they do not need to be heard, or seen, or touched; but that Beauty is something we enjoy through our thoughts and that, like gravity waves, it can penetrate any enclosure.

When I praised certain rich men like Andrew Mellon for buying famous paintings and establishing great art museums, he considered me very materialistic and frowned upon the thought that Beauty could be "purchased." His parting words were: "Read your Bible, especially the 12th chapter of Ecclesiastes and the 13th chapter of First Corinthians."

Looking Centuries Ahead

The actual Bible which I read was published in 1549 by my ancestor, Reverend John Rogers, who later was "burned at the stake" in London for **looking ahead.** Atfer reviewing these five visitors, I wonder if there may not be a time ahead of us when the possessing of something not now considered of value may be recognized as the only true wealth. The Old Testament Prophets may have had it in mind when they talked about "Jehovah"; Jesus, when He talked about "Love"; and the Early Church leaders when they wrote of the "Holy Spirit." Most religions now use these words in their creeds; but very few of their followers, including those of us who call ourselves "Christian," treat these unseen forces as wealth. This is not surprising, as it took our ancestors a million years to awake to the power of electricity! It is even possible that the atoms of the physicists may also be "peanuts." I don't know.

I am inclined to believe that too many of us are wasting our lives in things that do not really help to give us health, happiness, or power. Perhaps real wealth is something that cannot be touched, or seen, or even deposited in a bank or kept in a safe-deposit box. I do, however, forecast that the time will come when it will be recognized that wealth is not what nearly everyone now considers "wealth" to be.

Joins Lamson Bros.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Duane A. Jensen is with Lamson Bros. & Co., Stuart Building.

With Allen Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo. — Charles J. Johnson is now affiliated with Allen Investment Co., 1334 Pearl Street.

Joins Leo G. MacLaughlin

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Howard J. Davidson has become associated with Leo G. MacLaughlin Securities Company, 54 South Los Robles Avenue. Mr. Davidson has recently been with Reagan & Co., Inc.

Joins B. C. Morton Co.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — Carl M. Stelling has joined the staff of B. C. Morton & Co., Bank of America Building.

With Interstate Secs.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Thomas U. Crumpton III and Robert E. Griffin are now with Interstate Securities Corporation, Fulton National Bank Building.

What's On America's Mind?

By BOYD CAMPBELL*
Chairman of the Board
Chamber of Commerce of the United States

Mr. Campbell reviews the current issues and public questions raised in the course of his visit in the past year to 124 communities. Relates, among other things, the belief of most economic forecasters that balance of 1956 will be a better year than 1955; trusts economic problems will be answered upon economic principles and not political considerations; probes the real meaning of "let government get *out* of business"; finds paradoxical that all who favor the Hoover Commission recommendations are not as articulate and emphatic about them as the subject of taxes, and warns that emphasis of states' rights and not states' responsibilities invites Federal aid to education—since children cannot wait.

During the past 12 months I have had an experience that comes to few American businessmen. As the representative of a great federation of business organizations, I have been across the length and breadth of our national landscape. The distance was more than 120,000 miles. From Albany to Austin, from Poland Springs to Pasadena, and from Wichita to Williamsburg, I have met wonderful people . . . so many thousands of wonderful people.

Boyd Campbell

It has been a thrilling experience. No American could emerge from it without becoming a better American, or without acquiring a more perceptive knowledge of the real strength of our country, and of the character, the spirit and the purpose of our people.

In 124 communities, I visited with you and talked to you and thousands like you—singly and in groups. More importantly you talked to me. You talked about the current issues and public questions that affect the well-being of our beloved country. By **You,** I mean you in this room and your counterparts whom I met in 34 states.

And at this point I must say that I was impressed that the men and women of your dynamic industry occupy positions of civic leadership that are far out of proportion to your numerical strength.

The value of your efforts — contributed so freely, above and beyond the call of duty—has been immeasurable in the enrichment of American community life. More power to you!

Now back to you whom I met in your own bailiwicks—

By You, I mean Mr. and Mrs. Average American—God-fearing, home-loving, tax-paying community builders. Wherever I have met you, north or south, east or west, there was a striking similarity in your thinking. You spoke the same language. The accents may have varied, but the meaning did not. Your words were far more eloquent and your thoughts were far more significant than any that I could possible assemble. It seems, therefore, that instead of following my original intention and addressing you on the subject "What's Right With This Country," I should appear as a reporter—not as an orator—and that will be my role.

I shall undertake to tell you what you said—and from that effort derives the title to this report "What's On America's Mind?"

First of all you talked about business—as it was, and as you thought—or hoped—it would be. Last summer and fall, you looked forward to the turn of the year in anticipation that 1955—by national standards—would prove to be our finest business year—and it was. In planning for 1956, you were hopeful and confident. Now, here we are, with one-third of the year behind us, and most of our economic forecasters believe that 1956 — on balance — will be a better year than 1955.

You frequently raised the question about the **continuance** of good business. You recognized your own responsibilities for a stable and expanding economy, and you were making plans accordingly. You in the electric utility industry were always in the vanguard with plans for expansion—big plans, requiring big vision and big money. You also recognized that higher levels of business would depend, in large degree, on wise tax policies and sound fiscal policies of government.

While you did not spell it out in so many words, I am convinced that you share my opinion that our high level of prosperity is an almost perfect tribute to the workings of a free economy.

Furthermore, I think you will agree that there was never a more appropriate time to appraise the quality and scope of our economic stewardship. This appraisal should be a continuing process, and I firmly believe it is becoming so—not only to the advancement of our dynamic system of enterprise, but also to the betterment of all mankind.

You were concerned—and very genuinely so—about the plight of your friends, the farmers, your fellow businessmen in agriculture. You were troubled because agriculture was not sharing in the prevailing prosperity. You felt that the farm problem had been vastly complicated because politics had become so interwoven with it. If I am reporting your opinions correctly, you are convinced that the problem may get worse before its gets better.

You know, however, that the economic softness of agriculture cannot continue indefinitely without becoming a hazard to our national welfare. You have not claimed to know all the answers, but this you do know: any real answer must be based upon **economic principles** rather than **political considerations.**

There exists among the men of agriculture a tremendous fund of good sense, good judgment, good will, and economic understanding. When we add these priceless qualities to a high faith in the long-range future of farming, there will emerge a real solution to the farm problem—if—and this is a big if—political eager-beavers will take a vacation from relieving the farmer.

Then — taxes. Everywhere I went, you talked about taxes.

What did you say about taxes?

Surely you would not expect me to quote you exact language in this company! In essence, however, you said: "Taxes are too high." Maybe you've always said taxes were too high. I've never heard you say taxes were too low—or even just right.

A system of taxation that is based upon political expediency and puts a premium on "Tax angles" rather than upon good management, undermines your confidence in its equity, and without equity, no system of taxation is tolerable or enforceable.

I could drop the subject of taxes right there, but I would be closing on a negative note. The fact is that your thinking leaned very definitely toward the positive. You were worried not only about the tax burden itself, but about what our tax structure does to initiative, to venture capital and to opportunity. And that means that you are **for** a system of taxation that inspires initiative, magnetizes venture capital and broadens opportunity. You are thinking about tomorrow and what it holds for young people. There is nothing negative about that.

You expressed strong opinions about government in business. First, last and always, you are against the competition of government in economic areas where private capital is **able** an **anxious** to do the job. Instead of amplifying your opinions, however, I shall condense them into one emphatic, unequivocal statement:

You said: "Let government get **out** of business!"

Now that was a forthright statement for free enterprise. Probably we should leave it right there. . . . In good conscience, however, we must take a hard look at it.

What business do you want the government to get out of?

Do you want it to get out of business that is nearest to you and against which you are waging a losing competitive contest because of capital subsidies or tax subsidies—or both? Of course you do. You abhor the inequity and you proclaim your adherence to private enterprise as a matter of principle. But are you equally as vehement on government competition in areas that are not at your doorstep but in which the identical principle is involved—and probably on a much larger scale.

And suppose that you are a beneficiary of a government subsidy in business—a business competing with some one else, but not you—would you still want the government to get out of business?

With deference, I suggest that we could use much more economic understanding and much more consistency in this segment of "What's On America's Mind?"

What about atomic energy?

You didn't talk much about it. The subject is still vastly mysterious—but you are learning. Your imagination has been challenged. You wonder if man has attained the capacity to destroy himself without acquiring the discipline to restrain himself. You believe that the government should release its warehouse of nuclear secrets to private enterprise for continuous research and development for medical and industrial use. There should be no strings attached except those that are absolutely vital to national defense.

You are not concerned with the "give-away" cry of the demagogue and the left-wingers. You are concerned with making the most of our vast investment in nuclear research and you know it will be expedited in the great research laboratories and industrial establishments of American private enterprise.

Repeatedly you brought up the topic of social security. You approved the principle but you were amazed at its complexity and alarmed at its implication.

Because the Social Security program is full of heart appeal, it is also full of political allure. You recognized its attractions for the articulate and plausible — sometimes uninformed — and sometimes unprincipled office seekers who attempt to buy votes with your money by constantly raising the social security ante. Your deep concern was indicated by the number of times you posed the question: "How far can we go?" It is conceivable that the great humanitarian concept of providing basic security for our senior citizens and for widows and orphans could become an economic albatross about the neck of our body politic?

Hoover Commission

Now this leads us directly to the recommendations of the Hoover Commission. What did you say about those recommendations?

Not enough. Not nearly enough.

True, ninety-nine and forty-four one hundredths percent of you were for the recommendations of the Hoover Commission — which we usually call the Hoover Report—just to simplify the reference.

While you were emphatic and highly articulate on the subject of taxes, the **same emphasis** did **not** carry through on the Hoover Report. This is paradoxical—because the adoption of the Report would provide the tax relief which you so earnestly seek. Likewise, it would accomplish your vigorous demand that the Federal Government remove itself from competition with private business. Not only does the Hoover Report provide the means of bringing these long-sought objectives into reality—it proposes the modernization of our national government, which is a consummation devoutly to be wished.

This magnificent audit of government, produced by the best talent in America, after a prodigious amount of study, however highly respected, is **not** self-enacting. To get its recommendations translated into law will require the full force of your informed, united, and sustained effort. It will take leg work, head work and heart work. I do not share the opinion of those who feel that this is not the time to press this matter. It is too important to delay — under any consideration.

Labor Merger

And now—the labor merger.

We are confronted with the accomplished fact of a union between the American Federation of Labor and the Congress of Industrial Organizations, comprising a membership of about 15 million. In many groups, in many states, I have sat in on conversations in which you attempted to appraise the impact of the merger on industry—on politics—and on the public weal. If I have correctly gauged your thinking, you look upon the labor merger as a possible menace—and as a possible promise. Labor's objectives, in many respects, run counter to your own. Labor tends to the idea of more government in our economic system — more concentration of power in Washington.

You have been working in exactly the opposite direction. You believe that one of freedom's greatest safeguards lies in the **dispersal** of authority, and you will never surrender that conviction. Labor's vast power—in effect—has been concentrated. At every point of the compass in Washington great new temples of labor are being constructed—or have been constructed. There are some 15 in all. Those buildings are solid evidence of labor's growing strength and of its entrenchment in Washington to present its views to government under the Constitutional right of petition.

You have expressed no quarrel with that. You only hope that as labor comes into a realization of its great size and strength, it will be as zealous in policing itself for the general well-being as it has been zealous in pressing its economic demands. You believe that the American public's awareness of the potential danger in bigness — big government, big business **or** big labor—is a safeguard to the abuse of such power.

You have hailed the high-principled statements of Mr. George Meany — President of the AFL-CIO. He has said—with emphasis —that as labor grows bigger and bigger, it must discharge its responsibility to the community as a whole in a manner that will bring credit to the union movement. Mr. Meany will have your great good wishes if he moves against the intolerable evils in the secondary boycott—that malignancy in the body of our economic-social system.

If Mr. Meany mobilizes his power and influence to clean up terrorism and racketeering in unprincipled unions, he will not only enhance the stature of American labor, he will perform a service of incalculable value to our country.

And then, you spun the globe:

New Russian Look

You have been **intrigued,** amazed — and if I am not mistaken—somewhat amused at the fantastic Russian spectacle — the so-called "new look."

The ghost of Stalin has been hailed before the court of his successors and charged with every crime in the book. No one is easier to convict than a ghost, and so, the present masters of the Kremlin, serving in the triple capacity of prosecutor, judge and jury, have convicted "good old Joe." He is solely responsible, so **they** say, for the lies, deceit, duplicity and murder—and all the other sins against society—upon which the Soviet regime was built.

Among the many grotesque contradictions in this situation is that the same old gang is ruling Russia—minus Stalin. It is the same old gang with a brand new look. They are playing that new look for everything it is worth—and let's face it—they are getting **away with it** in too many corners of the world.

Day after day we are deluged with stories of the back-slapping and baby-kissing tours of Russia's ruling clique. Synthetic good will is simply oozing from their pores. But—as its present masters parade across the world behind their masks of benignity —**you** have not forgotten the real character of the Russian apparatus. No, **you** have not been fooled. **You** have not been enticed by the song of the Russian Lorelei—because in that direction lies disaster.

There is nothing you would welcome more than a true change of heart in the rulers of the Kremlin, because deep down inside each of you is a love of peace —and the hope that it may eventually prevail throughout the world. You cannot envision, however, such a change among the men who were part and parcel of the great Russian bloodlettings.

You are committed to the principle of St. John, the Devine, that men should be judged by their works—and so you are in favor of keeping America's defense impregnable while we watch and wait for more convincing evidence of the Soviet's regeneration.

When Russia has reversed all the entries of double dealing—

When she has released the thousands of slave laborers and war prisoners who are being held in captivity in violation of law and human decency—

When she has freed her satellite nations and done everything possible to expiate her crimes against civilization—

When she has repudiated her diabolical purpose to rule the world — then perhaps it will be time to take her new look seriously.

Question of Education

How about your views on education?

There was never a time in our history when education was so important to our national vigor—to our very survival—as it is to-

*An address by Mr. Campbell before the 24th Annual Convention of the Edison Electric Institute, Atlantic City, June 4, 1956.

day. You know this and you have a sense of compulsion to do something about it—just what, you are not too sure. The towering problems of teacher shortages, of tremendous manpower demands, particularly in the fields of science and engineering, and always the problems of finance, do not lend themselves to easy solutions.

Always, in talking about education, there arose the subject of Federal aid.

And what is your attitude about Federal aid? You want no part of it, and you understand clearly why. You understand that just as livestock lose weight on a long trip to market, so does your tax dollar lose weight on a round trip to Washington.

But that is not your main objection to Federal aid for education. Your objection goes much deeper than that. You believe in the **dispersal of power,** particularly with respect to education. You know that if and when local and state authorities surrender their responsibilities for the support and control of our schools, freedom will have lost one of its mightiest citadels.

The Founding Fathers allocated only 17 powers to the Federal Government. The responsibility for education was not one of them. That responsibility was left to the individual states and the people.

If I might be permitted to add a footnote to my interpretation of your attitude toward Federal aid to education, it would be this:

The increasing demand for Federal aid has its genesis in the **failure** of the states to meet educational needs. It can well be that there has been too much emphasis on states' **rights** and not enough on states' **responsibilities.** If the states do not proceed at once—**now**—to close the gap between what **is** and what **ought** to be in education, we will **have** Federal aid. Children cannot wait, and the national welfare is involved.

Finally, the election year—the year in which a legion of candidates are advancing their personal and party claims to public office.

A Meaningful Election Year

Among them, are those who seek election to the most powerful position in the world — the Presidency of the United States.

This leap-year event could be a stimulating and inspiring proposition—a re-examination of governmental practices, a re-appraisal of political and economic policies and a re-assessment of social accountability.

In short—it could be a workshop of citizenship.

But, you say that such is not the case. You seem to feel that our political campaigns all too frequently take the form of a promising match. You believe our democratic concepts would be reinforced if we had more leadership and less **followship.** You want the kind of leadership that makes us **think**—instead of followship that tells us what **it** thinks we want to hear.

We have often wondered—you and I—just what would happen if a political Daniel should come to judgment. What would happen if this man, possessed of the God-given power to "make interpretations and dissolve doubts," should announce for public office?

Suppose that he should promise nothing but the equivalent of the Churchillian promise of blood, sweat and tears. Would he be heeded—or hung in effigy? Suppose he should be elected, and suppose that upon some momentous issue with tremendous public appeal, he should say—as did Senator Lamar of my own state—many years ago—"Today I must be true or false."

And then suppose that he took a position of integrity instead of expediency. Would he be returned —or retired?

I believe that you are looking for men like that in public office, but are you looking hard enough?

And now—I close the book on my report.

I conclude, as I began, by saying that no one could emerge from my experience of the past 12 months without becoming a better American.

Whenever I have been abroad, and the hour for returning finally arrives, my thoughts turn to these magnificent lines of Henry Van Dyke:

"Oh, it's home again, and home again, America for me!
"I want a ship that's westward bound to plough the rolling sea
"To the blessed land of room enough beyond the ocean bars
"Where the air is full of sunlight and the flag is full of stars."

Here in America — the air is full of sunlight—and the flag is full of stars.

I have never been so proud to be an American.

With Palmer, Pollacchi

(Special to The Financial Chronicle)

BOSTON, Mass. — Leonard Beucler has joined the staff of Palmer, Pollacchi & Co., 84 State Street.

Two With Arthur Krensky

CHICAGO, Ill. — A. Robert Mages and Phillip R. Warren are with Arthur M. Krensky & Co., Inc. 141 West Jackson Boulevard.

With Investors Planning

(Special to The Financial Chronicle)

WORCESTER, Mass. — Edward H. Donahue and Harry E. Tripp have become associated with Investors Planning Corporation of New England, Inc., 507 Main St. Mr. Tripp was formerly with W. E. Wardwell & Co.

Clayton Securities Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Frank G. Hopkins has been added to the staff of Clayton Securities Corporation, 79 Milk Street, Members of the Midwest Stock Exchange.

Salomon Bros. & Hutzler

(Special to The Financial Chronicle)

BOSTON, Mass.—Allen R. West has become associated with Salomon Bros. & Hutzler, 75 Federal Street. He was previously with Weil, Pearson & Co.

Now With Dean Witter

BOSTON, Mass. — W. Cahill Price, Jr. has become connected with Dean Witter & Co., 10 Congress Street.

Joins Federated Plans

WORCESTER, Mass. — Joseph Fournier, Jr. has joined the staff of Federated Plans, Inc., 21 Elm Street.

A Balanced National Budget: Spending Limited to Taxes

By HON. FREDERICK R. COUDERT, JR.*
U. S. Congressman from New York

Legislation compelling annually balanced budgets, putting an end to deficit financing and more debt—except in time of war or other grave national emergency — is advocated by Rep. Coudert to: (1) provide Congressmen with a tool to resist group pressures for item-by-item appropriation spending; (2) allow tax receipts to determine expenditures, and (3) end a paralyzing tax burden, and inflationary consequences. Disagrees that a balanced budget would have an adverse effect upon business, and that we can successfully cope with debt management and predetermined inflation rate without undergoing national bankruptcy and its attendant disguise of pretended payment in debased currency and adulterated coins, such as our experiences with the "Continentals" and "Greenbacks."

Consider if you will that our entire national debt has been paid off—all $276 billion of it. Consider also that for years the U. S. Treasury has been "harassed" by surpluses. Wouldn't we in Congress have a field day! I mean no disrespect to this audience when I venture to predict that it could quickly whip up a plan to eliminate the surplus. This impossible dream—1956 variety—was a reality 120 years ago. In this very month, June, 1836, Congress faced exactly my dream situation. The national debt had been paid off. Annual surpluses were mounting. What to do! Magnanimously, Congress voted to distribute most of the surplus to the States. A postscript is needed, however. Half a century later, the States were still suing[1] (unsuccessfully) to collect the final instalment whose payment had been prevented by the Panic of 1837.

F. R. Coudert, Jr.

The Congress of 1956 or 1957 or any year in decades yet to come will have no problem of distributing surpluses of a debt-free Treasury. Our quarter of a trillion debt is likely to remain with us for a long time. Rather, the problem is to enact a plan to prevent a return to deficit financing and more debt. A small surplus is in prospect for the current fiscal year, but surpluses have been the exception rather than the rule. Deficits in 22 of the last 25 years are enough to cause deep concern to every disciple of sound finance. In this period, our national debt increased from $16 billion to $276 billion. In the quarter century since we started the deficit financing spree, interest on the debt has cost the taxpayers $82 billion. Interest in the coming year will raise the total to nearly $89 billion.

The Central Thought

The central thought that I wish to put across is the importance of writing into law an important principle of orthodox finance. I wish to require that the national budget be balanced year in and year out. Currently, there is no procedure to assure a balanced budget. We need a procedure which will limit Federal expenditures to revenues, and put an end to deficit financing and incurrence of debt, except in time of war or other grave national emergency. Congress needs a debt-preventing tool such as is available in many States. My suggestions provide that tool. The alternative is chronic deficits and the resulting inflation which ultimately will wreck our economy and system of government. I want to make sure that you and I get as much for our money when we spend it as we gave up when we saved it. I want to make sure that those patriotic citizens who bought war bonds get back in purchasing power something close to what they sacrificed when they bought them.

There are those who pooh-pooh the importance of living within income. There are others who pay only lip service to this most elementary common sense financial principle. The leaders of this Administration have been striving —and striving successfully—to restore financial soundness after years of waste and reckless spending. Our goal is in sight and we can achieve it, provided we adhere to the philosophy so well expressed by Secretary of the Treasury Humphrey a few weeks ago. He said:[2]

"Balancing the government's budget is not academic or simply a bookkeeping exercise. It is the very keystone of financial responsibility. In a home you can't spend continually more than you earn and not get in trouble. The same is true in a business. And the same is even more true in government. With the enormous debt that our government now has it becomes a matter of extreme importance."

Achievement of budgetary balance which is assured for fiscal 1956 is, I agree, an important accomplishment. It is largely the result of a determination to hold down expenditures. But—and I do not mean to belittle the accomplishment—the balance this year, as in the only other three years of budgetary balance since 1930, is somewhat inadvertent. It is fortuitous. It results principally from an under-estimation of receipts.

Achievement of Budget Balance by Law

It is my thought that a balanced budget should be the rule rather than the exception. But a continuous budget balance can be achieved only with a set of hard rules. We must make it unlawful to pay out more than we take in.

Let me tell you several reasons why. The first is that we need a rule to help Members of Congress to resist pressures for spending. The actualities of politics are such that members are extremely vulnerable to demands for spending. Further, there is always someone with a theory to rationalize any course of action, however bad. Some of these theories sound pretty silly, but as a drowning man clutches at a straw, so Congress and Congressmen will justify a course of action by reference to an economic theory which their common sense must tell them to be wrong. Let me quote from a professor who must have been the guardian angel of the deficit financers. The professor said:[3]

". . . there is no room for the principle of balancing the budget. . . . The only reason for abiding by any principle of balancing the budget is that there is a strong prejudice in favor of such a procedure on the part of businessmen who think of the government as a business just like their own and on the part of a large section of the population in a capitalist society in whom the businessmen have been able to instil their own ideology."

This same professor also had this to say:[4]

"The government, even if it does not want to raise the money by taxes, can always meet its obligations to any citizen by borrowing from another citizen or by printing the money to pay him. The nation cannot be thrown into a debtor's prison or debarred by a bankruptcy order from continuing its business. The weird notion of a country 'going bankrupt' because it has a great internal debt can only be explained as the result of private capitalists building up a conception of the state in their own image and impressing this capitalist mythology on the other members of the capitalist society."

Consequences of Deficit Financing

Acceptance of that kind of thing can only lead to national disaster. You know and I know that "going bankrupt" is no "weird notion" as the professor suggests. Rather it is a very real thing. Since the days of Rome sovereigns have resorted to all sorts of trickery and financial juggling. Bankruptcy has been disguised by pretended payments in debased currency; sovereigns adulterated the coin. There is certainly a moral to be learned from the inflation suffered by Germany after World War I, in France for many years, in China, in Chile, in Brazil and other nations of the world. We can also learn a lesson from inflations at home. When we say that something is not worth a Continental we refer to the inflation in Continental bills of credit. We well recall the history of our Civil War Greenbacks which depreciated to one-third of their face value. But we don't have to go back centuries or decades or even years to learn about inflation. We see today the results of national deficits in 22 of the last 25 years. The 1956 dollar is worth only 50 cents.

I cite the future unhappy possibilities of being forced to continue to live with the fiscal policy this Nation has tolerated during most of the last quarter century. Senator Bridges, in a speech advocating the long overdue discontinuance of deficit financing, foresaw the theoretical reduction of the American dollar to one-eighth of its value within 40 years. However, as he said:[5]

". . . there is little chance that our currency depreciation would work that way because . . ." and then he went on to explain why and to point out the even more evil consequences. He continued:

". . . if history tells the truth, somewhere along the line the flood of money would burst its bounds and our entire money structure would have to be repudiated and revalued at ruinous rates."

Martial law and a dictatorship would result. They would produce directives which would supersede the normal economic relations between people and people, and people and government.

There is another philosophy or position that, in some respects, is even more dangerous than that which denies the principle of an annually-balanced budget. It is more dangerous because it is more subtle. It concedes the importance of a balanced budget as a theory, but always finds some reason why this is not the right time. The favorite argument of opponents to balancing the budget at any particular time is the alleged adverse effect on business conditions. I ask: "What kind of a weakling do they think business has become?" I ask with Senator Byrd:[6]

" . . . Have we yielded so far to the blandishments of Federal subsidies and Government support that we have forgotten our Nation is great because of individual effort as contrasted to state paternalism?"

Let me quote again from Senator Bridges, who thinks so much along the same line as I do:[7]

"The bottomless purse in the hands of a Socialist-minded bureaucracy is the ideal weapon with which to break down the virtues of thrift and industry and destroy the self-sufficiency and personal initiative of the people."

I wish to go a step further. Not only do I contend that business does not need an unbalanced national budget, but I think business does not wish it. Rather it wants a balanced budget. I agree with Secretary Humphrey when he recently said:[8]

"The prosperity which is widely shared in this country today is in large part inspired and sustained by confidence in the Administration's determination and success in getting the government's financial affairs on a sounder basis."

That makes a whole lot more sense than does the belief that business wants or needs deficit spending.

The deficit financers also play another tune that has a lure which can lead us on to the rocks of financial destruction. There will be voices that belittle any fears and assure us that no dangers exist because with modern techniques we can manipulate the debt and keep it under control. Again, I cite Senator Bridges who pointed out the dangers so clearly:[9]

" . . . there have already been proposals that deliberate inflation at a predetermined rate would be a good thing for the country because of the tested and proved methods of keeping the inflationary mechanism under precise control."

And with him I agree when he concluded:

" . . . We must not put our trust in any scheme involving the manipulation of money. For national

Continued on page 45

*An address by Rep. Coudert before the 24th Annual Convention of the Edison Electric Institute, Atlantic City, June 6, 1956.

1 *Ex parte Virginia*, 111 U. S. 43.

2 Remarks before the House Post Office and Civil Service Committee on H R 9228, April 17, 1956. Mr. Humphrey supported legislation to reduce the postal service deficit.

3 Abba P. Lerner, "The Economics of Control," Macmillan (1944), pp. 318, 319.

4 *Ibid*, p. 304.

5 *Congressional Record*, July 13, 1954, v. 100, pt. 8, p. 10329.

6 Speech to U. S. Chamber of Commerce, May 4, 1955.

7 *Congressional Record*, July 13, 1954, v. 100, pt. 8, p. 10330.

8 Remarks before the House Post Office and Civil Service Committee on H R 9228, April 17, 1956.

9 *Congressional Record*, July 13, 1954, v. 100, pt. 8, p. 10329.

Management and Public Views Of the Electric Industry

By CHARLES E. PARKER*
President, Central Surveys, Inc.

Public opinion analyst presents public's view of, and reaction to opposing claims about, the electric industry, and suggests ways industry can further seek public approval and support. Survey reveals: (1) desire for public ownership increases when rates go up; (2) lack of consistency in public's approval of electric rates; (3) the blind spots in public's knowledge of the industry; (4) increasing acceptance of privately-owned industry since the 1930's, and (5) voters' decisions are often inconsistent.

These comments are in three parts. First, how the public views this industry—what facts it has and what misinformation, what gaps or areas of complete unawareness. Second, how the public *reacts* to conflicting claims and counter-claims about the industry. And finally, something of how we may sharpen our own perception of public opinion and improve further the presentation of facts that have done much to win public approval and support.

Chas. E. Parker

What the public knows about this industry is limited. What it wants to know is limited. And the information the public has the time or attention to absorb is also limited.

It knows that electricity does a great many things and does them well. It knows electric rates are reasonable and that service is good. Chart No. 1 shows average opinions from many surveys over a seven-year period—all of them surveys of private company customers in urban areas.

The Public's View

The public sees most things through some sort of filter. So the resulting impression is seldom entirely true or clear.

For example, the issue of government or other public ownership is seen in part through a filter of opinions about the cost of service. On chart No. 2 each dot represents an election in which the issue was public ownership. The percentage vote in favor of continued company ownership has been high or low in proportion to whether approval of the cost of service was high or low. If the public is satisfied with what it pays for electricity, it does not matter greatly if Federal power or municipal power is expected to cost a little less. But when there is much criticism of rates, the idea that cheap power can be obtained from some Federal or municipal project has a much greater appeal to people.

Opinions about the cost of electric service often depend not so much on the actual level of rates as they depend on other impressions the public has gained—from advertising, from person-to-person discussion or other sources. Chart No. 3 shows wide variations in approval of electric rates between 21 different towns served by the same company with exactly the same rates.

Opinions about the cost of service can also affect customer attitudes about a utility company in many other ways. Chart No. 4 shows a decline in approval of the service from one utility company, a decline in opinions whether its profits are reasonable, its employees courteous, its donations to worthy causes liberal, and in opinions about its other community activities—all taking the same trend as a decline in approval of its rates. It was not an electric utility.

Another filter through which the public sees an issue may be some statement of it, or some decision regarding it, by an authoritative body—the Congress, a Federal or State commission, or, in certain cases, a city council. For example, there is a strong tendency to accept the Federal Power Commission's decision on Hells Canyon—even among persons who had previously favored Federal development.

Still another filter in the public's view of an issue is its presentation by the advocates on either side. A one-sided presentation is likely to be accepted with little regard to its merit. Illustrations are TVA or Dixon-Yates. And there have been many *local* examples of one-sided presentation of some issue, which the public has accepted because no alternative view was adequately presented for consideration.

Public perception of an industry or an issue is further limited by factors of time and space. The average reader devotes so little time to keeping up with the news that events rush by him, without much chance for any of them to make anything but a slight impression, unless they are happenings of the first magnitude.

Distance also limits public perception of an issue. A Federal project of maximum size and importance may receive less than half the attention 100 or 200 miles away that it gets within a 25 or 50 mile radius.

Perception also involves more than the central object in a picture. It involves light and shade and perspective and background. In the same way, public perception of this industry, its problems, the issues in which it is involved—these things are not the same to all viewers because they see differently the whole background of business and government. One man sees big business as good, another sees it as evil. One inclines to depend on Washington for help and guidance. To him only the government is big enough, or the people in it smart enough, to accomplish major undertakings. Another sees in government intervention only the surest guarantee of inefficiency and delay, if not failure.

Perception is, finally, a relative thing. The public sees a business not standing alone, but measured against many others. It values a business in terms of liking it "better" or "not as well," compared with other businesses.

As to the electric power industry the public's evaluation is emphatically in terms of "better." Wherever people are asked to compare this business with others, the electric power industry stands out for fine service at low cost, for quality of personnel, for citizenship in the community and in other respects.

There are gaps, however, in public awareness—blind spots in which public perception is lacking. One example is what the companies are doing to increase capacity; another, their activity in the communities they serve. A third important blind spot relates to the implications in government ownership. In one survey only 37% said there was a chance to get into socialism a little at a time. [Ed. Note: 13% expressed no opinion and 50% replied in the negative.]

Rural Electrification

I suspect that many facts about farm electrification are subjects of another blind spot. It has been found that even rural opinion leaders, in areas of REA co-op activity, are surprisingly uninformed about the proportion of farms electrified in their states or nationally. (Chart 5.)

The companies are not given credit for their efforts in rural electrification. Even in states where the companies served more customers than the co-ops, 55% of the rural leaders interviewed in a survey said erroneously that the co-ops served more.

There are also big gaps in the information of rural electric co-op members. In a study of more than 2,500 of them in four states it was found that only 4% knew the co-ops have preference over the private companies in the purchase of Federal power—only 4%. And in states where there were specific proposals or plans for REA generating plants, only 8% of the rural electric co-op members said they knew anything about these plans—less than one in every ten.

Perception is also clouded because of misinformation. Many people still think of flood control as perfectly consistent with hydroelectric power; they think of power as a natural by-product of flood control, that it is cheap because water is cheap, and plentiful because water is plentiful; think that it is quite natural for the government to sell the power to help pay for other benefits from the project. Misinformation is largely the product of one-sided presentation such as we have mentioned before—exemplified by TVA or by the Dixon-Yates controversy.

This discussion concerns, secondly, how the public reacts to conflicting claims and counter-claims. Opinions may differ widely about how the public reacts to such claims but it is something that can be measured over a period of years. And this measurement shows that the electric power industry has come a very long and successful way in gaining public support.

Growing Public Acceptance

Twenty years ago a survey of voters by Dr. Gallup showed greater preference, by 2 to 1, for public ownership than for private ownership. Also, by nearly 2 to 1 voters favored an extension of the TVA to other areas in the United States (Chart 7). A "Fortune" magazine survey of the same period showed majorities in favor of public ownership of electric and gas service as well as water. And near majorities favored public ownership of telephone systems and bus lines.

In addition, there was a whole climate of unfavorable public opinions 20 years ago (Chart 7). Large proportions of the voters said that big business was bad for the country and should be replaced by small concerns. Nearly six in every ten thought big business was making more than a fair profit. (That was in the 1930's.) More people were inclined to blame business leaders than to blame government administration leaders for any unfriendly feeling between them.

Those were measurements of public attitudes 20 years ago. But even at the halfway mark—10 years ago—there had been a substantial improvement. In a *1946* survey Dr. Gallup found that support for private ownership had increased to 64% of the voters (Chart 8). The ECAP surveys cannot be exactly compared with Dr. Gallup's because the questions

Continued on page 30

*An address by Mr. Parker before the 24th Annual Convention of the Edison Electric Institute, Atlantic City, June 5, 1956.

Continued from page 29

Management and Public Views Of the Electric Industry

were asked differently. But as you know, the ECAP surveys have shown—over the years—a decline of about one-third in the answers that are unfavorable to private ownership, its rates, or its profits (Chart 9).

The trend of times and conditions—aided notably by the vigorous resistance this industry has offered — have at least held in check the usual trend of opinions on issues, which can be illustrated by chart.

When a new issue first arises, there is no consensus of opinions about it. But there is an instinctive resistance or a back pressure that builds up against whatever is new, strange, or unfamiliar. This back pressure gradually weakens as a consensus develops in the direction of public acceptance. Finally, there is a break-through and the idea is generally accepted by nearly everyone.

That has been the course of opinion trends on such issues as social security. But by virtue of your efforts it has not been the course of public opinion regarding Federal ownership of electric power. The significant thing to remember about this chart is that opinion trends must be stopped at this break-through point, or they are not likely to be stopped at all.

Municipal Ownership

In speaking about public reaction to conflicting claims and counterclaims, it is easy to generalize too broadly. Reactions will differ substantially, for example, depending on whether the issue is national, regional, state, or local. On an issue of government power nationally, the public reaction is typically one of indifference. But on a local issue of municipal ownership of power, as you know, tremendous local interest may be generated.

I have previously mentioned other variations in public reaction to conflicting claims and counterclaims—depending on such factors as distance, on whether presentation of the issue is one-sided or balanced, and depending, perhaps more than anything else, on opinions about the cost of electric service.

So far this discussion has referred to how the public sees this industry, and how the public reacts to conflicting claims and counterclaims about the industry. My third subject is how people in this industry see the public, to consider ways in which we can sharpen our perception of public opinion, or ways to progressively improve the presentation of facts that are winning public approval and support.

The record you have just seen measured in the charts has been a winning record. But like some football teams, the record is magnificent defensively, but shows little progress offensively.

The success of this industry's defense against more sweeping Federal encroachment might suggest that we need to do no more. If we are winning, why change? Why do we need any sharper insight into public attitudes? And why do we need to do any better job of opposing government ownership than we are doing now?

I think the answer may be that the whole problem has changed. Twenty years ago the problem was one of winning majority support to our side of the issue. But the problem now is the quite different one of trying to make that majority support effective.

Appraisal of Public Opinion

Most errors in appraising public opinion seem to have a common denominator. It is the quite natural error of assuming that other people see things like we do, think as we do, are interested in the same things we are. A few examples can be mentioned:

(1) One assumption is that the public is very much interested in our problems. Sometimes I am asked, what are the things about this industry that the public wants to know. The answer can just about be summed up in the two words, "almost nothing." Aside from getting good service at reasonable rates, there is certainly very little about which the public is much interested concerning the industry.

Now I don't mean to suggest at all that this lack of interest is a reason not to tell your story to the public. On the contrary it is all the more a reason why it is necessary to keep telling the industry's story, in different ways and through varied media.

(2) Neither can it be assumed that the voter will be as much interested in national issues as he is in local issues. The local issue is something that he feels affects him directly or affects his friends, but the national issue is farther off.

(3) The assumption that employees in this industry are well informed about its major public or governmental relations problems—to the extent that is assumed—may be justified in individual companies. But by and large, in the industry as a whole, such information on the part of employees cannot be assumed. There is also evidence that we have informed employees better about generalities than we have informed them about specific and more tangible reasons for supporting private ownership — reasons they can use more effectively in talking with friends or acquaintances about this industry.

Even among electric utility supervisors, there are some serious information gaps. For example, in a study of the replies by 2,500 electric utility supervisors,

CHART I

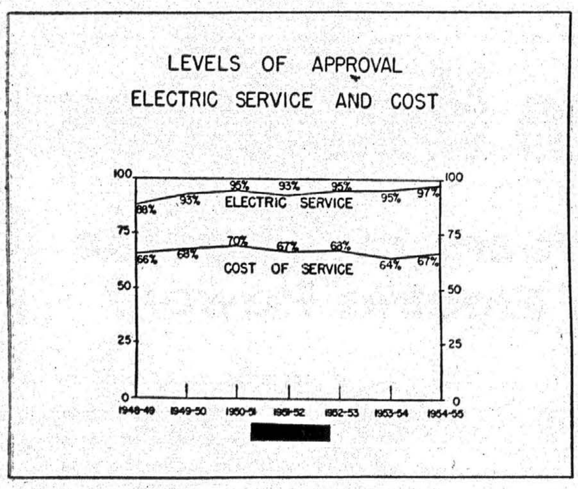


CHART IV

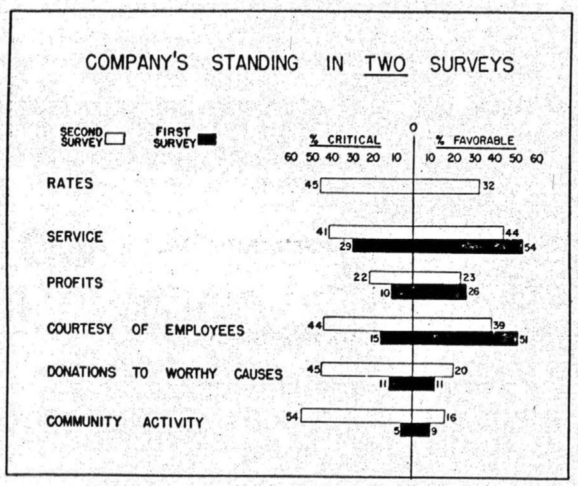


CHART VII

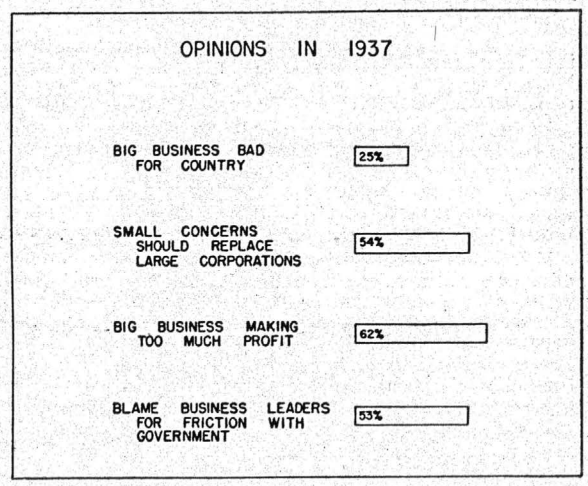


CHART II

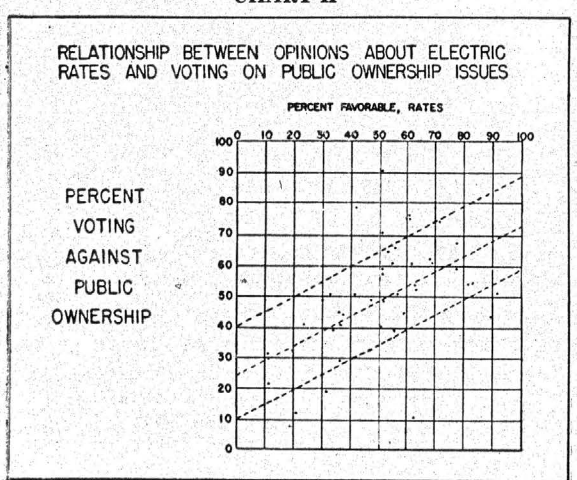


CHART V

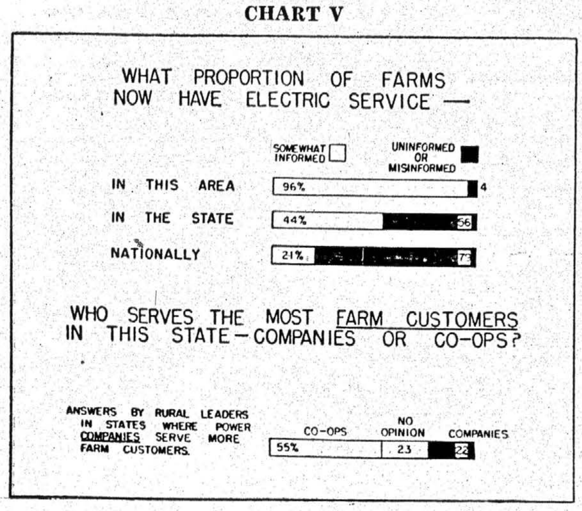


CHART VIII

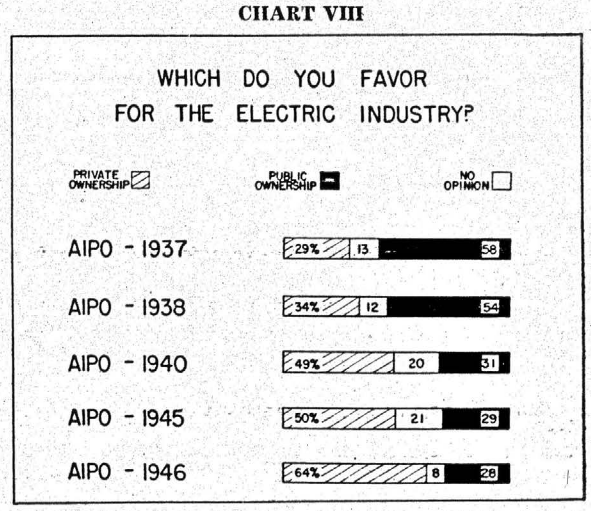


CHART III

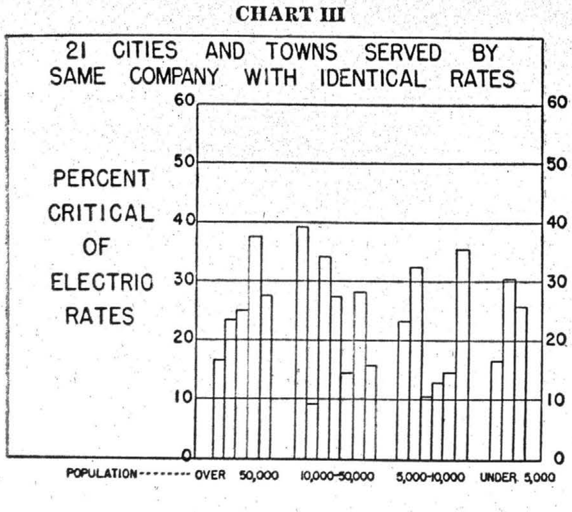


CHART VI

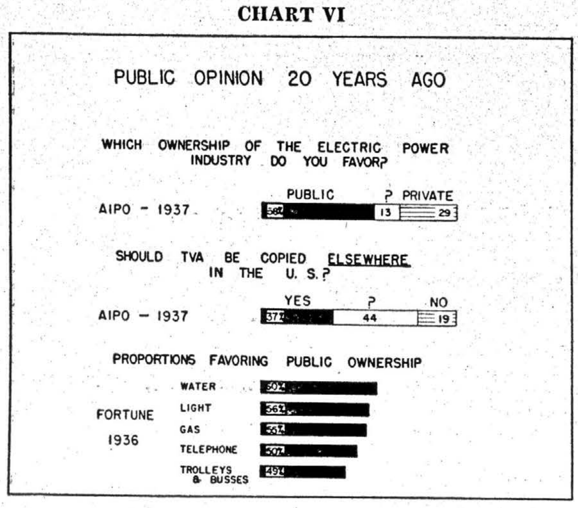
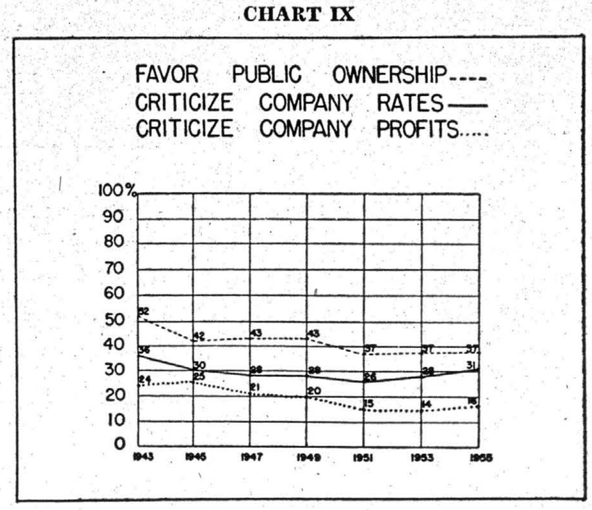


CHART IX



nearly two in every five had an exaggerated idea of the profits their companies were making, and only one in every eight gave even approximately correct answers. [Ed. Note: On subject of percent of company profit only 11% of the replies were approximately correct; as to how much of company's dollar is paid in taxes, only 23% answered correctly; and on the query as to how much of income went for wages or salaries only 13% of the supervisors' replies were approximately correct.]

Less than one-fourth of the supervisors were at all close in answering how much of the customers' dollar goes for taxes. Only one in every nine knew how much of that dollar goes for employees' wages or salaries.

While supervisors are much more inclined than nonsupervisors to express their companies' points of view on certain questions, the difference appears to be one of longer service and greater loyalty, rather than one of better information.

(4) But suppose it is possible to break through the barriers of inattention or lack of interest and give people some information. It still cannot be assumed that they will act on that information in reaching the conclusions you want them to reach.

In his address last year, as President of the American Association for Public Opinion Research, George Gallup pointed out that, even after an idea has been accepted intellectually, there is normally a long time lag before it is incorporated into the thinking of those who have accepted it. As an analogy he pointed out the time lag between the acceptance of a new treatment or a new drug by medical experts and its being put to use generally by doctors, or the time lag between the successful demonstration of a new farming practice and its adoption into general use.

(5) We cannot assume that a just cause will stand on its own merits, without interpreting and demonstrating those merits to the public. The Dixon-Yates controversy taught us that.

(6) We cannot assume that expressed opinions are the same things as firm convictions. Most people are now inclined to prefer private ownership in the electric power industry. But this does not mean they have firm convictions which it would be very hard to change.

(7) Nor can it be assumed that opinions on an issue mean willingness to do anything about it, specifically or individually. The issue simply isn't important enough in people's thinking.

For example, in an analysis of letters that a group of utility employees submitted in a contest, it was found that 80% mentioned the importance of telling the public the story of public versus private ownership. But compared with that 80%, only 1% of these employees mentioned that they had personally ever talked with any of their friends about this subject.

(8) Something that seems to cause the most frustration at times is the assumption that opinions and action are going to be consistent. I am asked why it is people will say they are for private ownership, but turn around and vote for some candidate for office who supports government ownership. I presume those same candidates feel a similar frustration. They may wonder why voters are not even consistent in their actions—not to mention consistent in their opinions and their actions. They may wonder why it is voters will support a pro-public ownership candidate, and at the same time vote against some public ownership proposal. Or why voters at the same time and place will elect two candidates who take opposite sides of the same public power issue.

Of course, the answer is that voters' decisions are based on quite a variety of both inherited and environmental influences, as well as highly complex patterns of information, misinformation, and opinions. In all this medley or mixture of influences it can be demonstrated, and has been demonstrated, that the public power issue has only slight influence, if any, upon the choice that voters make between candidates for public office.

(9) Probably the commonest mistake of all is to assume that the same reasons that most influence us will also most influence the thinking of other people. Examples are arguments that relate to free enterprise in principle. The reason these are not more effective is simply that they have their strongest appeal to people who are already on our side. Therefore,, this line of reasoning will win very few new converts.

(10) Finally, a dangerous assumption is that decisions are going to stand. When a decision is made that is favorable to the industry, we have at times forgotten the importance of reinforcing the decision by building public support for it. New Johnsonville is one example of this, Dixon-Yates is another, and it would also be possible to cite further examples in local issues.

I have tried to review something of how the public views this industry — what facts the public has and what misinformation as well as gaps or areas of complete public unawareness. A second purpose has been to mention some public reactions to conflicting claims and counterclaims about the industry. I have not rung any alarm bells because there was no need to ring them. This industry has made a magnificent record in many respects—including its public relations.

But in conclusion a purpose in this talk has been to suggest a number of ways in which we perhaps need still sharper insight into public attitudes, to help us further in the presentation of facts that win public approval and support. I have suggested a possible reason why this is necessary — that our problem is no longer one of winning majority support to our side, but it is one of making that majority support effective.

Finally I have said that, splendid as this industry's record has been in building public relations, it has been primarily a defensive record. The point has been reached, I am sure, where the industry need no longer think only of defensive efforts but can consider action to regain much ground that has been lost in former years.

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Chain Belt Co. Stock Offering Underwritten

Chain Belt Co. is issuing to the holders of its capital stock rights to subscribe at $58 per share for 76,543 additional shares at the rate of one share for each eight shares held of record on June 8, 1956. The subscription offer will expire at 3:30 p.m. (EDT) on June 25, 1956. The offering will be underwritten by Morgan Stanley & Co. and Robert W. Baird & Co., Incorporated and 11 associated investment firms.

The company will use the proceeds of the sale to provide additional working capital and to pay for capital expenditures which have amounted to $6,000,000 in the past five years. The increased working capital is needed because of the substantial increase in the company's sales which results in a need for larger inventories and increased accounts receivable.

Chain Belt Co., organized in 1892, is the second largest manufacturer of sprocket chains in the United States and one of the largest producers of truck-mounted and portable concrete mixers and an important factor in the conveyor and process equipment fields. During the past three fiscal years approximately 55% of the company's total sales covered power transmission equipment, 24% construction machinery products and 21% conveyor and process equipment products and other miscellaneous items. Principal plants are in West Milwaukee and Milwaukee, Wis.; Springfield and Auburn, Mass.; Downers Grove, Ill.; and Los Angeles, Calif.

Net sales for the 22 weeks ended March 31, 1956, were $23,876,000 and net income $2,038,000, or $3.33 per share on the outstanding capital stock. In the comparable period of the preceding year sales were $17,491,000 and net income $1,262,000, or $2.07 per share. For the fiscal year ended Oct. 31, 1955, sales amounted to $45,204,000, and net income $3,465,000, equal to $5.66 per share compared with $39,551,000, $2,364,000 and $3.87 per share respectively, in the 1954 fiscal year.

With T. R. Peirsol

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Vertie R. Morgan is now with T. R. Peirsol & Co., 9645 Santa Monica Road. Mr. Morgan was formerly with Investors Realty Fund, Inc.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Jerome E. Lippman has joined the staff of Shearson, Hammill & Co., 9608 Santa Monica Boulevard.

Joins McCormick Staff

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — Stuart P. Kastner has become affiliated with McCormick and Company, Security Building.

Rejoins Akin-Lambert

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Grady F. Galloway has rejoined the staff of Akin - Lambert Co., Inc., 639 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Galloway has recently been with Walston & Co.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. on June 8 headed an underwriting group offering $3,600,000 of Baltimore and Ohio RR. Co. 3⅝% equipment trust certificates, series GG, maturing annually Jan. 1, 1957 to 1971, inclusive.

The certificates, fourth and final installment of a total authorized issue of $14,700,000, are priced to yield 3.60% for all maturities.

The entire issue is to be secured by 1,500 hopper cars and 1,000 box cars, estimated to cost not less than $18,467,000.

Associates in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter, Williams & Co.; Shearson, Hammill & Co.; Freeman & Co.; Ira Haupt & Co.; and Wm. E. Pollock & Co., Inc.

With Bateman, Eichler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William P. Kroger, Jr. is now with Bateman, Eichler & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

C. A. Botzum Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Ruth E. McClure is now with C. A. Botzum Co., 210 West Seventh Street.

Joins Calif. Investors

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — Helen L. Schletty has joined the staff of California Investors, 40 Atlantic Boulevard.

Public Dis-Utilities

By DR. F. A. HARPER*
The Foundation for Economic Education, Inc.

Stressing the gains accruing from efficiency which can only arise from the preservation of private property rights, Dr. Harper terms "public utilities" socialism or communism in sheep's attire, and suggests they should be labelled public *dis-utilities*. Building upon human rights, Dr. Harper concludes: (1) one is "beholden to nobody" in disposing of property; (2) that ownership, including joint or part, cannot be divorced from control; (3) socialized competition is a subtle method of control; (4) consumer does not see but pays the electric industry's tax bill, and (5) accounting practices fail to allow for inflation.

I especially welcome this opportunity to develop a few ideas that have been lurking in the recesses of my mind for some time. Since they are especially related to the work in which the utility industry is engaged, I should like to expose them for your critical review.

F. A. Harper

The concept of a "public utility" as it has developed in our country is what I propose to challenge. It is a concept that apparently continues to grow in favor. I propose to challenge it on grounds of our basic human rights of private ownership, and in the light of our traditional concept of private enterprise under private capitalism.

This concept of a "public utility" arises from a perversion of our traditional idea of human rights. And so it is there that we must start, because any opinion of justice must be founded on one's assumption about basic human rights.

Human Rights in Outline

A concept once traditional and rigidly observed in our Western world was the one stated clearly in the Declaration of Independence: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are, . . ."

Thus the first and most basic human right may be said to be:

(1) **The Right to Life.** Except for this right all other human rights would be unfounded. In the absence of this basic right the others would become merely sham and nonsense. Without this right the admonition against killing, in all the world's great religions, would be negated. Without this right vested in each person, there would be nothing to stop a ruler from assuming the right to sacrifice any number of human lives for his own purposes. In the words of a communist Russian leader, it would be an unquestioned privilege of the ruling potentate to break the eggs at will in order to make a social omelet of his own personal design.

If there is the right to life, it follows that you have:

(2) **The Right to Sustain Your Life**—to use your life as you will, so long as you do not violate the same right of others. The right to life assumes, in other words, your right to bend your efforts to sustain and develop both your own life and whatever else you deem worthwhile.

In working to sustain your life, you have:

(3) **The Right to What You Produce.** This right derives its validity from the fact that life is sustained by the production of scarce things—economic things, desired beyond the available supply. Food is basic among these needs, but there are numberless other things that are also essential to a full life.

Flowing from the right to what you have produced is the right to keep it:

(4) **The Right to Own Property.** Whether you keep what you have produced for an instant or for a day or for a lifetime, under this right it is your property until you choose to do something else with it.

So the final right among this series of human rights, following in logic from the right to life, is this:

(5) **The Right to Dispose of Your Property.** When you do not wish to use it yourself, you may sell it or trade it or give it away. You are beholden to nobody under this right. You may choose both the time and the terms yourself, accepting or rejecting the advice of others as you see fit.

*An address by Dr. Harper before the 24th Annual Convention of the Edison Electric Institute, Atlantic City, June 5, 1956.

Only a Person May Own

The only concept of ownership that is consistent with these five basic human rights is one in which ownership is strictly personal. Let us review this according to our basic human rights.

The right to life is strictly an individual, personal right. This is of necessity true because of the biological nature of life. Life is attached separately to individual persons—one life for one person, no more and no less. Neither laws of the state, nor plans of the planners, nor dreams of the dreamers can make it otherwise. So the right to life, the most basic of human rights, is unalterably a personal thing.

Each person among 165 million persons in the nation has the full right to his own life. His right is not limited to 1/165 millionth of his own life coupled with a right to 1/165 millionth of the life of every other person in the nation. He owns all his own life, together with his own time and its economic derivatives.

Without going through all the five rights in detail, it is clear that the personal and individual nature of the fundamental human right to life carries over into the derivative economic affairs of ownership, control, and the disposal of private property. There is no more justice in a compulsory, collective owership or control of property than there is in a compulsory, collective ownership of life.

A further word of explanation may be needed about this matter of **common ownership,** so as to distinguish it from share ownership or part ownership.

Common ownership is not negotiable, because it can be neither refused nor renounced by you. It is forced upon you whether you want it or not, whether you like it or not; and you are prohibited from selling or transferring it to any other person. True, you may be allowed to exercise certain privileges such as voting on matters pertaining to this so-called common property; or you may not. But if you find yourself to be one of a minority in something you deem unwise and unwanted, you have no access to the right of disposal. You cannot defend yourself by severance of participation. Thus the presumed ownership is not, in any sense, a private matter of yours. And so it is for this reason a contradiction and a denial of your basic rights.

Share ownership or part ownership, on the other hand, clearly defines what it is that you own. This is illustrated by corporate shares. The share you own is a clearly identified unit of total ownership which you may buy or sell or give away. You may do so whenever you wish and on any terms you wish to accept. This feature of negotiability or transferability is the essence of every form of ownership consistent with human rights. Except as there is this feature, it is in violation of basic human rights.

How about joint ownership and partnership in this respect? Are they not forms of ownership in common? No, these are still individualized, personal arrangements, rather than being collective in the sense of ownership in common. A person who enters into one of these arrangements does so by his own choice. He may sell his share and leave the cooperative arrangement if and when he so desires. He is not bound by any irrevocable contract—any "implied contract" imposed upon him against his will, perhaps before he was even born. So joint ownership and partnership, being personal and voluntary, are consistent with basic human rights.

Control, the Essence of Ownership

Ownership has ordinarily been associated with the holding of a legal title to anything. In identifying ownership we ordinarily ask: "Who holds the deed?" Yet this test can be a decoy of ownership, as we shall see. Under the spell of this illusion, one may surrender the essence of his ownership while being hypnotized by the possession of a worthless deed.

This technique of confiscating the essence of ownership while leaving the title with the victim of the theft is, in fact, a fairly new discovery in socialist-communist methodology. In earlier times it was considered necessary, in attaining the communal political state, to acquire actual title to the property. But now it has been discovered that this is unnecessary for carrying out the socialist-communist program.

A widely accepted definition of economic socialism is: "State ownership **or control** of the means of production." It may be impossible or inadvisable for some reason to actually take title to the property. When this is the situation, the end purpose of socialism can be attained merely by adbitrary control rather than formal ownership.

Perhaps no better brief statement of the control device for attaining a socialist state has been offered than that of Hitler—himself an important architect of national socialism in our time—who said:

"It gives us also a special, secret pleasure to see how the people about us are unaware of what is really happening to them. They gaze fascinated at one or two familiar superficialities, such as possessions and income and rank and other outworn conceptions. As long as these are kept intact they are quite satisfied. But in the meantime they have entered a new relation; a powerful social force has caught them up. They themselves are changed. What are ownership and income to that? Why need we trouble to socialize banks and factories? We socialize human beings."[1]

The reason why autocratic control rather than formal title is the essence of ownership of many things can be seen by considering the reason for its economic worth. For many things, such as an electric plant, the advantage of using it is the only purpose of ownership. For worthless things—free goods—there is at issue no problem of ownership or control. Having no value, they are not economic considerations at all. A title to a worthless thing is not worth the paper on which to record a claim of ownership.

Who, for instance, would pay anything for title to a cubic foot of air? Or to a cubic foot of sand in the Sahara Desert? Or to a cubic foot of water in the ocean?

So for productive tools it is their worth in use that underlies the value of ownership. Lacking the advantage of use, ownership would be as worthless as it is meaningless.

1 Rauschning, Hermann. *The Voice of Destruction.* New York: G. P. Putnam's Sons, 1940. pp. 192-93.

It follows, then, that the power to extract from anything its economic worth becomes a means by which to confiscate all meaning and purpose of ownership. That is why control is the essence of ownership. That is why the architects of modern socialism have discovered that by controlling anything to which you hold the formal title, they can make your title worthless. And when that is the situation, it in essence becomes theirs rather than yours.

So collectivized political control makes a sham of private ownership and private rights to property. The significance of such control supersedes the title which you may still have safely stored away in your strongbox.

The Leverage of Control

To see how this matter of arbitrary control affects the essence of ownership, let us take a simple illustration.

Suppose your business is the only one of a certain type in your town. Let us say that it is a grocery store. The store and its stock of groceries are owned in your name, with good and proper title.

Now suppose that I am granted the power of control over your business. I do not actually hold title to a single can of beans. How I acquired this power is beside the present point; we shall merely say the power of control was given to me for purposes of "the public good," in order to "defend the public rights."

Now let us say that last year your annual statement of operations was as follows:

	Amounts per Dollar of Revenues	
Total revenues, operating and other		$1.00
Deductions from revenues:		
Oper. exps.; restocking	$0.51	
Taxes	0.21	
Deprec. and amortization	0.09	
Capital costs:		
Inter. on loaned funds	0.05	
Divs. on stock equity	0.11	
		0.97
Earnings retained in the business		$0.03

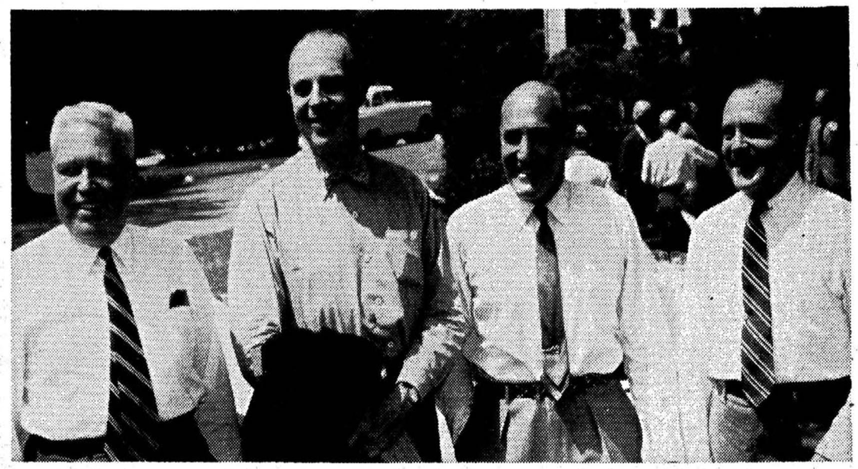
Now, under my authority, if I were to force you to reduce your prices by only a few percent, no earnings would be left for retention in the business. The same thing would happen if, in a period of inflation, I were to prohibit you from increasing your prices, at a time when your costs had risen by a few percent.

Were I to be even more drastic in using my powers of control and were to force you to reduce your prices further (or to hold your prices constant while inflation pushed your costs up), I could easily eliminate not only your earnings for retention in the business but also all funds for a return on your investment as owner. Were I to continue to do this next

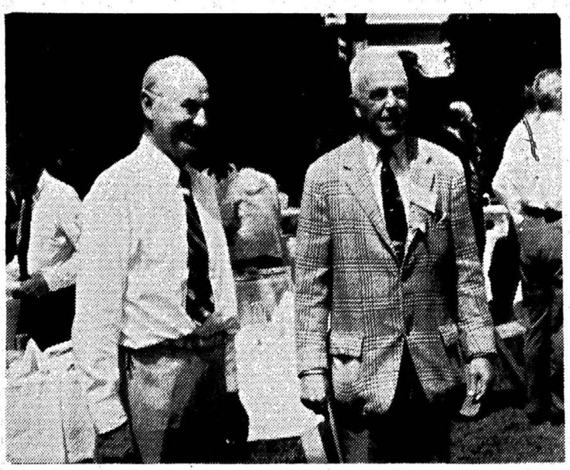
Continued on page 36

The Bond Club of New York

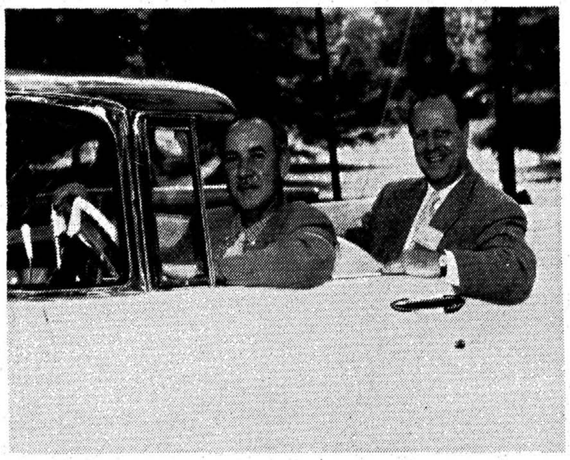
John C. Newsome, *Tucker Anthony & Co.;* George J. Gillies, *A. C. Allyn and Company, Incorporated;* Ed Sullivan, M. C. at Bond Club Show; E. W. Borkland, Jr., *Tucker, Anthony & Co.*



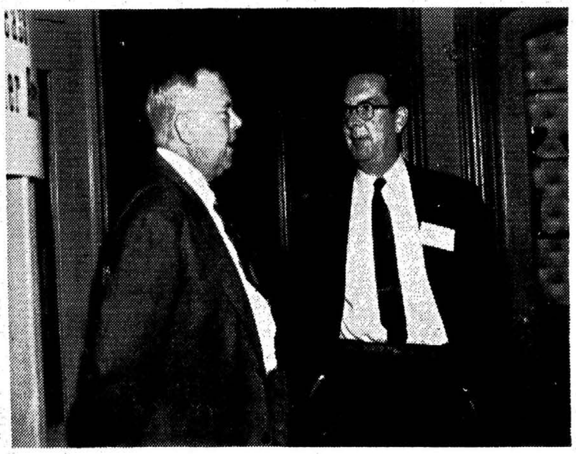
John Carleton, *Eastman, Dillon & Co.;* Fred Barton, *Eastman, Dillon & Co.;* John Raiss, *Burnham and Company;* Ray Boyce, *Auchincloss, Parker & Redpath*



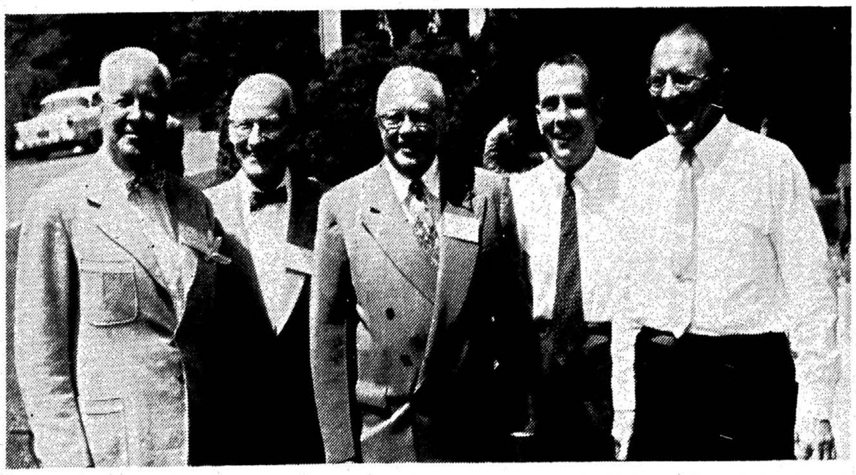
Grover O'Neill, *Grover O'Neill & Co.;* William H. Long, *Doremus & Co.*



Hal Murphy and Edwin L. Beck, *Commercial & Financial Chronicle*



George K. Coggeshall, Schoellkopf, *Hutton & Pomeroy, Inc.;* Wm. R. Kaelin, *Baker, Weeks & Co.*



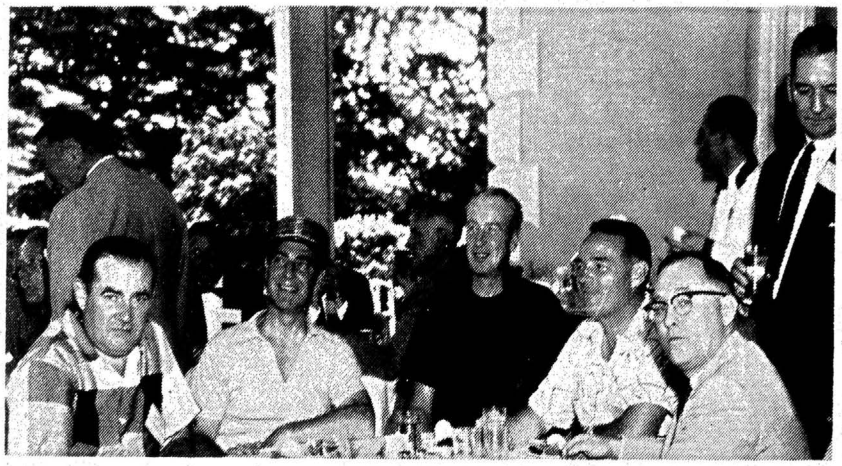
Richard Noel, *Van Alstyne, Noel & Co.;* Frederick S. Robinson, *Frederick S. Robinson & Co., Inc.;* Walter C. Veigel, *Halsey, Stuart & Co., Inc.;* Lloyd Hatcher, *White, Weld & Co.;* Oliver Whipple, *Gulf Life Insurance Company,* Jacksonville, Fla.

A. Sidney Norton, *Bankers Trust Company;* Macrae Sykes, *Shields & Company;* Richard de La Chapelle, *Lee Higginson Corporation;* Charles G. Terry, *Hamlin & Lunt;* Schuyler Van Vechten, Lee Higginson Corporation

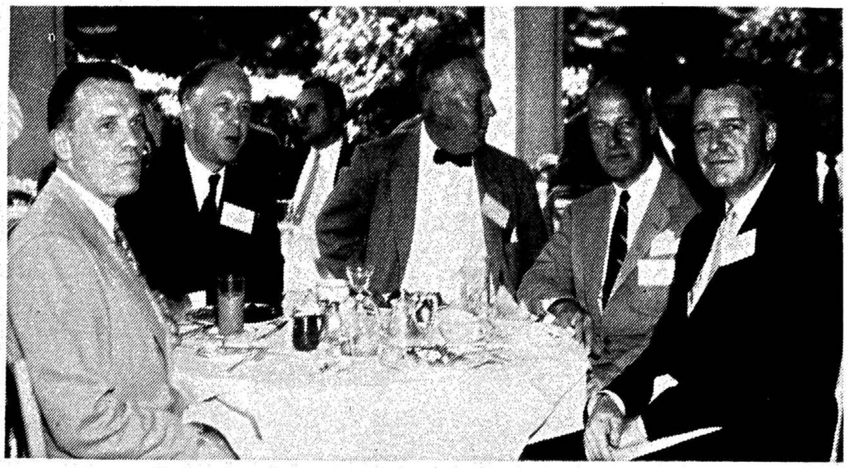
James Morrison, *First Boston Corporation;* William S. Renchard, *Chemical Corn Exchange Bank;* Robert J. Lewis, *Estabrook & Co.;* Charles Hodge, *Glore, Forgan & Co.*

Wickliffe Shreve, *Hayden, Stone & Co.;* R. H. Macdonald, *Dominick & Dominick;* H. Lawrence Bogert, Jr., *Eastman, Dillon & Co.;* Hudson B. Lemkau, *Morgan Stanley & Co.*

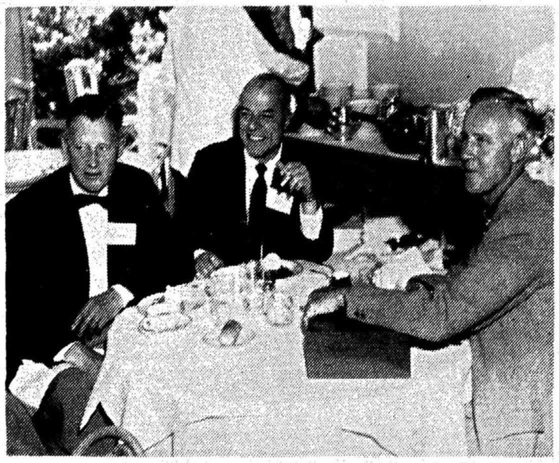
Annual Field Day



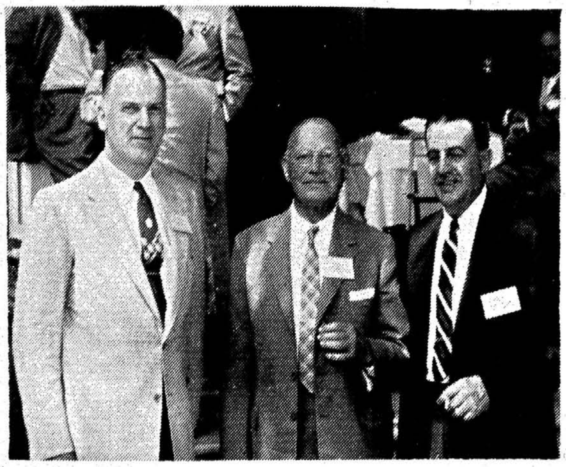
L. Walter Dempsey, *B. J. Van Ingen & Co., Inc.;* Gene Marx, *Bear, Stearns & Co.;* Gene McMahon, *Heller, Bruce & Co.;* Richard N. Rand, *Rand & Co.;* Donald Caldwell, *Walston & Co., Inc.*



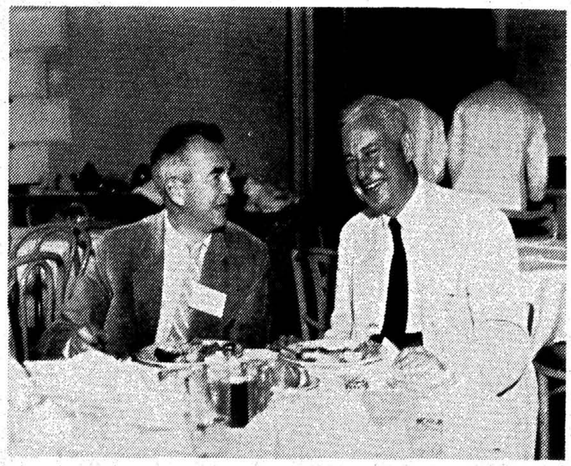
James J. Lee, *W. E. Hutton & Co.;* E. F. Dunstan, *Bankers Trust Company;* J. T. Foster, *P. R. Mallory & Co.;* Robert H. Craft, *Chase Manhattan Bank;* Gerald E. Donavan, *Moore McCormack Lines*



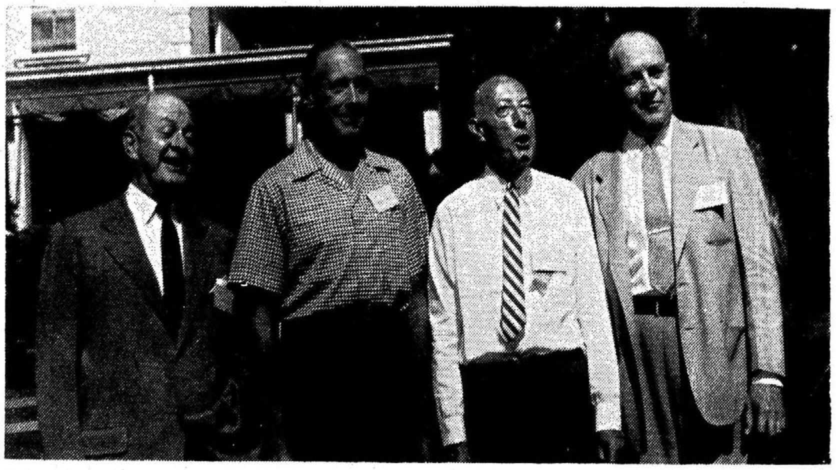
David L. Terwilliger, *Kidder, Peabody & Co.;* Frederic M. McClelland, *Kidder, Peabody & Co.;* Thomas H. Byrd, *Byrd Brothers*



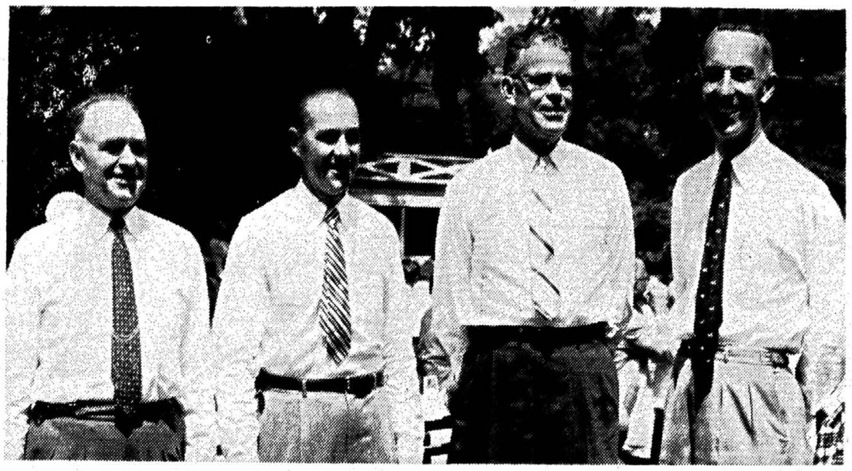
Carl Stolle, *G. A. Saxton & Co., Inc.;* John Grimm, *Grimm & Co.;* Albert C. Purkiss, *Walston & Co., Inc.*



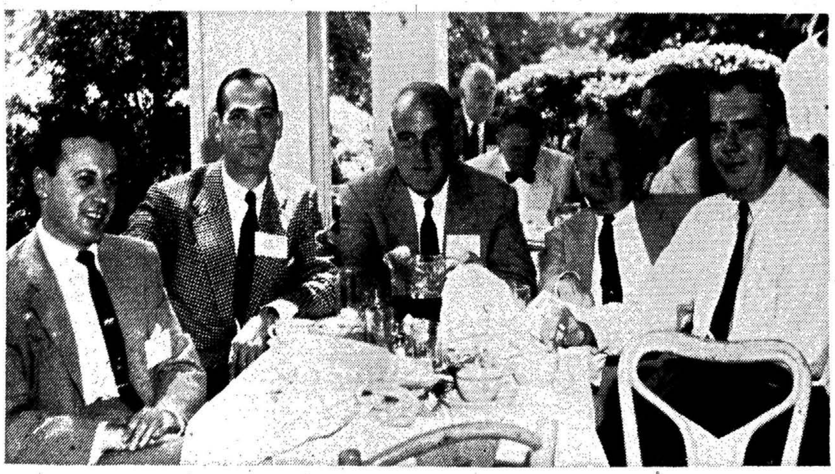
Randolph P. Compton, *Kidder, Peabody & Co.;* John K. Starkweather, *Starkweather & Co.*



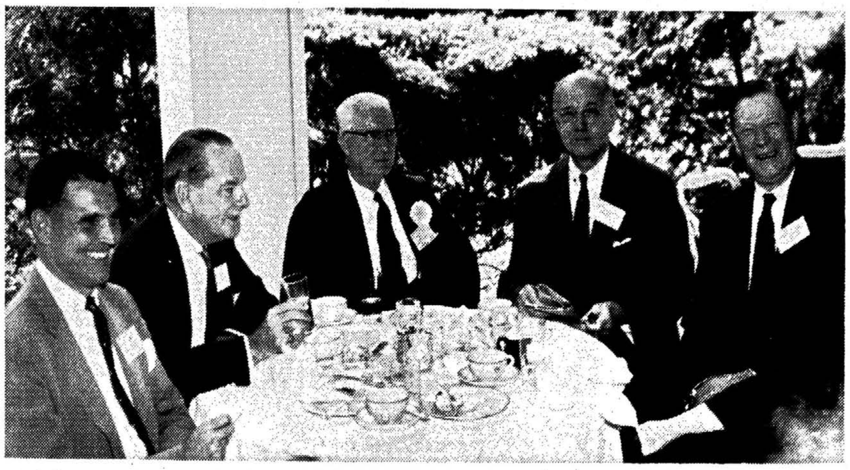
Robert G. Dillon, *Dean Witter & Co.;* Edward L. Holsten, *Salomon Bros. & Hutzler;* Theodore A. von Glahn, *Salomon Bros. & Hutzler;* Warren W. Ayres, *Dudley F. King*



Col. Oliver J. Troster, *Troster, Singer & Co.;* Melville Chamberlain, *Chemical Corn Exchange Bank;* Arthur Searing, *C. V. Starr & Co., Inc.;* Alfred H. Hauser, *Chemical Corn Exchange Bank*



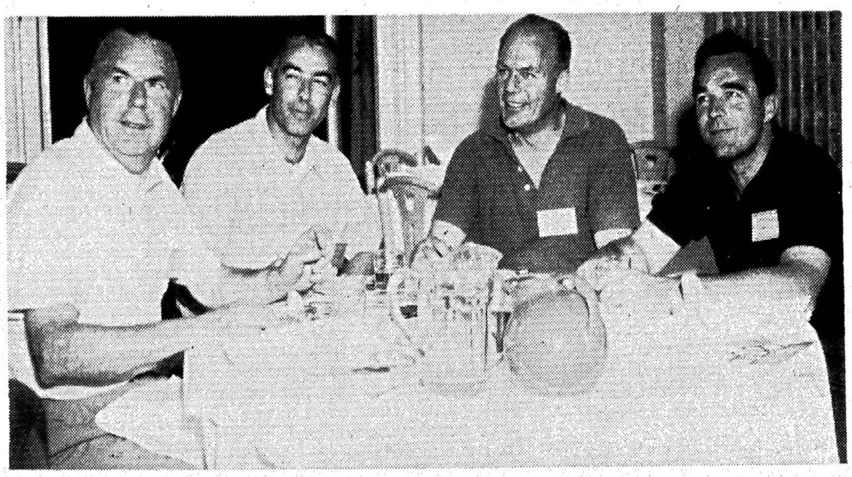
Henry Stravitz, *Swiss American Corporation;* Gustave L. Levy, *Goldman, Sachs & Co.;* Salim L. Lewis, *Bear, Stearns & Co.;* John French, *A. C. Allyn and Company, Incorporated;* Joseph F. Patten, *Bear, Stearns & Co.*



Walker W. Stevenson, Jr., *Hemphill, Noyes & Co.;* Paul F. Hay, *W. C. Langley & Co.;* Clifford Hemphill, *Hemphill, Noyes & Co.;* William R. Rovensky, *Hornblower & Weeks;* Hubert F. Atwater, *Wood, Walker & Co.*

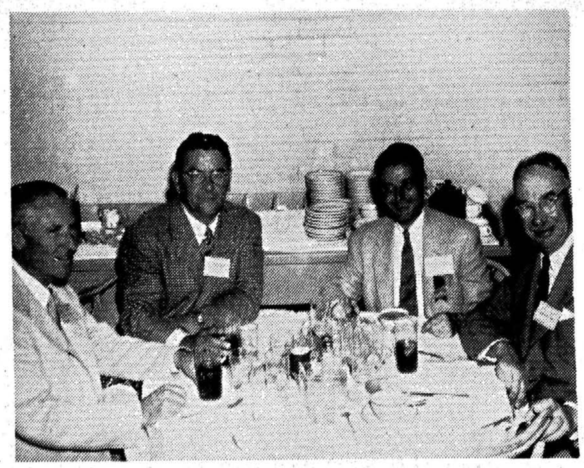
Friday, June 8, 1956

Richard W. Baldwin, *Reynolds & Co.;* Proctor Winter, *Harriman Ripley & Co., Incorporated;* Lee W. Carroll, *Lee W. Carroll & Co.*, Newark, N. J.; Frederick M. Grimshaw, *G. H. Walker & Co.*

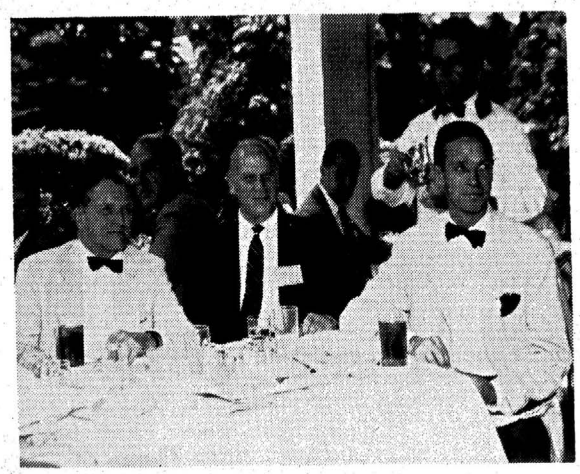


William McK. Alley, *A. E. Ames & Co., Incorporated;* Roger Bayles, *Home Insurance Company;* Edward R. Graeff, *Adams & Peck;* Thorburn Rand, *Rand & Co.*

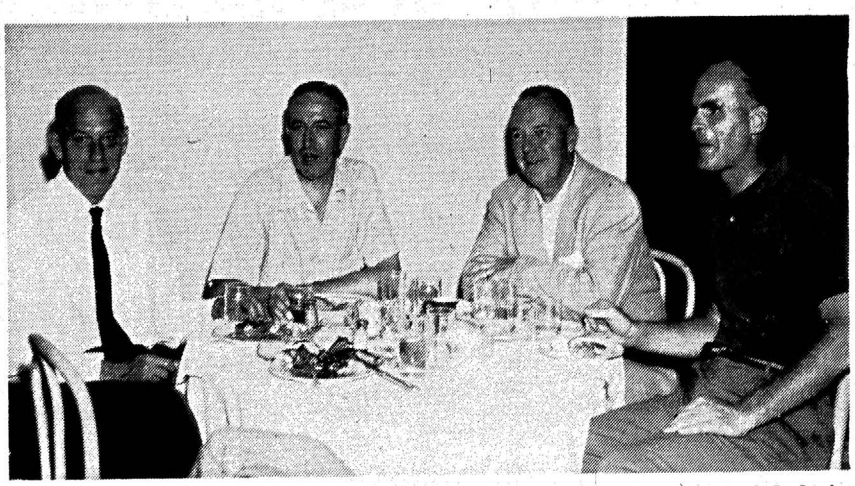
Andrew G. Curry, *A. E. Ames & Co., Incorporated;* Brainerd H. Whitbeck, *First Boston Corporation;* Edwin F. Peet, *Burns Bros. & Denton, Inc.*



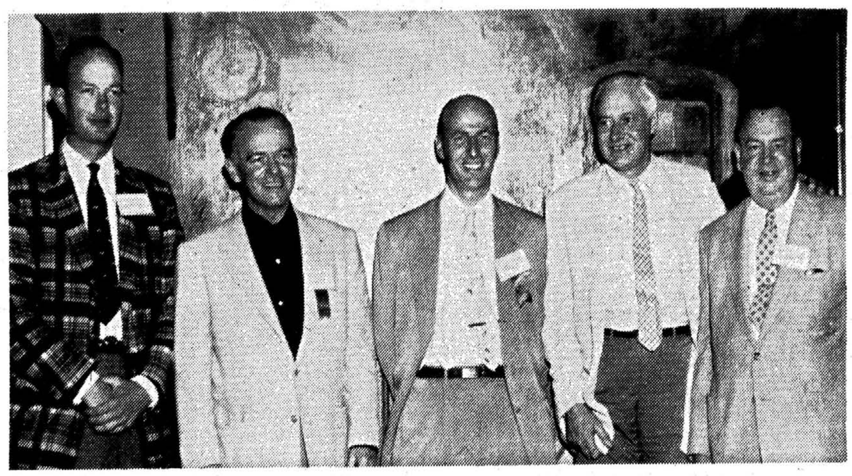
Homer J. O'Connell, *Homer O'Connell & Co., Inc.;* Charles F. Bryan, *Spencer Trask & Co.;* August F. Huber, *Spencer Trask & Co.;* Cyrus P. Smith, *Spencer Trask & Co.*



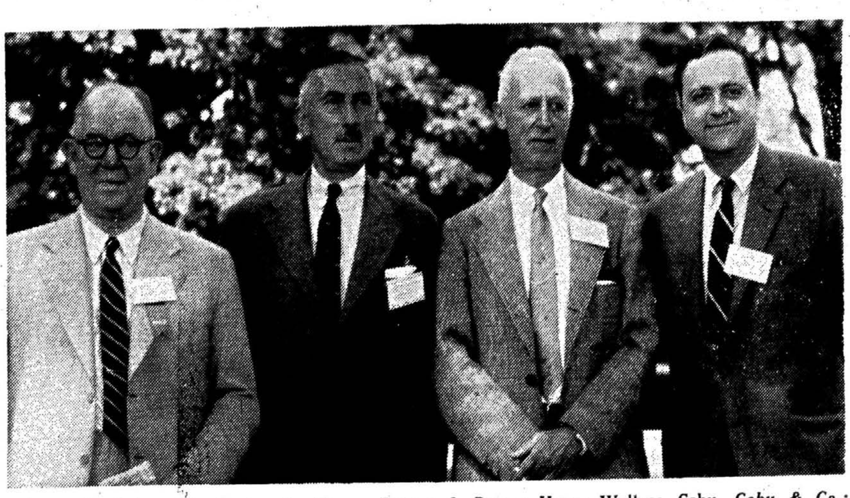
Malcolm A. Sedgwick, *Home Insurance Company;* E. Norman Peterson, *Equitable Securities Corporation;* L. Emery Katzenback, *White, Weld & Co.*



Henry P. Cole, *L. A. Mathey & Co.;* John J. Cronin, Jr., *Shearson, Hammill & Co.;* Frank L. Lucke, *Laidlaw & Co.;* Rex Auchincloss, *Courts & Co.*



Avery Rockefeller, Jr., *Dominick & Dominick;* Robert L. Thayer, *Lehman Brothers;* Harry A. Jacobs, Jr., *Bache & Co.;* George E. Nelson, *Gregory & Sons;* G. Wilmer Slaight, Jr., *Gregory & Sons*



Norman P. Smith, *Merrill Lynch, Pierce, Fenner & Beane;* Henry Wallace Cohu, *Cohu & Co.;* Dudley F. King; Edward A. Love, *Chase Manhattan Bank*

Charles F. Hazelwood, *Carolina Securities Corporation;* Paul Devlin, *Blyth & Co., Inc.;* Robert E. Nowlan, *Stroud & Company, Incorporated*

MORE BOND CLUB OF NEW YORK PICTURES ON PAGE 38.

Continued from page 24

Public Dis-Utilities

year and every year thereafter, your stock would become worthless to you as private property. An earningless investment becomes a worthless investment.

It is in this way that my power of control would allow me to destroy the entire worth of your property. Though you still would be holding title to it, your title would be worthless. This illustrates how autocratic control rather than a formal title is the essence of ownership, even though control was given "for the public good," or "in the interests of society" or "to further the general welfare," or whatnot. The reason for granting the control makes no difference from this standpoint.

Control by Socialized Competition

It is possible to accomplish the same end of destroying the worth of your property by a more subtle method than arbitrarily setting your prices for you. Suppose that in the "intertsts of the public," or whatnot, I set up a socialized competitive grocery. This, we shall say, is justified as a "pilot grocery, by which to test the fairness of your prices." Or perhaps it is " to prohibit you from gouging the public with exorbitant profits."

By undercutting your prices only a very little bit—only a fraction of a cent—I can draw business away from you. Housewives, as they compare our prices, will begin to come to my store. A single customer added to my business and taken away from yours will spread my overhead costs thinner and cause your overhead to more heavily burden you. For this and other reasons my costs per dollar of sales will go down and yours will go up, sharply cutting into your earnings and into the worth of your property.

Realizing what is happening, you will probably cut your prices down to mine in the hope of regaining lost volume. But then I can cut mine below yours again. This can go on and on, as you vainly try to meet my prices.

By means of my competitive grocery I shall have exercised no mandate over you. I shall not have forced you to reduce your prices by any proclamation, under the authority of my control. I shall merely have induced you to do so as a "voluntary act." The voluntary aspect would be that you decided to cut prices and try to keep your volume rather than to go broke through declining sales at the higher prices.

You could not stand such competition very long because your total assets, let us say, are equal to only about three and one-half years of sales. And let us say that over half of these assets are financed by borrowed funds rather than by owner's capital. Unless you pay these bondholders and lenders their interest regularly, they can take over your business and liquidate the property. So your problem soon becomes that of where to get the funds to keep going.

A Bottomless Pit to Meet Losses

If I were an ordinary citizen using my own private funds to compete with you, I would be running the risk of depleting my own funds too, the same as you. I might be the first to suffer financial failure under the price-cutting policy I have initiated. That threat would quickly cool my ardor about forcing competitive prices further and further downward.

But in this illustration I am not an ordinary private competitor of that sort, using my own funds. I have an almost endless pit from which to draw funds for my continuing losses. Why? Because mine is a socialized grocery store. As a part of the authority by which I am empowered to control your business, I also have the right to send you a bill for the losses sustained in my socialized grocery business.

This is the worst conceivable sort of competition—if, as I would deny, it can properly be called competition at all. Though I originally gained my power of control for the stated purpose of "eliminating cutthroat competition and stabilizing human welfare," mine is the power to engage in the most ruthless cutthroat competition conceivable. Whereas you must pay your own losses from your own savings, I can send you the bill for my losses too. You can be forced to pay the losses for both of us, your own and that of your "competitor." So the process really amounts to confiscation. It is not really competition at all.

The bill I send you to cover my losses appears as "taxes" in these illustrative figures I have shown. The total tax bill of 21 cents covers many things, among which is my bill to you for part of my losses at the cut rates I have set. Should you refuse to pay this bill, I am empowered under by authority to take over your property forthwith.

I can go on and on cutting prices, sending you successively greater and greater tax bills to cover my losses. The fact that the tax bill is already greater than the total of (1) earnings retained in your buisness, (2) dividends on all stocks, and (3) interest on all formal loans to help finance your operation, does not curb my authority any. No limit has been set on my power to violate your personal rights in this manner. Should you contest it in court, I have been delegated to be the final judge in the matter.

Facts, Not Fiction

The figures I have given you are not just picked out of the air of fiction to illustrate my p.. They represent the combined operation of nearly all "investor-owned" electric utility companies in the United States for 1954—the latest figures published in this series. All except 1% of this type of business—that of the smallest concerns—is included.[2]

For purposes of clarifying the picture they reveal, all actual amounts have been expressed in proportion to total revenues of the FPC Class A & B Companies ($7.7 billion), as though total revenues were $1.00. In other words, the relative amounts are true to fact for the composite of essentially all investor-owned electrical utility companies of the United States, with the minor exception that they include inter-company revenue.

One-fifth of the total charges to consumers for their electrical services is required to pay the tax bill of these electric utility companies. The consumer does not see this, however. He sees only a monthly bill for "electricity" rather than the one-fifth being shown as taxes — a fact about which most consumers are probably ignorant. This is really a double tax on the consumer, because when he pays his electric bill he must pay it with income remaining after paying a personal tax on it as income.

Overstated Profits

The figure I have given — 14 cents of the total income dollar as net income to pay stockholders and for retaining in the business —is the figure which appears in the official reports. But I suspect these profits to be seriously overstated, even for these boom times. The reason is as follows:

The accounting practices in almost universal use fail to allow adequate depreciation for plant and equipment under the inflationary conditions that have prevailed for decades. For instance, if your yearly depreciation is on the basis of original costs and if inflation has tripled the costs of replacement, your depreciation would be understated by two-thirds of the true figure for the plant and equipment used up during the year's operation.

I have no idea how much this overstatement of profits may be in the figures I have shown. A careful accounting job on each company would be necessary to reveal the degree of error. But to illustrate, one telephone company last year showed the degree of error for its operations by publishing two financial statements—one as required under the governmental control authorities, and the other the true report as based on the method developed by Northwestern University.[3]

In this telephone company, for instance, the conventional accounting method overstated profits by about three times. The true net income was only 2.1 cents per dollar of total revenues instead of the 7.0 cents which conventional methods of reporting showed.[4]

But the precise figure is not important from the standpoint of property rights being discussed here, in connection with "public utilities." A "profit" is merely an accounting derivation designed to assist management and owners to appraise the progress of the operation. Its magnitude does not alter ownership rights, and it should never become a device for violating rights of private property. For instance, if I have produced a bushel of potatoes with my own efforts, the entire bushel of potatoes is mine by rights. If by some accounting procedure I should arrive at a figure of five cents of "profit" in its production, that five-cent proportion of the bushel is no less mine than any other part of the bushel. It is all mine, no matter what the profit calculation might show.

What Is a Public Utility?

In the light of all this, let us now appraise this popular term "public utility."

What is utility? To economists, **utility** is merely a thing desired. Or, it is something adaptable to human desire. Electricity when harnessed for our use has that quality, but it is not alone in this respect. The list of things having utility is all but endless.

What then would be a "public utility"? I suppose it should be defined as something desired by the public. And the public is merely an abstraction to describe a composite of individual persons. Who else except individual persons could desire anything?

So perhaps we should have given a prize to the ingenious gent who labored and brought forth the term "public utility,"—a prize for coining the most redundant redundancy of that year!

2 Advance Release of Data for "Statistical Bulletin for the year 1955," Number 23, Edison Electric Institute, 420 Lexington Avenue, New York 17, N. Y. May 1956. Table No. 42.

3 "Business Profits—Fact or Fable?", School of Commerce, Northwestern University, Evanston, Illinois.

4 Indiana Telephone Corporation, Annual Report to Stockholders, for the year ending Dec. 31, 1955.

The reason why such a term as "public utility" came to have acceptance is that sometime in the past there arose in the garden of ideas this communal weed-notion. And it has been crowding out certain important traditional concepts in our nation. It threatens to take over, more and more, our rich heritage and to blight the origins of our economic fruitfulness. To stop its spread we must recognize it for what it really is, and apply the hoe. This weed-notion is that there is a "public" —or "society" as it is sometimes called — which somehow exists apart from the persons who comprise it. Thus it is a supra-individual concept which assumes a social whole greater than its parts as separate, cooperating individual persons. And it is this whole which has come to be assumed to have certain rights that are denied to the persons who comprise all of society; a "social good" distinct from individuals' good; a "public welfare" somehow greater than the sum of individual personal welfares.

Since we are here concerned with matters of justice, we must realize that collective justice can be only the sum of individual justices for the persons involved. And these individual justices, in turn, rest on those basic human rights that have been sketched in outline form.

Especially unfortunate have been the consequences of the invention of this phrase "public utility." It has created a whole chain of thinking which ignores its redundancy. From it has sprouted the notion of this special category of utilities—those utilities presumed to somehow apply peculiarly to the communal mass of humanity rather than to be the proper concern of persons as separate individuals. But as already explained, this concept of a communal mass is itself sheer nonsense from the standpoint of justice based on human rights. There is no such distinction between the utilities of different economic goods and services. And so, in this strange anthropology of what passes for thought, it seems that a redundancy has now begotten notions that seriously endanger our traditional way of economic life.

Out of this chain of notions has come the idea that it is fitting and proper for the political agent of the communial mass to either own or impose arbitrary control over these "public utilities." It is argued that the public should thus control what properly belongs to the public.

If one asks how the public ever acquired the essence of ownership rights in these things, it will be said that as "public utilities" they really always belonged to the public anyhow; that when the government gained control of the "public utilities," it was merely regaining property that had been improperly surrendered to private ownership.

Control by Owners vs. Politicians

Once arbitrary control has been vested in the communal mass rather than being left with specific persons as private property, surprising things seem to happen —surprising to those who have visualized a Utopia under ownership in common. It is not surprising, however, to "conservatives" who know that being efficient is only another term for conserving. It is not surprising to those who know that responsibility goes with private ownership as the handmaiden of efficiency.

A wise saying is this: What is everybody's business is nobody's business. And concern about efficiency under ownership in common is very close to being nobody's business. The custodian of things owned in common is not much afflicted with a sense of responsibility. The linkage is so vague, so unprecise, so confused with other influences that it fails to induce efficiency in the use of scarce things — economic things. Evidence on this point is overwhelming.

In the early days of this nation, socialists like Robert Owen of England, and his visionary followers, set up scores of communal societies in the United States. Many were of religious motivations, but many were also strictly economic. Not one of them has survived. All suffered economic failure, if not failure in spirit. There must be an important reason why not a single one among all these trials was a success. Would you install a machine in your plant which had failed in every test? Yet as a nation we continue to try other forms of these same processes of ownership in common which have consistently brought economic failure when tested in pure form.

There comes to mind the instance of two iron mines in Sweden. One was started many years ago in the northland under private management; this operated with continuing efficiency as reflected in its profits. The other, started some 15 years ago, was politically managed and was designed to relieve the need of people for employment in another northland area; it has never made a profit, and last year the loss per employee was about as much as the private consumption of four average Swedish people.

In instances like these, where the managers are political managers, political purposes are uppermost in their minds. It was politics which put them there, and it is politics alone which can remove them. Efficiency, being a secondary consideration, always loses the nod to political considerations. So under political management the economic efficiency can never rise above the notoriously low economy level of politics.

These experiments in communal ownership are failures because the discipline imposed upon management is not linked directly to the responsibility of personal property and private ownership. The gambler who can gamble with other people's money will be reckless indeed. If his pocketbook is refilled from the pocketbooks of others—if his own property or economic position is not endangered by his failures — he will throw effiicency to the wind and be wasteful of costs. He will act this way for the same reason we waste anything that is not scarce and therefore not valuable.

The Public Utility of Human Rights

It is highly important to note that not only the owners but others, as well, lose from inefficiency; that both owners and others gain from efficiency. The so-called profits arising from effifiency become the buying power for trades that will benefit others. A thing wasted can benefit nobody. That is why the preservation of rights of private property is so important to the general welfare. That is why there can be no real public utility except as human rights are protected from invasion, either by taking title or by gaining arbitrary control.

As has already been shown, when rights of private property are invalidated the most basic of human rights is denied. This practice invalidates the premises on which our nation was founded under the Declaration of Independence and the Constitution. And collective theft becomes validated.

These are serious charges, I know. But is not a serious charge justified when the foundations of our way of life become seriously threatened? The government already owns over one-fifth of the wealth of our nation, we are told, and controls untold amounts more. If we continue to accept these notions that certain "public utilities" should be maintained under socialist-communist ownership or arbitrary control, the door is being kept open to accept at some later date precisely the same concept and processes for bread and shoes and houses. These have utility too for members of the public, as does electricity. In fact, if we were to try to array utilities, would not food be first and therefore the leading candidate for communal or political management under the concept of "public utilities"?

In closing, then, I would stress that these processes which are now so generally accepted and endorsed as justifying communal ownership or arbitrary control of "public utilities" must be recognized for what they really are— socialism or communism in sheep's attire. And in the light of human rights and human freedom, these are the processes that destroy the dignity of man and paralyze the enterprise of self-responsible persons.

It is for this reason that I would rename political ownership and arbitrary control of these services, using instead the term **public dis-utility.** For is it not an act of public dis-utility to destroy the value of property which has been properly acquired by private individuals? Since the public is nobody but these private individuals, there can be no public utility that is not basically private utility.

We must, as I see it, preserve the basic rights of private individuals to acquire and use as private property whatever they have produced or otherwise acquired without theft. If political agents violate these rights and confiscate the property of others for the benefit of themselves and their friends, that should be labelled a public **dis-utility,** and those who carry out such schemes should be labelled public **dis-servants.**

With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Charles A. Bacigalupo, Francis W. Blaisdell and Richard J. Hosmer are now with Palmer, Pollacchi & Co., 84 State Street.

With McCormick & Co.

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — Alfred M. Weaks has been added to the staff of McCormick and Company, Security Building.

E. F. Hutton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — James C. Matthews is now with E. F. Hutton & Company, 219 East Broadway.

Daniel Reeves Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Niver W. Beaman has been added to the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

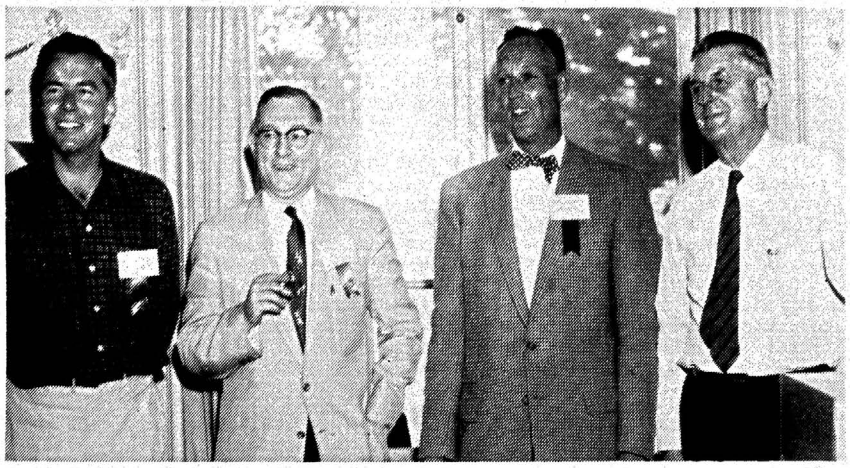
With du Pont, Homsey Co.

(Special to THE FINANCIAL CHRONICLE)

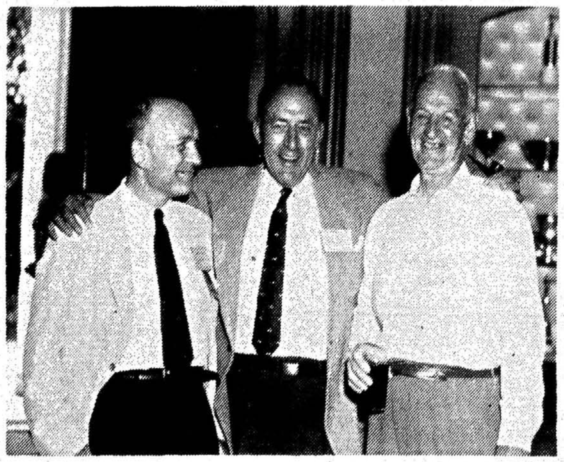
BOSTON, Mass.—Geno L. Neri is now with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. He was formerly with Vickers Brothers.

At Sleepy Hollow Country Club

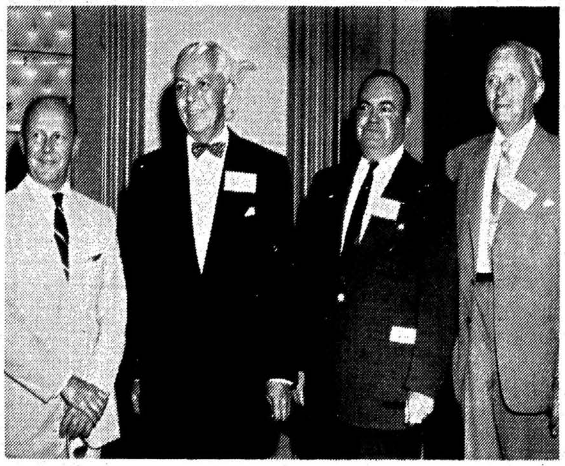
Allan C. Eustis, *Spencer Trask & Co.;* Emmons Bryant, *Blair & Co. Incorporated;* Brittin C. Eustis, *Spencer Trask & Co.;* Stanley A. Russell, Jr., *Blyth & Co., Inc.*, Philadelphia



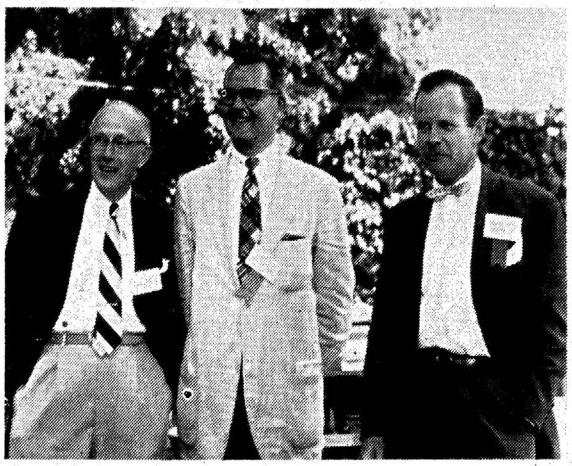
Julius H. Sedlmayer, *Merrill Lynch, Pierce, Fenner & Beane;* Donald Caldwell, *Walston & Co., Inc.;* Charles M. Litzell, *White, Weld & Co.;* Calvin Cross, *Hallgarten & Co.*



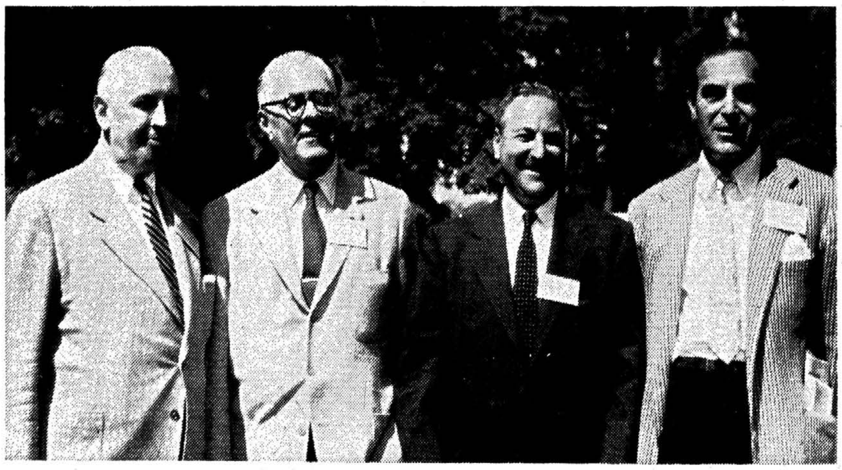
John Kormendi, *Kormendi & Co., Inc.;* John E. Arrowsmith, *Van Alstyne, Noel & Co.;* C. Gerard Dodge, *Cohu & Co.*



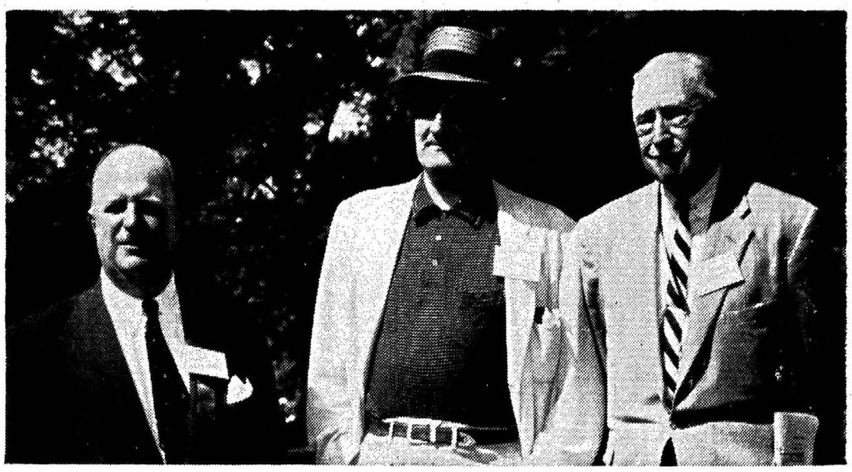
Edward K. Van Horne, *Stone & Webster Securities Corporation;* James L. Harrison, *First National City Bank;* George P. Rutherford, *Dominion Securities Corporation;* T. Arthur Nosworthy, *The Bronx Savings Bank*



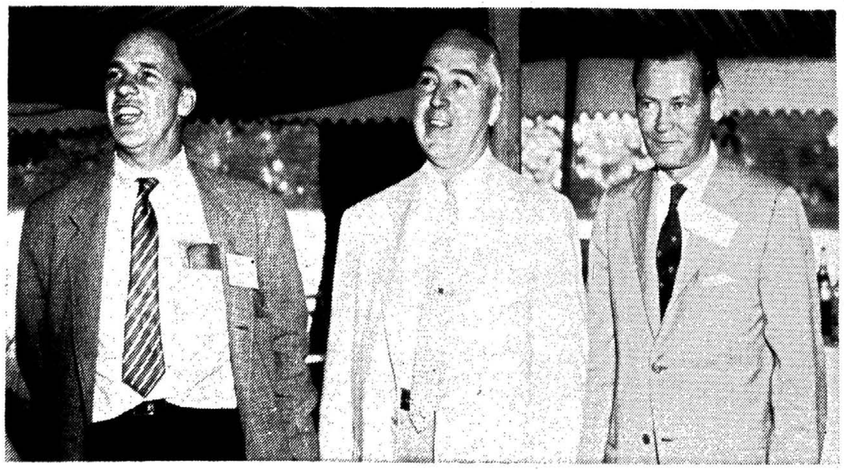
Joseph S. Nye, *Cosgrove, Miller & Whitehead;* Raymond D. Stitzer, *Equitable Securities Corporation;* Frederick H. Steiwer, *Alex. Brown & Sons*



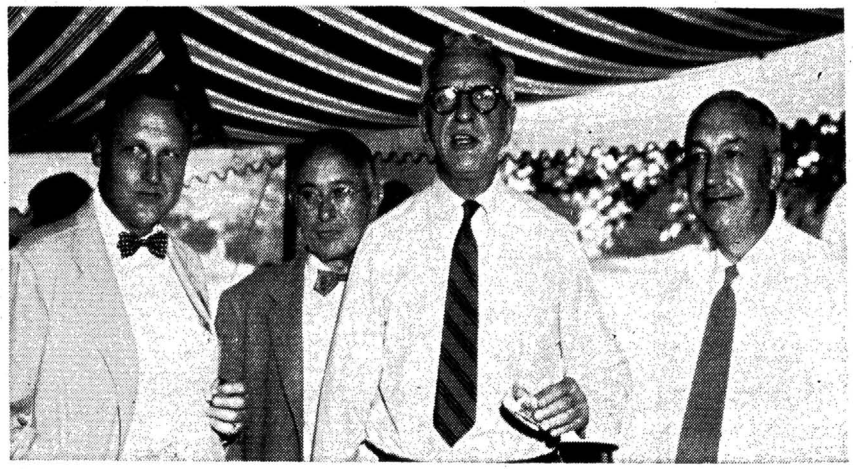
Joseph Ludin, *Dillon, Read & Co. Inc.;* H. Albert Ascher, *William E. Pollock & Co., Inc.;* Henry Harris, *Goldman, Sachs & Co.;* Stanley R. Miller, *Goldman, Sachs & Co.*



Walter H. Weed, Jr., *Union Securities Corporation;* George J. Gillies, *A. C. Allyn and Company, Incorporated;* Allan D. Converse, *A. C. Allyn and Company, Incorporated*



Ed Peet, *Burns Bros. & Denton, Inc.;* Walter V. Kennedy, *Coffin & Burr, Incorporated;* H. Keasbey Bramhall, *Bramhall, Falion & Co., Inc.*



Edward A. M. Cobden, *Kean Taylor & Co.;* Chas. J. Waldmann, *Kean, Taylor & Co.;* David Skinner, *Harriman Ripley & Co., Incorporated;* Emil C. Williams, *A. M. Kidder & Co.*

Plan Acceleration of Private Atomic Power Expansion

Action is taken to coordinate, accelerate and expand on a national scale nuclear power development by private electric utilities as a result of unanimous approval by the EEI Board of Directors of the recommendation by the EEI Committee on atomic power.

Recognizing "atomic power is now an accepted fact," and noting the over $300 million already invested by 44 private electric utilities in atomic power planning, construction and research developments, the Board of Directors of the Edison Electric Institute accepted recommendations by the Institute's Committee on Atomic Power designed to coordinate, accelerate and expand nuclear power development by the industry on a national scale with private capital.

The text of the Atomic Power Committee's report to the Board of Directors follows:

The United States is supreme among all nations in the development and use of electric energy. The electric power industry has been, is, and will continue to be forward looking in enlarging the supply of efficient, low-cost electric energy for the continuing benefit of all the millions of power users throughout our land The record of progress in the use of fossil fuels gives proof of the creative ability of industry as well as the constant will to do a good job better.

Atomic power is now an accepted fact. Substantial progress in its development has been made. Further development is a challenge the electric power industry welcomes. Advance into the unknown is a characteristic of American industry, which has risked so much and gained so much for all America since Edison opened his Pearl Street Station.

The member companies of the EEI have spent, and are continuing to spend, millions of dollars to develop economic nuclear power. A total of 44 investor-owned companies are singly or in groups participating in the planning and building of nuclear power plants. More than 300 million free enterprise dollars are involved in the planning, construction, and attendant research for these plants which in all will have an ultimate capacity in excess of 1,100,000 kilowatts. A total of 113 utility companies are active in the atomic power field and have AEC access permits.

Approves Present Reactor Program

At its meeting on June 5 and 6 the Committee on Atomic Power reviewed current activities in the field of atomic power, including the investigation of various reactors, the development of new reactor prototypes, and the carrying out of programs of design, construction, and operation of large-scale reactors under the Power Reactor Demonstration Program of the Atomic Energy Commission and through straight license applications. The Committee is of the opinion that the present reactor program with the United States, in which members of the industry are playing such a leading part, is a most impressive one from the standpoint of variety, depth, and scope.

In its original Five-Year Power Reactor Development Program, the AEC selected five reactor concepts as being technically feasible and potentially capable of producing economically competitive nuclear power. Companies, individually or in groups, have announced their intent to build large-scale plants embodying four of these designs and actions toward this objective are proceeding in an orderly manner. The fifth concept is the basis for a large-scale construction project by a public power district.

Since the original Five-Year Program was established, the AEC has added two new reactor designs. AEC has announced that it has signed a contract with a reactor manufacturer for building a prototype of one of these and that it is negotiating with another manufacturer for a similar undertaking for the other. **As these and other promising designs or variations pass the prototype stage, the industry will again take major responsibility for their large-scale development with private capital. Past experience clearly supports this.**

The Committee on Atomic Power believes it is important to point out that in the development of conventional electric power the unique genius of the American economy under free enterprise has given the United States undisputed world leadership in electric power production over many decades, utilizing every available energy source. The committee urges the industry membership to re-emphasize as a basic program its determination to carry out the same kind of development in atomic power. This will assure our continuing leadership in production of power by nuclear means and will make available to the people of the United States and its allies the benefits of such leadership.

Recommended Proposals

In order to insure that there will be no basis for doubt as to whether every variety of reactor that should be undertaken, either in prototype, or in large-scale project, is being undertaken, the Committee on Atomic Power is recommending the program set forth in the following resolutions adopted at its meetings on June 5 and 6:

(1) Resolved that the Committee on Atomic Power recommend that the Board of Directors of EEI establish immediately and on a continuing basis Technical Appraisal Task Force on Atomic Power Reactors for the purpose of reviewing various reactor types and designs and recommending to the member companies of the EEI those reactor types and designs which appear to have promise of feasibility for the production of electric power.

The Committee on Atomic Power recommends that the Technical Appraisal Task Force on Atomic Power Reactors consist of independent nuclear engineers and scientists and executives of EEI member companies and equipment manufacturing companies. The Atomic Power Committee further recommends that an adequate sum of money be appropriated each year to finance the workings of the Technical Appraisal Task Force on Atomic Power Reactors on a continuing, long-term basis.

The Committee on Atomic Power considers that such a Technical Appraisal Task Force should be available not only to serve the members of the Institute directly, but also to act as a liaison agency with the members of any evaluation group that may be set up at the national level.

(2) Resolved that the Committee on Atomic Power favors the formation of a national evaluation group to provide a continuing means for the scientific, engineering, and economic evaluation of power reactor types and designs and selection of those reactor types and designs which merit development and construction.

(3) Resolved that the Committee on Atomic Power recommend that the Board of Directors of EEI call a Conference of Company Presidents, to be held at the earliest practicable date, for the purpose of reviewing the atomic power program in the United States, particularly the role the investor-owned power companies, and so that necessary decisions can be made on the means by which their further and continuing participation in this program on an expanded and accelerated scale may be brought about.

(4) Resolved that the Committee on Atomic Power recommend that the Board of Directors of the EEI appoint a permanent full-time Executive Secretary of the Committee on Atomic Power for the purpose, among others, of assisting that committee and the members of the Institute in furthering the development of atomic power.

Rogers & Tracy Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Leslie O. Bruckschen is now with Rogers & Tracy, Inc., 120 South La Salle Street.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine — George H. Felch is now with King Merritt & Co. Inc., Casco Bank building.

Two With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John J. Bello and Robert J. Silverstein have become connected with Investors Planning Corporation of New England, Inc., 68 Devonshire St.

Halsey, Stuart Group Offers Indianapolis Power & Light Bonds

Halsey, Stuart & Co. Inc. and associates on June 8 offered $10,000,000 of Indianapolis Power & Light Company first mortgage bonds, 3⅝% series, due June 1, 1986, at 101.935% and accrued interest, to yield 3.52%. The underwriters won award of the issue at competitive sale on June 7 on a bid of 101.22%.

Net proceeds from the sale of the bonds will be used by the company for the construction of utility plant, and for the repayment of bank loans of $4,000,000 incurred in connection with the construction program.

The 1986 bonds are to be redeemable at general redemption prices ranging from 105.56% to par, and at special redemption prices receding from 101.94% to par, plus accrued interest in each case.

Indianapolis Power & Light Co. is an operating public utility engaged primarily in generating, distributing and selling electric energy within the City of Indianapolis, Ind., and adjacent areas. The company also produces, distributes and sells steam within a limited area in Indianapolis. A wholly owned utility subsidiary renders electric services in seven small communities located in territory contiguous to that in which the company operates.

For the 12 months ended March 31, 1956, the company and its subsidiary reported consolidated operating revenues of $41,232,000 and consolidated net income of $7,284,000.

Other members of the offering group include: Bear, Stearns & Co.; Wm. E. Pollock & Co., Inc.; Thomas & Co.; Mullaney, Wells & Co.; Rodman & Renshaw; Bosworth, Sullivan & Co., Inc.; and Patterson, Copeland & Kendall, Inc.

Robert J. Lewis Pres. Of Bond Club of N. Y.

Robert J. Lewis of Estabrook & Co. has been elected President of The Bond Club of New York to succeed George H. Walker, Jr. of G. H. Walker & Co. The election and annual meeting took place at the Bond Club Field Day at the Sleepy Hollow Country Club.

Robert J. Lewis

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

Three new members were elected to the board of governors: William B. Chappell of The First Boston Corporation, Sydney G. Duffy of Blyth & Co., Inc., and William S. Renchard of Chemical Corn Exchange Bank.

Winners of the various sports tournaments were:

Ex-President's Cup for Low Gross — Joseph A. Thomas and Frederick L. Ehrman of Lehman Brothers.

Candee Cup for Low Net — Salim Lewis, Bear, Stearns & Co., and Gustave Levy, Goldman, Sachs & Co.

Christie Cup for Match Play against Par: Emmons Bryant, Blair & Co. Incorporated and Ernest J. Altgelt, Jd., Harris Trust & Savings Bank.

Tennis Doubles: David Evans, American Metal Company, and Edus H. Warren, Jr., Spencer Trask & Co., who defeated Philip D. Baker, White, Weld & Co., and Will J. Price, Stone & Webster Securities Corporation, with a score of 6-2, 6-3.

Continued from first page

Confidence in the Electric Utility Industry Regained

rence, nevertheless I believe it will be recorded in the chronicles of our time that this was the year in which our industry achieved not only a new measure of public esteem but of self-confidence, as well.

A year ago, in accepting the Presidency of the Institute, and speaking as your representative, I said that we would endeavor to promote within and without our membership a better understanding of the industry's basic interests and concerns—that we would protect with all possible vigor the principles of American free enterprise upon which our industry is founded and upon which its survival depends—and that, as a concomitant of that determination, we would oppose, at every opportunity, those within and without government who would socialize our industry.

You have delivered magnificently on the platform to which I presumed to commit you. As a result, I think we have made substantial progress toward achieving that clarity of objective and that unity of purpose so essential to an effective defense of the rights of the 80% of American power users who depend upon our companies for electric service.

Setbacks

It will strike you as strange, perhaps, that I should speak of increased self-confidence and enhanced public support for our industry in the face of recent, admitted setbacks in Washington — setbacks such as the Senate's vote in favor of a State power development at Niagara; the tacit approval of TVA expansion through the use of power revenues without advance Congressional approval; the Attorney General's opinion giving subsidized power groups virtual monopoly rights to Clark Hill and other Federally-generated power; the postponement, because of Congressional intervention and pressure, of sound marketing and rate criteria for the sale of government power in the Southwest, et cetera.

These are setbacks—serious setbacks—that pose real threats for our customers and investors and the public generally. I would be the last to minimize or gloss over them. But I have the feeling that they are but lingering shadows in a gradually brightening outlook for our industry and the great majority of Americans we serve.

Upon what is this optimism based?

I will tell you—and, in doing so, I will recount what I consider to have been the most significant developments of the past year insofar as the independent, business-managed and taxpaying electric utilities are concerned. I shall speak not only of the favorable events which have transpired but of the unfavorable events which failed to come off as our opponents intended. I shall speak not only of tangible achievements but of intangibles also—intangibles such as changed attitudes on the part of the public and our own members — attitudes which may be more meaningful for the future than anything, favorable or unfavorable, which actually occurred during the year.

New Spirit

In the first place, I am optimistic because of what I have seen and heard as I have traveled across the nation, visiting electric companies and talking with their executives, employees and customers. Make no mistake about it—a *new* spirit is beginning to move our industry! It is a spirit of conviction, and of courage, and of cohesiveness too often lacking in earlier years when unwarranted political attacks have been loosed against us. All over America electric utility executives and employees have shown an increasing willingness to stand up to the Socialists and demagogues, and to talk back to cynical and self-serving politicians — answering fraud with fact—boldly, and without fear or apology, demanding equality and fair play for their customers and investors.

This new spirit was manifested in the challenge you hurled at the Chudoff Committee—a challenge to be heard which, being refused by the committee, resulted in a complete loss of public confidence for its politically-inspired findings.

It was manifested also in your vigorous defense of the Dixon-Yates contract — a defense which, despite abandonment and timid repudiation of the contract, nevertheless served to alert the public as never before to the heavy cost of government power to the taxpayers and the rank discrimination involved in the Federal financing of power facilities for a favored group, state or region.

It was manifested also in your ready and enthusiastic acceptance of invitations to testify (a) in opposition to revenue-bond financing for TVA based upon an evasion of Congressional controls and offering as an inducement to investors a "windfall" of past Federal appropriations aggregating not less than $1,700,000,000; (b) in support of Revenue Act revisions aimed at relieving, to some extent, the inequalities and discriminations which have made "second class" citizens of electric utility customers and investors; (c) in opposition to the Gore Bill for a "crash" program of atomic power plants to be built by the Government at large and useless expense to the taxpayers and under preference provisions in the Atomic Energy Act which would discriminate against them and in favor of the customers of subsidized-power groups; (d) in support of the Potter-Pastore Bill aimed at eliminating regulatory barriers which now inhibit joint construction of generating plants (both atomic and conventional) by utility companies—particularly the smaller companies—so as to assure a power supply for their customers at minimum cost and with maximum efficiency; and in connection with a variety of other legislative matters.

Never before have so many of the top leaders of our industry been so ready to join in telling the industry's story to Congressional committees—even in cases where their own companies were not directly involved. This attitude, plus the poise and logic of those who testified, won new respect for our industry from members of the Congress. It provided the public with information of the sort necessary to sound democratic judgments. Best of all, it gave the professional advocates of governmentalized electric power their first real challenge in many years. It was a demonstration of industry-wide responsibility and forthrightness which if continued, as I am confident it will be, will assure the reversal of a 25-year trend toward the socialization of our industry.

Less Municipal Owned Power

I am optimistic also because of the overwhelming voter preference for the service of independent electric companies rather than of subsidized power organizations as expressed in numerous local elections during the past year, such as the one about a month ago in Oregon which resulted in the sale of co-op facilities to Portland General Electric, and earlier elections in Stevens County, Washington; Lake City, Florida; Anson, Texas; Dublin, Georgia; Newton, Mississippi, and elsewhere. So far as I have been able to determine, only one new municipal power system has been established this year. Nine have been discontinued, and eight have been sold to electric companies. This brings the number of municipally-owned systems to its lowest level since 1939.

Our industry's only serious setbacks in recent months have been at the hands of Washington legislators and officials who, being out of touch with the sentiments of the rank-and-file voters as reflected in the recent elections to which I have referred, have been pressured into supporting socialistic power measures by self-seeking minority groups.

The recent Niagara vote is an eloquent example of what I mean. There the Senate, by a narrow majority of only nine votes, under the whip of party leaders, directed State development of a power project which residents of the affected area, in repeated surveys and in resolutions of farm, labor, business and civic organizations, had asked to be developed by free enterprise electric companies.

An Informed People

I am optimistic because I know that, if America continues as a democracy, the sentiments of an informed and alerted people, rather than of demagogues and privilege seeking pressure groups, ultimately will prevail. In this connection, I am optimistic because our industry has begun, in its advertising and publicity campaigns, to tell the people exactly what government power involves —in terms of their own pocketbooks and their own economic opportunities—and in plain and unequivocal language that the man in the street, and on the farm, and in the factory can understand.

As a result of plain talk — branding "preference" and tax subsidies as the un-American devices they really are—we have begun to attract support from some unexpected quarters. I am sure you noted, as I did, that Aldai Stevenson, in the course of his recent Oregon campaign, declared himself in favor of the basic "partnership" idea of Federal and private collaboration in resource development.

And only a few days ago, the "New York Times," long an advocate of TVA, editorially declared its opposition to the so-called "preference" clause because, as that newspaper observed, it inequitably limits the benefits of low-priced electricity to the relatively few customers served by publicly-owned utility systems, and also constitutes "a built-in and almost irresistible temptation to villages, towns and cities . . to set themselves up in the power business," thereby doing grave damage to private utility companies "by stealing away their customers."

Former Governor Thomas E. Dewey has also been reported in recent dispatches as being opposed to the grant of special privileges in Niagara power to subsidized power organization.

Power As Election Issue

I am optimistic also because of the apparently diminishing interest in, and willingness of politicians to rely upon, the so-called "public-versus-private" power issue in national and local elections. If you will glance back over last autumn's newspapers, you will find that almost all of the political pundits and columnists were predicting that government power would be one of the top issues in the 1956 elections. Today it is rarely listed as an issue of any importance at all. On television from Florida a couple of weeks ago, two top Democratic presidential aspirants — one of them just defeated in Oregon where he loudly espoused government power—completely omitted this from their list of '56 campaign issues. In a national magazine, issued the same week, the Chairman of the Republican National Committee taunted the Democrats to submit the "Dixie-Yates" controversy to the voters of the nation.

I do not mean to suggest that government power will not be mentioned in the coming campaign — for the Morses, the Kefauvers, the Gores and the Langers naturally will not drop that issue —but I do mean to say that a better-informed public in most sections of the Nation will be little moved by it. And that, I think, is a vastly significant fact for the future!

I am optimistic also because of the impressive number of citations received during the past year by electric companies and their executives from their own home-folks as well as State and national bodies interested in matters such as area and regional development, soil and water conservation, and the like.

Time does not permit a complete listing of such awards, but I have in mind, for example, the standing ovation given Sherman Knapp, President of the Connecticut Light and Power Company, when he presented the report and recommendations of the Connecticut Flood Recovery Committee to the General Assembly of his State; the award given to Philip A. Fleger, Chairman of the Board of the Duquesne Light Company, for "Outstanding Leadership in the Field of Management" by students of Duquesne University; the "Golden Deeds" award presented by the Beaumont Exchange Club to Roy S. Nelson, President of Gulf States Utilities, in recognition of his energetic and unselfish efforts in behalf of community service, health, welfare and charity programs; the Freedoms Foundation Award given to the Florida Power and Light Company for its outstanding work in promoting public understanding of our American traditions; and the selection of Walter T. Lucking, President of Arizona Public Service, as "Engineer of the Year" by the Arizona Engineering Societies for his services to his profession and community.

Big Jobs Accomplished

I am optimistic also because our member companies during the past year have shown that they—even better than government—can do the really *big* jobs for a power-hungry America.

One of the greatest engineering accomplishments of all times was the recent completion of the Clifty Creek plant by the Ohio Valley Electric Corporation—well ahead of schedule and considerably under original cost estimates. Clifty Creek is the largest investor-owned electric power plant in the world. It and its companion plant, Kyger Creek, have a capacity of 2,365,000 kilowatts and were constructed at a cost of $385 million *in only three years' time.* The two plants are linked by a 330,000-volt transmission network to the Portsmouth, Ohio, project of the Atomic Energy Commission and will supply power to that facility under the biggest electric contract ever negotiated.

The Alabama Power Company has applied to the Federal Power Commission for a license to complete one of the most comprehensive improvement programs in American history. The company plans to fully develop the great Coosa River by the construction on that waterway of four additional hydroelectric plants and the enlargement of an existing plant —at a cost in excess of $100 million. The company also proposes to build two new hydroelectric projects on Alabama's famous Warrior River.

The Idaho Power Company is proceeding rapidly with its development of a gigantic three-dam project on the Snake River despite continued political sniping by advocates of socialized power; and a group of northwestern companies proposes further development of the Snake below Hell's Canyon.

On May 1, the American Gas and Electric System announced the proposed construction of two 450,000-kilowatt steam-electric generating units, the largest ever undertaken in the history of the electric power industry. These two units will embody the most advanced engineering concepts and will achieve a higher degree of efficiency than has ever been reached before.

Atomic Development

Of especial significance at this time are our industry's plans for developing atomic power plants. Within the past month the Atomic Energy Commission has authorized the Consolidated Edison Company, of New York, to proceed with a 236,000-kilowatt plant costing $55 million, and Commonwealth Edison Company, of Chicago, to construct a 185,000-kilowatt plant at a cost of $45 million. The two plants are to be completed in the fall of 1960.

Forty-four electric companies are participating individually or in groups in the planning of seven large and medium size atomic reactor plants as well as two small plants. These plants will have a generating capacity in excess of a million kilowatts and will represent an investment of about 300 million free-enterprise dollars.

Ninety-five companies, in 13 groups, are engaged in atomic power study programs with access permits already issued to 113 companies. Associated with our industry in this impressive effort are many manufacturing, engineering and research organizations.

This is a gratifying record of achievement in view of the fact that only within the past two years has the Atomic Energy Act permitted utility companies to participate in such programs. It demonstrates that the so-called "crash" program, calling for six Federal atomic power plants to be immediately constructed in various parts of the country, is unnecessary and undesirable and probably would only serve to retard American atomic progress by diverting the nation's total productive facilities, equipped to produce nuclear power reactors, to the government's program.

Most of all I am optimistic because our industry has continued its ceaseless search for ways to serve the ordinary American public with electricity cheaper and more efficiently than ever before.

Foundation Stone

The foundation stone of our industry is good service at reasonable rates. Without this foundation the whole structure of our public and governmental relations would collapse like a house of cards. You have not only met the nation's soaring demands for energy and capacity during the past year but you have maintained an adequate reserve. You have projected the ever-growing demands for electric power into the future and have made your plans for supplying these demands years in advance. You have been able to obtain the enormous capital funds required for your expansion programs, in the open market, in competition with other and unregulated industries likewise bidding for the investor's dollar.

Through increased efficiency in the use of fuel and through the greater use of automation in your generating plants, substations, billing offices and other operations, you have kept the average price of electricity at a level lower than it was 10, 15 and 20 years ago before inflation had driven up the cost of virtually every other commodity and service, including particularly the cost of government. That our industry has been able to hold its price line so effectively is a marvelous tribute to your alertness as managers, to the skill of your technical men and the vision of your research activities.

Through its "Housepower," "Live Better Electrically" and other programs, our industry is not only bringing the benefits of electrical living to its customers but, at the same time, it is rekindling among our own people the commercial spirit without which we cannot hope to achieve our true potentialities of growth and expansion.

Only a few years ago the New Dealers and the Fair Dealers in both political parties—ganging up with outright Socialists — had pummelled our industry into grogginess. In the language of the prize ring, they had knocked us down and some of them were prematurely beginning to count us out. This year—thanks to your indomitable courage and determination—our industry has literally "come up off the canvas" to slug it out with the opposition. And we have found that the opposition is not only vulnerable but much less a public favorite than we had been led to believe.

The question—the only question —is whether we have the stamina to stick it out — to keep hitting back — finally to turn apparent defeat into victory. As the sportswriters say: "You can't beat a fighter who won't be beat!"

With Bingham, Walter

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Jeanne J. Nichols has become associated with Bingham, Walter & Hurry, Inc., 621 South Spring Street, members of the Los Angeles Stock Exchange. Miss Nichols was formerly with Shearson, Hammill & Co. and Dempsey-Tegeler & Co.

With Dempsey-Tegeler

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Billy L. Thurman is now with Dempsey-Tegeler & Co., 210 West Seventh Street.

Lester, Ryons Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert A. Headland. is now with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges.

Joins King Merritt

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Louis L. Dawson has joined the staff of King Merritt & Co., Inc., 1151 South Broadway.

Morgan Adds to Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Clyde W. Collings, Jr. has been added to the staff of Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with Bingham, Walter & Hurry, Inc.

Now With Dean Witter

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — William J. Shaw is now with Dean Witter & Company, 632 South Spring Street. He was formerly with E. F. Hutton & Company.

Deno Co. Adds

(Special to The Financial Chronicle)

SACRAMENTO, Calif.—Richard A. Houk has been added to the staff of Deno & Co., Forum Building.

Donald S. Kennedy Is President Of Edison Electric Institute

Oklahoma Gas and Electric Company head elected by the Board of Directors at the closing session of the Institute's 24th Annual Convention. Edwin Vennard succeeds retiring Colonel H. S. Bennion as Vice-President and Managing Director.

Donald S. Kennedy, Chairman of the Board and President of the Oklahoma Gas and Electric Company, has been elected President of the Edison Electric Institute by its Board of Directors. Installation of the new President was made at the closing session of the Institute's 24th Annual

Donald S. Kennedy

Edwin Vennard

Col. H. S. Bennion

Convention in Atlantic City, June 6. Vice-President of the Institute for the past year, Mr. Kennedy succeeds Harllee Branch, Jr., President of the Georgia Power Company, as head of the nation's electric utility trade association.

Edwin Vennard, an electric utility company executive for over twenty years, has assumed the duties of Vice-President and Managing Director of Edison Electric Institute, national trade association of the investor-owned electric utility companies. His selection to succeed Colonel H. S. Bennion upon the latter's retirement was announced several months ago, and Mr. Vennard has been serving as Vice-President of the Institute since March 1 of this year.

The Institute's New President

Mr. Kennedy has been Chairman of the Board and President of Oklahoma Gas and Electric since 1949.

Born in Rushville, Ind., on Jan. 5, 1902, Mr. Kennedy received his early education in the public schools at Indianapolis, and then attended Butler University for three years. He completed his formal education at the University of Arizona, graduating in 1923 with a degree in Accounting and Economics. He joined the Oklahoma Gas and Electric Company in July of that year as a bookkeeper in the accounting department, and progressed steadily through various positions to that of traveling auditor. In 1927 he married Miss Gertrude Hacker, daughter of one of Oklahoma's pioneer settlers. Mr. Kennedy was promoted the following year to the position of Auditor of the company's Eastern Division with headquarters at Muskogee, Okla.

In 1940 Mr. Kennedy was named Assistant to the Treasurer and returned to the company's headquarters. Two years later, in 1942, he became Vice-President, Treasurer and a Director, which offices he held simultaneously until 1947 when he was relieved of his duties as Treasurer so that he could devote full time to administrative work. Mr. Kennedy was elected Executive Vice-President in 1947, and held that office until 1949 when he was elected Chairman of the Board of Directors and President of the company.

"Boost your state, your business . . . anything in which you are interested," Mr. Kennedy has said. A practitioner of what he preaches, he has been a driving force in many activities not only in Oklahoma City, headquarters for his company, but throughout the entire state.

Frequently called upon by outside organizations to give of his time and talents, Mr. Kennedy is an enthusiastic and energetic supporter of many business and civic activities. He serves on the Board of Directors of the First National Bank and Trust Company of Oklahoma City, the YMCA, Oklahoma State Fair Association, Oklahoma Medical Research Foundation, Oklahoma City Frontiers of Science, Oklahoma City Symphony Orchestra, Oklahoma City Community Chest, Oklahoma City Chamber of Commerce and Oklahoma Industries, Inc., and is a Past President of the last three. He is a Trustee of the Oklahoma City Art Center and the Midwest Research Institute and Chairman of the National Parents Committee of Randolph-Macon Woman's College in Lynchburg, Va.

Perhaps none of his many activities has appealed to Mr. Kennedy with such a continuous challenge as the industrial expansion of Oklahoma. Long recognizing that a proper balance between agriculture, petroleum and industry is essential to a progressive and prosperous economy, he has done much to foster this kind of balance. Through his endeavors many eastern financial institutions have sent representatives into Oklahoma and, in so doing, have formed an entirely new concept of the conditions and potential in that state. Governor Gary appointed Mr. Kennedy a member of the newly-formed Oklahoma Development Committee.

Mr. Kennedy is a member of All Souls Episcopal Church and at 32nd Degree Mason. Among his club affiliations are the Tower Club, Beacon Club, Oklahoma Club, Touchdown Club and Oklahoma City Golf and Country Club, all in Oklahoma City, the Union League Club of Chicago, Rolling Rock Club of Pittsburgh and the University Club of New York City.

With Francis I. du Pont

(Special to The Financial Chronicle)

WEST PALM BEACH, Fla. — William S. Kearley has become connected with Francis I. du Pont & Co., 212 Datura Street. He was formerly with Thomson & McKinnon.

With Irvin Stein

(Special to The Financial Chronicle)

SACRAMENTO, Calif. — Einer Paulsen has joined the staff of Ervin E. Stein, 1414 Broadway. Mr. Paulsen was previously with Frank Knowlton & Co.

With Cunningham-Cleland

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Alexander P. Hart is now with Cunningham-Cleland Company, Orpheum Theatre Building.

2 With Francis I. du Pont

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—John F. Connolly and Thomas W. Smith are now associated with Francis I. du Pont & Co., 317 Montgomery Street. Mr. Connolly was previously with Shuman, Agnew & Co.

Continued from first page

Electric Utility Earnings And the Capital Markets

major divisions of business. These charts brought out pertinent reasons for the high investment rating of utility securities, and for the attraction which they hold for conservative investors. They also brought out some reasons why you, and the regulatory commissions, could not afford to be complacent if you hoped to continue to hold investment favor and to finance your capital expenditures soundly and economically. The comparisons given on these charts were made possible by the excellent statistics developed by the Institute, which are related to the Treasury Department's annual Statistics of Income and to earnings figures which the First National City Bank of New York has compiled for nearly 35 years from published corporate reports.

The first seven of our charts today bring the figures of eight years ago up to date. They leave the abnormalities of the world war and depression further behind and show some aspects of the record of the industry in a period which has been broadly prosperous, but also inflationary. They will, I think, without inducing or justifying complacence, show that the industry has maintained the earnings characteristics which make it the number one favorite of conservative investors.

Earnings Characteristics

Figure 1 compares the gross revenues of the privately-owned electric utilities with those of all U. S. corporations as compiled by the Treasury Department. During the first 10 years shown, covering the last of the depression years and the war years, the growth in sales of the electric utilities was in percentage terms only about half of the growth of all corporate sales. Utility gross sales were held down by repeated rate reductions, contrasting with the general price inflation, and by wartime restrictions on expansion. During the 10 postwar years, however, both series increased at about the same rate. Despite the fact that the utilities were selling their product at declining unit prices, their sales increased 130% in these 10 years. Total corporate sales, which had the benefit of rising unit prices, rose 128%. In physical terms the growth of the utilities substantially exceeded the growth of the total economy.

The chart also reveals the superior stability of electric utility sales. In them you will find hardly a reflection of the 1937-8 recession, of the postwar dip, or of the 1949 and 1954 declines, all of which appear in the over-all figures. In two respects therefore, in growth of business and in continuity of that growth, utilities securities have a superior appeal to investors.

Figure 2 turns from gross sales to net income. It brings out even more strikingly the relative stability of utility earnings, which show none of the jaggedness characteristic of all corporations. It shows a three-fold increase in the dollar net income of the utilities in the past 20 years. This is less than the rise in the corporate total, but note that in the base years earnings were still impaired by depression conditions, which affected utilities much less than other corporations.

Figure 3 reduces the comparisons to percentage rate of return on net worth. We must of course bear in mind that in the utilities, unlike most other lines, a large proportion of the capital invested is represented by funded debt. Thus their rate of return on total property investment is substantially lower than on net worth alone. What we are comparing here is what is left for the owners. The significant point is that the electric utilities fall into a stable middle position. They do not show the erratic fluctuations found in many other lines such as the railroads and trade groups that are given on this chart. They do not experience the extremes of either boom profits at the top or deficits at the bottom. In the past 10 years the rate of return has been maintained on a substantially level trend, well above that of the preceding 10 years.

Figure 4 continues this comparison by showing the return on net worth of electric utilities together with the return of all manufacturing industries and of the steel industry specifically. Again we see that while the utility stockholder accepts a smaller average rate of return in prosperous times, he enjoys greater stability of return, and if and when we have depressions again his returns can be expected to hold up much better.

Total Revenue Expansion

Figure 5 shows net income in cents per dollar of gross revenue. When I spoke in 1948, the utility line of this chart — look at the middle of the second panel from your right—was at the low point, I think, up to that time. With lower selling prices, higher costs and markedly increased taxes, the declining trend had been a long one, the interruptions only temporary. It was the warning signal on which my talk was centered, for if this decline had continued, the ability of the industry to raise the immense amount of new capital that it has needed would have been impaired. Fortunately since 1948 the line has levelled out, interrupted only by the inflation year 1951. This is levelling out on a bottom, to be sure. The chart shows that the postwar prosperity of the utilities has been achieved entirely through continued expansion in total revenues—not by widening net profit margins. Over the longer term, the net profit margin has been lowered materially, from an average of around 25 cents per dollar of revenue in the five years before the war to an average of only 18 cents during the past five years.

Since the utilities have a much larger investment per sales dollar, or conversely a much lower rate of capital turnover than manufacturing corporations, they must have higher profit margins to survive. You will note that the manufacturing industries generally have shown no such long-term declining trend as the utilities, while railroad margins have shown a rising trend for 10 years, of course from a very low level. The fact that the utility industry has prospered on the 18 cent margin on the past five years is a magnificent illustration of the fact that growth in sales and high load factor can compensate for lower selling prices and higher costs. At the same time it exposes the dependence of the industry on volume, especially if the attrition of unit selling prices and the rise of costs are to continue.

Figure 6 shows the attrition of unit sales prices. During the 20-year period the widely-used U. S. Bureau of Labor Statistics index of consumer prices (also called the cost-of-living index), now based on the average of the years 1947-49 taken as 100, rose by 95%. In other words, general prices almost doubled.

In the same 20-year period, the average revenue per kilowatt hour of electricity for residential service declined by 47%. Despite cost inflation the average revenue per kilowatt hour was lowered by almost half. Seldom does one see a chart portraying such a striking contrast. This reduction in selling prices is a tremendous achievement, a triumph of management, engineering skill and technical progress. Undoubtedly it has contributed greatly to the growth which has enabled the industry to prosper. It should nevertheless always be viewed in its relation to the somewhat precariously stable net profit margin,

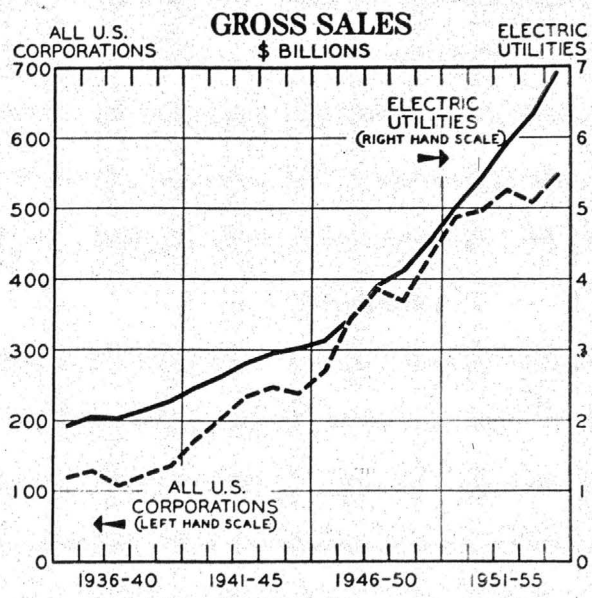


FIG 1

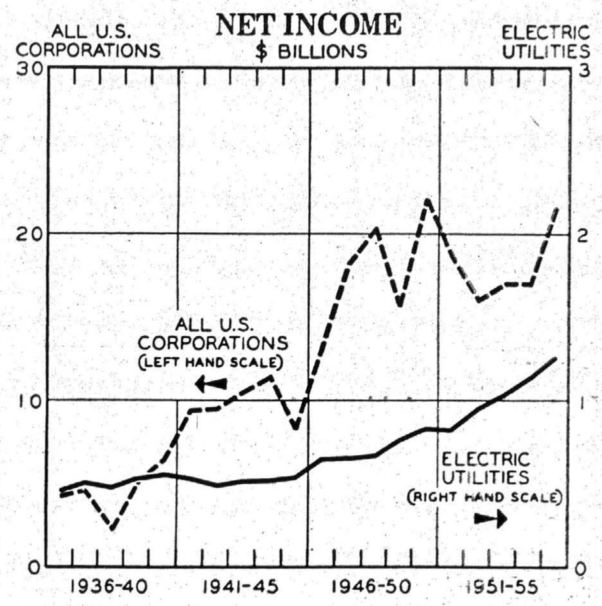


FIG 2

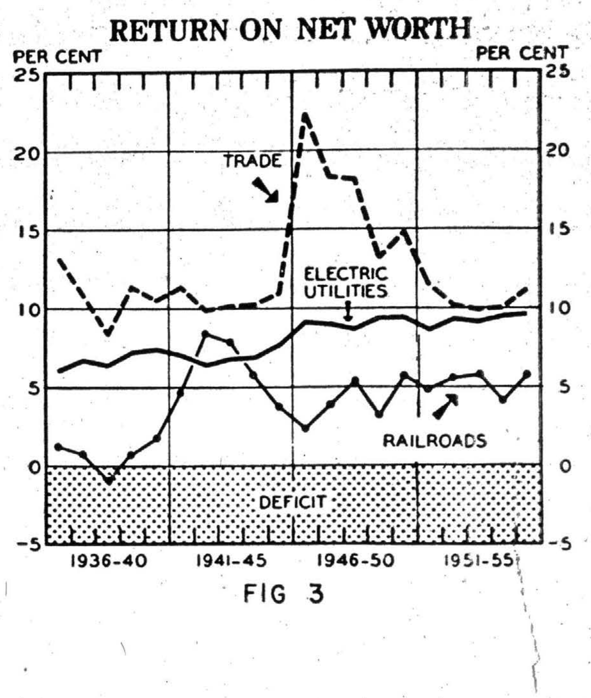


FIG 3

which is so dependent on sustained growth of gross revenue.

Erosion Checked

To conclude the charts related to your earnings, let me now show one that will sum up certain factors. This Fig. 7 includes two panels each covering 10 years. First, let us consider the four bars on the left, presenting the changes that occurred between 1935 and 1945. In that period your total output increased 103%, although your plant and equipment account was actually reduced 3% through depreciation and accounting adjustments. It is plain that the use of plant was greatly intensified, since output was doubled in this period. However, total revenue rose only 69% and net income only 30%. This was a very unsatisfactory and indeed an alarming showing. It revealed the effects of inflated costs and taxes, declining selling prices and war time inability to install modern equipment on net profit margin; it ran absolutely contrary to the experience of other industries, whose net rose during that period even more than physical output and gross revenue; and it was a reason for profound concern in light of the industry's coming capital needs.

Now look at the right hand panel covering the ensuing 10 years from 1945 to 1955. These figures confirm the showing of one of the earlier charts, that the deterioration in the net income ratio has at least been checked. While the plant and equipment account rose 112% in these 10 years, plant utilization continued high, output rising 132%. The encouraging fact is that gross and net both rose by similar percentages. This of course does not signify that margins have improved since 1945, only that the erosion was checked.

In talking here in 1948 my closing words were as follows: "Fortunately growth is not ceasing nor need we feel apprehensive that it will cease. Nothing is likely to stop it. However, it may slow down or stop temporarily. . . . Should the industry ever approach a saturation point, a continuation of this long term trend of margins would prove destructive." In 1956, eight years later, we can note with gratification that the decline was about to be checked even in 1948. If it had not been checked the record of successful appeal by the utilities to the capital markets since then could hardly have been made. But with margins still virtually at their historic low, the dependence of the industry on volume and growth is as pronounced today as it was in 1948. Fortunately the prospect is still brilliant. As we said then, "Nothing is likely to stop your growth."

These are the salient points of the earnings record that your industry brings to the capital markets. In the years to come your output and hence your capital expenditures must increase tremendously to meet the needs of a growing population, an expanding economy and a rising standard of living. The estimate of "Electrical World," that your capital expenditures will rise in 1970 to $7.8 billion, in 1954 dollars, is typical. This figure makes no allowance for rising costs. If it is a reasonable estimate today, the actual outlays by 1970 will probably be much higher.

Sources of Financing

The second part of this discussion, to which I now turn, is: Where is the money coming from? One popular way of dealing with this question is to make forecasts of the total supply of and demand for corporate and mortgage funds. I shall not indulge in this pastime, for I have never known anyone to make such estimates accurately for one year ahead, let alone 15 years. The fact is that future capital demand is as elastic as the wants of people. It is surely affected in some degree by the price of the capital, and by the optimism or pessimism prevailing at any given time. It is affected by technological developments, and by extraneous and unpredictable political or international influences. Similarly the supply of capital is elastic. It is influenced by economic conditions, the propensity to spend or save, and by interest rates. In such areas of uncertainty it is unreal to project specific figures far ahead.

It is more profitable to ask ourselves what kind of economic environment will encourage economic growth, and at the same time encourage the formation of savings to finance the capital requirements of a growing economy. The American economy is a growing economy. It is also, unfortunately, an inflating economy. In some other countries, inflationary trends are due to an attempt to grow too fast, or to fiscal and monetary sins. In the United States, at least in recent years, neither of these seems to be the impelling cause. Our recent inflationary trends stem from the successful demands of the labor unions, and the acquiescence of employers in these demands, for wage increases substantially exceeding increases in man-hour output. This raises costs and forces prices up. It stimulates inventory accumulation and it stimulates a speeding up of plant and equipment spending. It adds to the demand for money, and presents to the money managers an almost insurmountable problem. For while they are supposed to repress inflation and protect the value of money, what they can do in the money field has only an indirect and very limited effect on wage-cost price pressures. To suppress the cost-price spiral by monetary measures alone would require a credit squeeze and presumably a degree of unemployment which would be considered intolerable. This is the dilemma of the money managers. I am sure it is what keeps them awake nights.

Inflation and Capital Requirements

Cost inflation raises capital requirements. It is perfectly true that in the electric utilities you are buying more kilowatts of generating capacity per dollar than you did 10 years ago, thanks to technological progress which is a great point in your special case. The rise in capital costs generally, however, and in capital requirements, is indisputable. Fig. 8 illustrates this point graphically in terms of the inflation of construction costs during the past 10 years. Between 1945 and 1955 total construction outlays rose from $5.6 billion to $42.2 billion. If all this work had been carried through on the basis of 1945 costs, the actual outlay would have been something like $22.6 billion. In other words, approximately $20 billion was added to the 1955 construction bill of the country by the inflation of costs during the past 10 years.

What is the effect of inflation on the other side of the equation, on the willingness to save and the accumulation of capital? As costs inflate, incomes of course inflate also, and the potentiality for saving tends to expand somewhat in proportion. Of course personal savings today are far larger in dollar terms than they were in prewar days, and so is the retained income of corporations. Both of these are shown in Fig. 9. While the line for personal savings reveals the great increase over the prewar years it also shows something else that is disquieting. The rise in savings had almost reached its peak both absolutely and relatively in 1951. It held for three years at a little less than 8% of disposable income, then it declined in 1954 and 1955 and showed a trifling recovery in the first quarter of this year, when it was 6.4% of disposable income. This spring, savings have fallen short of meeting inflated capital requirements. The evidence is the rise in bond yields, and the rise of bank loans.

I put before you the question: Are these indeed significant developments? Is the present inadequacy of savings, relative to demand, due not only to inflation of capital requirements through cost increases, but also to economic conditions and policies which discourage saving? Is the long history of inflationary price increases, attrition of the real purchasing power of savings,

Continued on page 44

RETURN ON NET WORTH

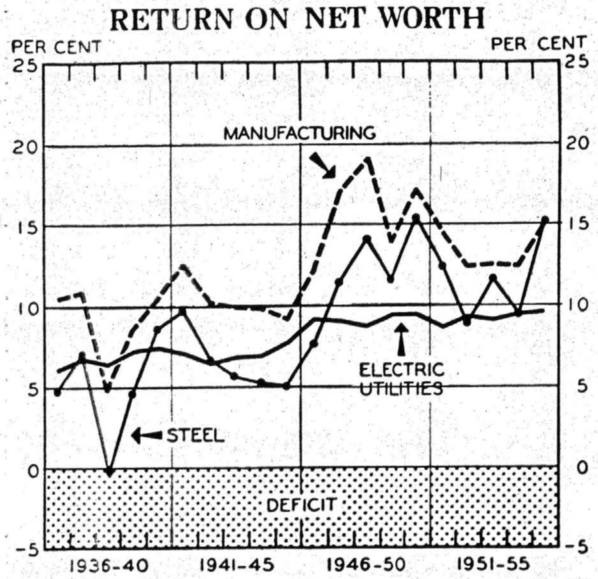


FIG 4

PRICE INDEXES

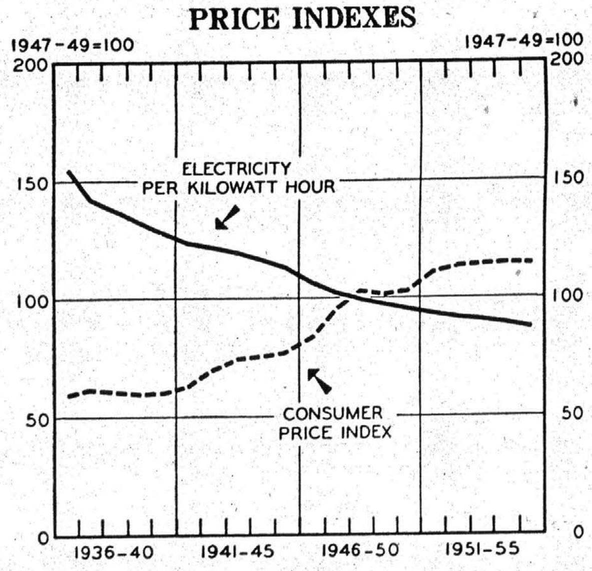


FIG 6

CONSTRUCTION EXPENDITURES AND VOLUME

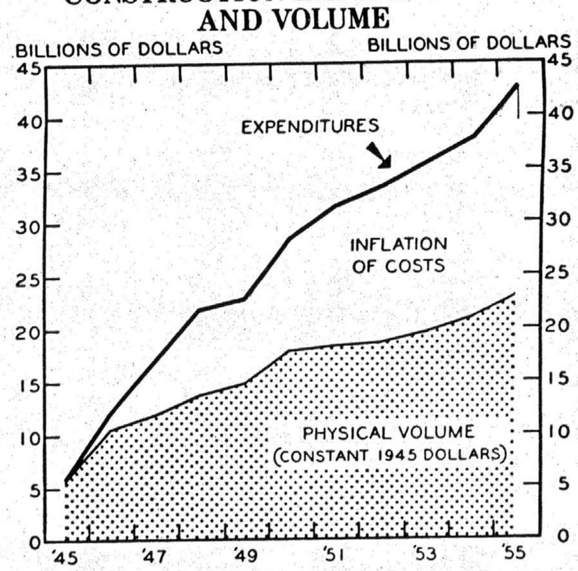


FIG 8

NET INCOME PER DOLLAR OF GROSS REVENUE

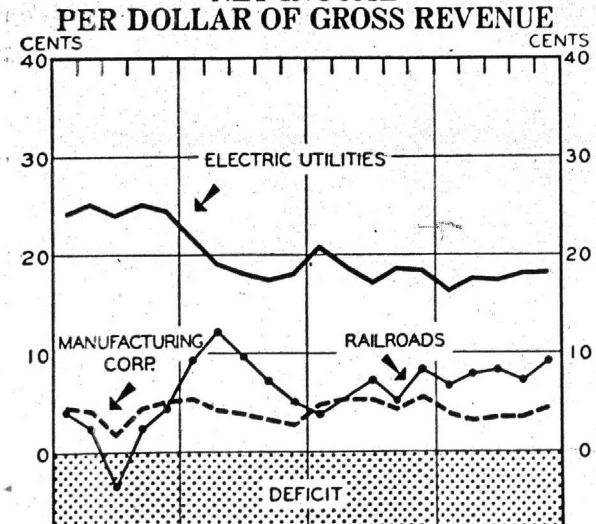


FIG 5

ELECTRIC UTILITIES

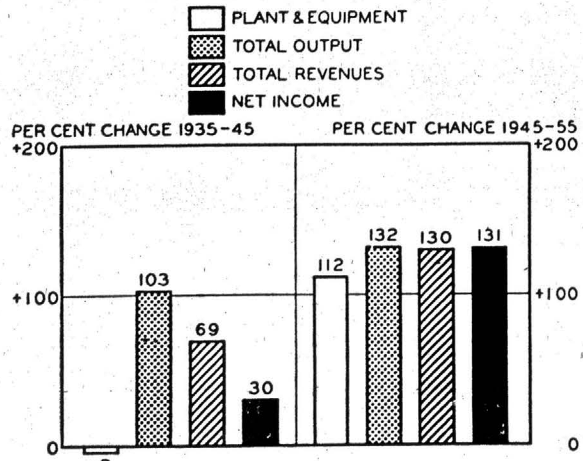


FIG 7

PERSONAL SAVING & CORPORATE RETAINED NET INCOME

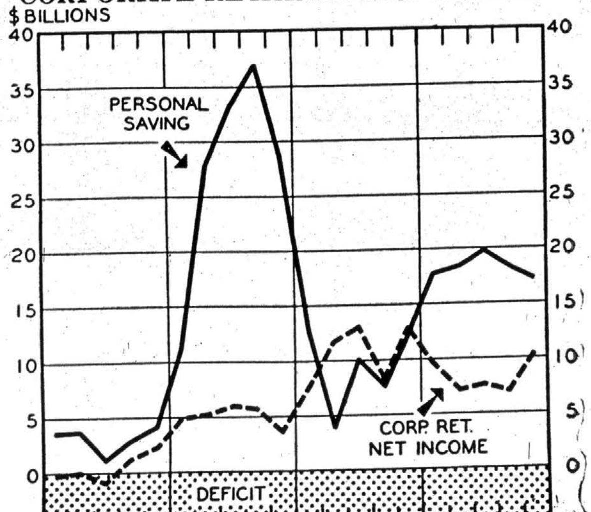


FIG 9

Continued from page 43

Electric Utility Earnings And the Capital Markets

heavy and increasing income and inheritance taxes, and deliberate depression of interest rates, catching up with us at last? Fig. 10 shows the attrition of the purchasing power of savings invested in securities, due to all the factors mentioned.

Inflation's Effect on Savers

This chart presents the changes in living standards, or more accurately in the purchasing power after taxes of income derived from investments, of four hypothetical persons living on such income. The base year, taken as 100, is 1930. For each year selected, after-tax income, adjusted for changes in the cost of living, has been related to 1930 after-tax income. Thus, the index reflects changes in the rate of return on investments, in the level of income taxes, and in the value of the dollar.

Three stockholders have been used as examples with dividend income in 1930 as follows: the "small" stockholder, $3,000; the "well-to-do" stockholder, $30,000; and the "wealthy" stockholder, $300,000. This dividend income is assumed to have fluctuated thereafter in the same degree as total dividend payments. The "small" bondholder is one with an investment of $60,000, the rate of interest on which is assumed to be equal to the average rate earned on life insurance company investments. He would be in a low income tax bracket.

The decline in money rates, the rise in the taxes, and the cut in the value of the dollar have reduced the purchasing power of the bondholder's income to less than 40% of what he was getting in 1930. The small stockholder, subject to the lowest tax rate, is the only one who has ended up even or better. The "well-to-do" and the "wealthy" stockholders have lost heavily despite dividend increases, because their high tax rates and the doubling of living costs have whittled away the purchasing power of their income.

Since this is not a new story, why didn't savings as a proportion of income slacken long before they did? Perhaps the reason is simply that people are slow to believe the worst, and savings habits are deeply ingrained and slow to change. It is fortunate that this is so. A great deal of saving is contractual in nature, such as premiums on life insurance policies, pension contributions, debt repayments, etc., and few people stop to think of their eventual purchasing power. Whatever the explanation for the savings habit, nevertheless an enlarged demand for savings is hitting at the present against a relatively declining supply.

The Bond Yields

The last chart that I shall show you, Fig. 11 is a record of corporate bond yields—interest rates—over the past 55 years. From 1900 to 1936 it covers high grade railroad bonds and thereafter Moody's Aaa corporates. This chart may suggest to you that a great deal that has been said about everlasting cheap money during the past 20 years was the product of depression conditions and depression thinking and theorizing, and that it has little relevance to the early future. The great depression brought a natural easing of interest rates due to stagnation, but it also brought with it the policy of using central banks to drive interest rates down. In the United States the devaluation of the dollar in 1934 drew in gold from all quarters of the world and saturated the money markets. When the outbreak of war raised demand again, central banks supported government financing at fixed interest rates. After the war the huge public debt gave additional reason to keep rates down in order to minimize interest costs. Meanwhile the influence of Lord Keynes who prescribed euthanasia for the rentiers, painless death for people living on interest, spread over the world. It was an era of cheap money forever.

But then we learned something else, that artificially cheap money could be maintained only at the expense of inflation, with all its inequities, evils, illusions, and international disturbance. Gradually flexible money policy was restored. The actual low point in bond yields here was reached in 1946 but not until 1951 was Federal Reserve pegging of government bond prices finally abandoned. Since then bond yields have risen somewhat as the chart shows, but on the historical record current rates are moderate.

The belief that the low interest rates of the late '30s and '40s represented a new era was based on three principal ideas. First, that capital is more efficient, so that a greater output can be obtained from a given expenditure. Second, that economic progress provided people with a wider margin above subsistence needs and hence a greater margin for saving. Third, that central banks would maintain low interest rates to reduce the cost of carrying debt and promote growth. This is not true when inflation exists. It now seems that we should give consideration to other factors, namely, to the effect of rising costs in inflating capital requirements, to the effect on savings habits of the attrition of purchasing power during the past 20 years, to the effect of high and progressive income and inheritance taxes and of depressed money rates, and to the fact that an inflationary bias from the wage-cost price side stacks the cards against the lender of money at interest. Perhaps this rebalancing of influences on interest rates signifies that in the longer perspective we shall see the present upward hook on the chart as part of a cyclical swing rather than as a momentary money squeeze attributable to misguided monetary authorities. Certainly the interest rate curve may be dampened down by greater efficiency of capital and greater potentiality for savings, but equally certainly inflation tends to raise rates.

What's at Stake

What are the interests of the electric utility companies in this situation? As large borrowers and as good Americans, you have a stake in encouraging savings and insuring an adequate supply of capital at moderate rates to promote economic growth. If what I have shown to you and said here has any meaning it is that the best way to assure savings and maintain moderate interest rates is to protect the purchasing power of the dollar, inspire confidence in fixed investments, and finally to reduce the tax bite as circumstances permit. Savers will not be perpetually satisfied with moderate returns unless they can trust the future value of the money they lend.

When the output of capital goods is at capacity, and no more structural steel, plate, pipe, or machine tools can be had, the rate of real investment cannot be augmented by supplying more credit to supplement inadequate savings. If the monetary authorities should finance a still greater capital goods demand, they would add to the inflationary wage-cost pressures. The allegation that the Federal Reserve authorities are taking a position against economic growth will not stand examination for a moment. It could be refuted by the record and by quotations from Federal Reserve policy statements. More practically, I suspect it will be refuted in the fairly near future by renewed evidence that the policy is flexible, that it can change with conditions, and that it is never designed to repress growth but only to hold growth at a sustainable rate.

In any case there is no question as to where the utility industry, with relatively controlled selling prices and uncontrolled costs, should stand on inflation. My purpose has been to point out your equal stake in encouraging savings and obtaining capital at moderate rates, which necessitates protecting the value of the dollar.

PURCHASING POWER OF INCOME FROM INVESTMENTS (AFTER TAXES)

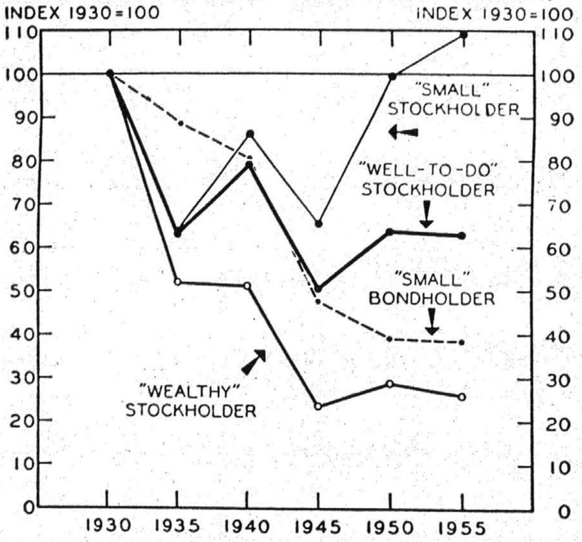


FIG 10

HIGH GRADE CORPORATE BONDS AVERAGE YIELDS SINCE 1900

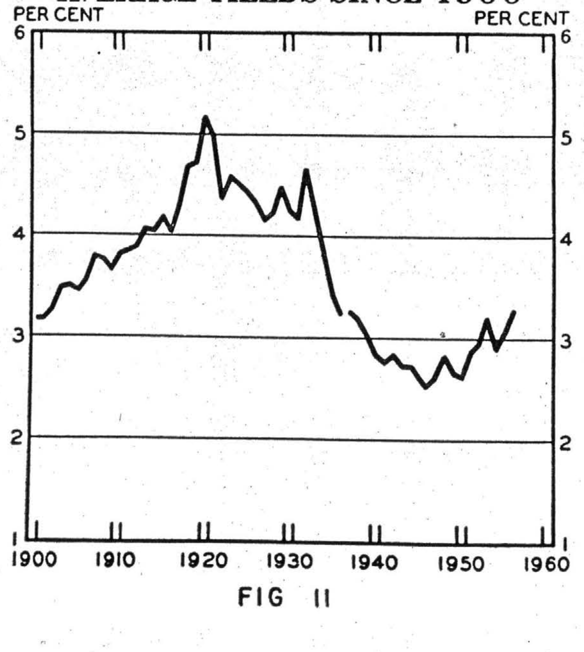


FIG 11

National Gypsum Stk. Offering Underwritten

National Gypsum Co. is offering to its common stockholders of record on June 11 the right to subscribe for 417,403 additional shares of common stock on the basis of one share for each eight shares held. The subscription price is $47 per share. The rights expire at 3:30 p.m. (EDT) on June 25, 1956. The offering is being underwritten by a group headed jointly by W. E. Hutton & Co. and Blyth & Co., Inc.

Net proceeds from the sale of the shares will be applied to the development of a recently discovered gypsum deposit in Michigan estimated to contain 60,000,000 tons and now under option to National Gypsum. The deposit is located near Lake Huron and from it gypsum rock may be shipped by water to plants located for United States markets in the Great Lakes area. The company estimates that of the proceeds $6,000,000 will be applied to acquisition of lands, equipping a quarry and construction of water front facilities for crushing, storing and loading gypsum rock into ships, and that $13,000,000 will be used to acquire plant sites and to construct two plants for the manufacture of wall board, lath, plaster and other gypsum products. Any remaining proceeds will be used for working capital in the operation of the new facilities.

National Gypsum and its subsidiaries operate 39 plants in the United States and Canada, including quarries, mines and mills. Their products are used principally in the building industry but also have industrial, agricultural and chemical uses. The company owns, or controls under long-term leases, gypsum mines and quarries containing in excess of an estimated 171,000,000 tons of gypsum; it also owns or controls other gypsum reserves.

Sales during 1955 totaled $148,219,000 and net income applicable to the common stock was $15,314,000, equal to $4.61 per common share. For the quarter ended March 31, 1956, net sales were $39,509,000 compared with $33,572,000 in the corresponding quarter of 1955. Net income applicable to the common stock was $4,465,000 and $3,462,000 in the respective quarters, equal to $1.34 and $1.24 per share on the basis of the shares outstanding at the close of the periods. Common dividends of $2 a share in cash and 2% in common stock were paid in 1955. To date in 1956 two cash dividends, each of 50 cents a share, have been declared.

Continued from page 28

A Balanced National Budget: Spending Limited to Taxes

stability and safety, there is no substitute for a balanced budget."

Lack of Congressional Spending Controls

To make sure that we don't get detoured from the road that leads to a balanced budget, we need positive action, preferably a constitutional amendment. At the minimum, we need a statute which limits expenditures by the Federal Government to the sums which the taxpayers are able and willing to contribute to the support of their government. Existing practices and controls do not control at all. Once the President has submitted his budget message, Congress never again sees the appropriation picture as a whole until after all the appropriations are enacted. Immediately after receiving the budget, Congress splits the President's requests into a dozen or more bills. Then it proceeds to consider them separately over a period of six months. We appropriate item by item, so that not even the most devoted economy-minded Congressman can understand or really know what the final overall picture will be until the last dollar is voted, and then it is too late. There is never a real opportunity—and I emphasize this—there is never a real opportunity during the process of enacting appropriations to consider intelligently what total expenditures will be in relation to revenue.

Let me illustrate another way in which Congress lacks effective control of the budget. It is a fact that from one-fourth to one-third of current spending results from appropriations made years ago, but which remain unspent. Congress thus has little to say about $15-$20 billion of current spending. Three years ago, the backlog of unspent funds accumulated by governmental agencies totaled almost $80 billion. It is hoped by the end of fiscal 1956 to reduce this backlog to $50 billion, but this is still tremendous. And to these sums debt interest which must be paid, pensions which we are obligated to meet, matching funds guaranteed to the States, etc., and you have another $16.5 billion of fixed charges beyond control.

If we establish the principle that tax receipts shall determine expenditure levels, we will restore Congressional control of expenditures because we can control taxation. People will defend themselves against taxation in a way which they are unable to do on an item-by-item appropriation process, where the pressure groups and special interests are so often unbeatable. So long as we continue the power to borrow and go into debt, we make for irresponsibility in government. Take away that power, and we can expect a greater responsibility.

I am very serious when I say that Congress needs a protection against pressure groups. And my proposals help provide just that. So often the pressure group which one day pushes us to spend, the next day pushes us to reduce taxes. If we had an over-all expenditure ceiling we would then be in a position of saying "That is all there is, there isn't any more. If you want us to vote for larger appropriations or for new or bigger projects, you must recommend publicly what taxes you want to vote for and have your people tell us to vote for higher taxes."

Mechanics of the Proposal

The mechanics of my proposal for insuring that expenditures shall not exceed revenues are very simple. Controls will operate at three points. The first one comes with the budget itself, by requiring the President to submit a balanced budget. The second control operates upon the Congress in forbidding the enactment of appropriations in excess of estimated revenue. Finally, notwithstanding any obligational authority granted, or appropriations made by Congress, the President shall take such action as may be necessary to insure compliance with the budget balance requirement. This three-point control will mean real control and with it we can consider deficit financing a thing of the past, or at least largely a thing of the past.

The American people have become so conditioned to deficit financing and its apologists that many will instinctively question my strict limitations. These people will fear a possible impairment of the defense effort. I have two answers. The first is that any defense based on an inflationary economy, resulting from continued budget deficits and a continuing declining dollar, is a defense based on sand. Financial soundness, a defense based on a balanced budget, with taxes that the people can bear over a period without diminishing their incentive, their initiative, and their ultimate productive power, is a real defense. It is the only defense that we have any right to rely upon in the present circumstances.

However, I don't wish to overlook the possibility that under some circumstances there may be a necessity for expenditures that cannot be matched immediately with revenues. To care for that special situation I would allow the incurrence of deficits under two sets of circumstances: (1) in time of war declared by Congress; and (2) during a period of grave national emergency declared in Congress by a concurrent resolution accepted in both Houses by a two-thirds vote of the authorized membership. Hence, except in time of war and grave national emergency, we will guarantee to the Nation a balanced budget. What a tremendous boon and source of confidence that should be to business and all those who make investment decisions, and all others who look to security for their savings and for protecting the purchasing power of their retirement benefits!

I should add that our present "emergency" is no emergency at all for purposes of unbalancing the budget. The problem of an expensive national defense is here to stay, and we must learn how to cope with it financially on a pay-as-you-go basis.

Tax Reduction and Debt Reduction

You may want to know what I think about tax reduction and debt reduction at this time. Let me say this. President Eisenhower and Secretary Humphrey are quite within their rights when they urge caution in seeking tax reductions based on estimates of what the Treasury surplus is going to be this fiscal year. They both have too much responsibility to set about disposing of something they do not yet have. They urge that whatever surplus we have should be devoted to retirement of some of our debt, and that is good. We should make a token reduction in the debt at least to keep alive recognition of the tremendous burden we face there. The President and the Treasury can understandably justify their position on the quite generaly accepted philosophy that in good times we should pay off the accumulated deficits of the war and depression years. They can also defend their position on the political theory that any tax cuts that the Congress might enact now would be of the wrong variety. With an election in the offing, tax cuts might well take the form of purchasing political security instead of promoting economic security. But I should add at least this much.

The tax burden currently imposed is indeed a paralyzing one. We cannot carry it indefinitely without sapping the very foundation of our American economy and our American Republic. Tax reduction is warranted in a period of prosperity when we have a faulty tax structure. It is the only time when we can make adjustments to promote the kind of incentives to spur production, investment, work and saving that we are going to need. This is especially important at this time because of the imminent relatively large increase in age groups both below and above the working age, accompanied by a relatively small increase in the working population. We should be prepared industrially to meet the demands which will be present during the next few years. I believe that our industrial plant may be seriously undersized if we fail to remove the tax barriers that hamper needed expansion.

Conclusion

To conclude and summarize, we need to put our fiscal house in order. I believe that there is nothing more important than for Congress to regain control of the budget, and achieve the right kind of tax reduction, so that we may confront the future with an assurance that we cannot possess today. The Federal deficits of past years have been the largest element in the inflationary period which we are still experiencing. I believe that deficits have been largely the result of unnecessarily grandiose spending schemes of officials in the Executive Branch. Very often they have been well-meaning, but the results, for whatever reason the deficits were incurred, have been and continue to be dangerous. I must not pass all the blame to the Executive. We in Congress must assume our share as well, particularly in our failure to institute the proper controls. It is difficult to understand how anyone can fail to support a procedure by which a balanced budget can be reached. If there is a better way to achieve it than I have suggested, I shall heartily endorse it. But up to now, I have seen no better alternative. I urge upon this audience the support for a proposition which simply says: "We won't spend what we haven't got."

My last few words will be to draw a moral from the Bible. There is relatively little that we can do about the vast debt that we have accumulated in the past. But regardless of the sins of the past, we must pledge ourselves to sin no more. Let us heed the biblical warning:

If your right eye causes you to sin, pluck it out and throw it away; it is better that you lose one of your members than that your whole body be thrown into hell. Matthew 5. 29.

Therefore, let us deny to ourselves the occasion of deficit financing, lest we find ourselves in the infernal fires of inflation.

With First Boston

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—John M. Mackey is with First Boston Corporation, 405 Montgomery St.

Hannaford Talbot Adds

(Special to The Financial Chronicle)

LODI, Calif.—Peter J. Schroeder is now with Hannaford & Talbot.

Join Pflueger & Baerwald

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Ivan T. Crase has been added to the staff of Pflueger & Baerwald, Mills Building.

Shuman, Agnew Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Hugh W. Ditzler, Jr., is now with Shuman, Agnew & Co., 155 Sansome Street, members of the New York and San Francisco Stock Exchanges.

American Secs. Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Donald K. Thomson has been added to the staff of American Securities Company, 509 Seventeenth Street.

Joins Securities, Inc.

(Special to The Financial Chronicle)

DENVER, Colo.—Mrs. Ruth O. Goss has joined the staff of Securities, Inc.

Continued from page 3

The Promising Outlook for Business and the Stock Market

peaks, notably 1937 and 1929, when the top ratios were 17 and 20 respectively.

It is true that for these industrials to sell on the same basis in relation to earnings as they did in 1929 they would need to rise some 50% additionally. Again, to return to the 1946 price-earnings ratio of 23 would require an even larger rise in prices.

Of course, we are speaking of *average* industrial stock prices—not prices of any particular issue. It is clear, I think, that *the answer to Question 2 is definite—"No." Stocks are not high in relation to earnings.*

(3) "Are Stocks High in Relation to Dividends?"

Here the evidence is not so favorable as in the case of earnings, the main reason being that dividends have not kept pace through the years with earnings. Last year, corporations as a whole paid out around 52% of the available net profits after taxes. That is down sharply from 69% in 1929, and 76% in 1939.

At the recent top, S & P's industrials carried a yield of about 4%. That computation allows for an increase of about 12% in dividends over last year.

Historically, a yield of 4% or lower is not especially attractive. It contrasts with 3½% in 1946 and 3¼% in 1929. A complicating factor now is the matter of higher taxes on stockholders' incomes than in those earlier years. In comparison with bonds, stocks are no longer so widely favored on an income basis as they were some months or years ago.

So, although we probably can look forward to a big crop of dividend increases and extras this year, *the market as a whole could not be said to have been especially cheap in terms of dividends, as of last April.*

(4) "Are Stocks High in Relation to the General Economy?"

It is true that the stock market about doubled in the past 2½ years. For about 20 years, however, the market, on balance, had lagged way behind in the economic and inflation parade. The upsurge of some 100% since September, 1933, therefore, can be looked upon as mainly an attempt on the part of the market to catch up. Even now, *it is behind many other segments of the economy, especially national income, wages, bank deposits, etc.*

The "catching up" process was accelerated in the past year or two by a resurgence of public confidence, the result of President Eisenhower's policies and improved prospects for world peace. Also, the process was speeded by the imbalance created in the market by the tax on capital gains. That tax made many stockholders unwilling to sell, even after a big rise, because of the heavy taxes involved.

A very important factor affecting the trend of stock prices over the long term is the *underlying growth-trend of the American economy.* For many years that growth has been at the average rate of about 2% per year in manufacturing industries. Many economists believe that the true figure is now 3% or even more. That means that normal growth in both business and the stock market must be revised upward by some 50% in the annual rate.

Turning attention to the *shrinkage in the value of the dollar* in the past 20 years or longer, it can be shown that most of the rise in stock prices is illusory in a sense. Most of the rise can be said to reflect a lower value of the unit in which prices are quoted. Viewed in this light, there is additional merit in the idea that stocks are still behind the economic parade—that they have paid but little attention to the vast improvement in the status of private enterprise, increased productivity and technological progress.

For my part, I believe that stocks are still reasonably priced in relation to the general economy. This refers to the position of the market in relation to what might be called a normal long-term growth-trend. It does not refer to the business cycle, the mention of which brings us to the next question.

(5) "Has the Business Cycle Been Conquered?"

One of the reasons for the resurgence of optimism in the stock market, beginning over two years ago and still continuing on a long-term basis, was the growth of the belief that old-time depressions are a thing of the past. This belief has its origin in the *Employment Act of 1946* which, in effect, *makes it illegal to have a depression in this country.* That Act pledges the entire resources of the nation to combat a drastic slide-off in business, and adopts a national policy of full employment and a steady rise in the standard of living.

It is not necessary for Congress to take new action in that direction. The Eisenhower Administration is on notice that the law is there and that the people expect the Administration to deliver the goods. Whether we like it or not we are living in a *"directed"* economy. I prefer that term to a *"managed"* economy.

The so-called science of economics is over-ridden by politics, and will probably remain so for a long time to come. So, we in the investment field must do the best we can under the circumstances, and try to interpret trends and developments in relation to such a background. President Eisenhower and his Chief Economic Adviser, Arthur F. Burns, are said to share the conviction that to prevent a severe depression in the United States is most important, and that to make such an aim effective, the government must be ready to intervene at any time, at decisive points in the productive process.

Dr. Burns' Signals

Dr. Burns has his feet solidly on the ground. He has no magical method of prediction. He dismisses the idea that the economy has become immune to cyclical oscillations. He has done an immense amount of research work along the lines of detecting at an early date impending changes in the speed of the economic engine. Using eight selected indexes which have had excellent records of turning ahead of general business, he has devised a system of signals which warn of changes in the general picture before they are visible otherwise. The series he uses in this way are—

Business Failures ($).
Industrial Stock Prices.
New Orders for Durable Goods.
Average Hours Worked.
Wholesale Commodity Prices.
New Incorporations.
Residential Building.
Non-Residential Building.

The record of the Administration thus far in directing the economy has been very good. The recession which got under way in mid-1953 was checked in early 1954 and an upturn since then has carried on to date. Action of the Washington authorities has been largely in the field of money rates and credit. These are powerful levers, if used at the proper time. Other areas in which the government can act to minimize business cycles are mainly these: *taxation and public finance, public works, price supports, subsidies and general encouragement to private enterprise.*

(6) "How About Inflation?"

No one knows for sure where the program of full employment will lead if it is continuously pursued. Apparently it will be political suicide for any party which does *not* succeed in preventing a serious depression. *It is my present opinion that, in the long run, the means used to prevent depressions will spell inflation.*

The Chairman of U. S. Steel made some very illuminating remarks about inflation in the company's annual report for 1955. He said, and I quote:

"Two basic roots of the inflationary tendency are discernible. *The first one* is the institution of industry-wide labor unions, headed by leaders who, with power to bring about industry-wide strikes, seek always to outdo each other in elevating employment costs in their respective industries. The legislative and social framework within which they function compels them to compete in elevating this basic cost.

"The other root is the government's 'full employment' policy under which the money supply must be inflated fast enough to accommodate the inflating employment cost, lest that mounting cost bring about its natural result of pricing some people out of their jobs, even though only temporarily. It takes ever more dollars to cover ever-rising costs and prices if industry's full output is to be purchased. The money supply—(people's bank deposits subject to check plus their pocket currency)—was in 1955, on a per capita basis, 2.7 times what it was in 1940. This is equivalent to 6.8% per annum compounded." (end of quote)

The first root of inflation referred to by the head of U. S. Steel, should be perfectly obvious to everybody. It is the old *"wage-price" spiral,* with which everyone should be thoroughly familiar by now. Soon we shall probably see another twist in this spiral in the steel industry in particular. What steel does will set the pattern for other industries. *As steel goes, so goes inflation!*

The second root of inflation is the Employment Act of 1946, which I have already discussed.

Now, if our economic directors can keep the inflation within modest bounds, it may well be that the public is getting a bargain. The net benefits and gains through steady jobs, expanding output, technological advances and rising standard of living may far outweigh the accompanying losses suffered by individuals through the erosion of the value of money and of all the standard forms of saving. Only the future will tell.

To date the results have been encouraging. In fact, it appears that, if anything, the public has been over-sold on the government's ability to keep the boom going. A few months ago several Administration leaders began to realize a fundamental error in any such program. They admitted that it is dangerous to the future of the free enterprise system to have the public believe that the business cycle has been conquered—that no matter what happens Washington can be counted upon to bail everybody out.

Washington apparently realized that the instilling of too much confidence not only fans the fires of speculation but also sows the seeds of future depression. For businessmen to operate under the conviction that the down-phase of the cycle has been outmoded could very easily lead to all sorts of abuses, including carelessness on the part of business administrators, inefficiency in operations, and an easing up in the competitive struggle.

As Chairman Martin of the Federal Reserve Board declared last spring, *we all need to be reminded that the free enterprise system is a system of hazards as well as rewards.* It is not just a "profit" system but a "profit and loss" system.

The problem confronting Washington became how to dampen speculative enthusiasm without upsetting prosperity—how to discourage speculators yet at the same time to keep the confidence of businessmen and consumers high enough to maintain production and employment on a reasonably even keel.

So, some months ago, the economic directors began a series of mild actions with the goal in mind. They tightened money rates and raised margin requirements but until the past few weeks there was no observable response in the stock market.

Now to *summarize* the conclusions thus far—*conclusions applicable to the market at its spring of 1956 high.*

(1) Typical industrial stocks recently sold at the *highest dollar prices in history.*

(2) Most of the rise in recent years, however, can be attributed to a *big decline in the value of the dollar itself.*

(3) Stocks are still *reasonably priced in relation to earnings,* although not cheap on a dividend-yield basis.

(4) They are *certainly not overpriced in relation to the general economy*—in fact, they are still laggard in that respect.

(5) The business cycle has not been conquered; yet there are good grounds for believing that old-time depressions may be avoided for a long time, but the means of avoiding depressions probably spells *more and more inflation.*

On the subject of cycles—some of the strongest stock groups in the past year or so have been the former cyclical groups, such as *Steels, Coppers, Railroads, Building, Machinery* issues, and *General Motors.* As a result of the government's success in its policy of full employment these stocks are gaining in investment quality. They are shaking off their former feast or famine reputation, *especially the steels and the building stocks.*

"Where From Here?"

And now a few remarks about the recent reaction in the market and "where do we go from here."

At the low for the week ended June 1, a group of typical *Industrial* stocks were down about 10% from the all-time high reached on April 6. At the same time, *Rails* as a group stood about 11% under their 1956 average high. Percentagewise, those declines just about duplicated the setback of last September, following the President's heart attack.

At present it seems reasonable to regard the latest setback as *a typical bull market reaction,* although some time must elapse before one can be reasonably sure that a new base has been established for a renewal of the broad uptrend. No doubt, confidence has received a small jolt from recurring evidence that the business boom is in process of flattening out. The letdown in auto production, slackening of residential building, drop in copper prices and approaching steel wage battle provided the background for a technical readjustment in stock prices.

No Old-Fashioned Bear Market!

In my opinion, there is at present no basis for expecting a big bear market of the old-fashioned variety. Real bear markets are always the process of unwinding previous speculative excesses. As I view it, there are few speculative excesses in the present market, certainly not enough to cause any grave concern. On the other hand, through rotational readjustments in various stocks and groups of stocks, the general market's structure has been maintained in a healthy condition.

Looking ahead, it is rather easy to visualize a return of optimism generated by the prospect of a Republican victory at the polls in November. The early introduction of 1957 auto models should also serve to aid sentiment toward the stock market.

In gauging the future, one of the *most encouraging developments* is in the field of *capital expenditures* by industry. Last year, business laid out for capital spending an all-time record of $30 billion. This year the total will be about $39 billion, up 30%, according to the latest survey by McGraw-Hill. That survey is not a forecast; it is an objective report on what corporations are planning now for the future. (Part of the increase this year is attributable to higher prices for capital goods.)

The *non-ferrous metals industries* are planning the biggest increases. They aim to spend 123% more than last year. Among manufacturers, the *paper* industry's plans call for an 83% increase, *Steel* 82%, *Automobiles* 81%, *Chemicals, Rubber* and *Stone,* *Clay and Glass Producers* plan increased expenditures of 40% or more.

Steel is starting a program to expand basic capacity by more than 14,000,000 tons in the next three years. *Aluminum* is set to increase capacity at least 700 million pounds in the same period.

The *Railroads*, whose capital plans have varied widely in recent years, expect to spend 62% more than last year. However, they may postpone some of this to 1957.

All through industry, preliminary plans are being mapped for continuing gains in capital expenditures for the remaining years of this decade. Advance plans for next year already equalled the expenditures budgeted for 1956. Not since these McGraw-Hill surveys were begun have plans for the following year equalled those for a current year, until now. More and more companies in every industry are making long-range spending plans.

In the past, many business managers doubted the feasibility of long-range planning because of their inability to foresee future conditions, or because their businesses were so prosperous that they saw no need to make *new* plans for the future. Planning is now being projected farther into the future than previously. In many companies, planning is a separate responsibility of one or more top executives who give their whole time to that job.

This new set-up indicates both *courage* and *faith* in the economic progress of the nation. An important feature of this changed attitude is that *a possible recession in business would have far less influence upon expenditure plans than in the past.* The result is a powerful stabilizing and stimulating effect upon the economy.

Perhaps more than courage and faith on the part of industry lies back of these enormous capital expenditures. It could well be that business leaders have become convinced that the best way to meet and beat *competition* is to be a step or two ahead. Of course, the *inflationary trend* of labor costs also plays an important part.

Conclusion

In conclusion, I believe that we are still in a major bull market. The outlook for dividends remains very favorable. Stock prices are probably more closely related to dividends than to any other single factor. As to the market's technical pattern, I believe the timing of the recent correction has probably spared the Republicans from what might have been some real embarrassment. If the market had delayed such reaction until, say, next September or October, at the height of the election campaign, the background for re-election of the Republican Administration would be less promising.

Under the present circumstances, with the poor business news in autos and building behind us, the way may be clear for rising confidence in the business outlook around Labor Day or sooner. At any rate, I think we can be sure that there is good basis for believing that the Republican Party is not going to be renamed the Party of Depression, but instead is going to merit retention of its present label, the *"Party of Peace and Prosperity."*

Finally, let me remind you that the stock market has been behind the economic parade for over 20 years and is still not caught up. The economic parade itself is swinging into high gear as we face a world prosperity unknown in the past.

Now Brady, Garvin & Co.

The firm name of Brady, Baird & Garvin, 115 Broadway, New York City, members of the American Stock Exchange, has been changed to Brady, Garvin & Co.

Continued from first page

As We See It

rights"). Nor can it be unreasonable to suggest that if they are really interested in the protection of the liberties of the individual in this country—the liberties which both the constitution and our whole system of political philosophy has historically assigned to the individual — they might begin by undoing some of the things that they and their own associates have wrought or have helped to bring into being.

There was a time—and it is not very many years ago, either—when any free citizen of this country was supposed to have, and actually had—the right to work at any lawful occupation of his own choosing and on such terms as pleased him. In only a few cases, such as physicians and certain other professional people, was it required in the interest of public safety that licenses be obtained from government. Today, as a result of aggressive union activity finally supported by Federal law, a man must become a member of a labor union, support it financially and abide by rules and regulations imposed without his consent or approval if he is to enjoy full employment opportunity even to talk about the "right to work" or to apply the time honored principle of freedom of contract to this situation is to place oneself outside the pale so far as Governor Harriman and those who think like him are concerned.

Nor can an individual in these cases—or in many other cases—enjoy the right to work when some small oligarchy of union leaders decree that a place of business is to be closed down. By some strange process of reasoning the courts of this country long ago ruled that "peaceful picketing" was among the rights granted and guaranteed under the general name and style of freedom of speech. But as every one knows picketing as practiced today has little or no relation to speech of any sort. In most instances it simply is not safe to cross a fully manned picket line. The right to work or to contract to work for any would-be employer thus banned by union leaders is now virtually out of the question. A strange sort of "civil right," this.

For some 150 years this country moved forward at an almost incredible pace under the theory that a man was free to save or spend his income, to provide for a rainy day or his old age in his own way, or not to provide for such contingencies at all, as he thought best. Individual initiative and personal responsibility for one's own welfare was believed to be the system most likely to afford the best for the most people. It was the good old doctrine of *laissez-faire* and the political philosophy which was its historical contemporary. It worked. But now, thanks to the same elements in the body politic which are having so much to say about civil rights, the vast majority of the people of this country must, whether they like it or not, turn over a part of their earnings to a paternalistic government which must be trusted to provide in part at least for the old age of the individual. Another civil right gone!

When the New Deal came into power in 1933, a man might buy and sell securities or act as broker in securities, bound only by the general laws of the land or by laws which embodied certain restrictions which appeared to the ordinary man to be necessary to prevent fraud. What is the situation today? The business of the security broker or dealer is so hedged about with senseless restrictions that one might almost say that for all practical purposes the business is closed to a great many worthy men who might otherwise enter it to the benefit of the nation—and of course those already in it hardly enjoy all the liberties American citizens are supposed to have. Does Governor Harriman or the others with whom he has associated himself contemplate any restoration of these normal liberties or rights of the people?

Then there is the tax system which the New Deal and Fair Deal dedicated to the "soak-the-rich" principle and which has the effect, if not the purpose, of interfering at many points with the normal operations of the individual in his day-to-day life. In addition, even more closely related to what is called "civil rights" is the practice which has grown to such perfection of requiring the personal transactions of individuals to be reported in great detail, and of using these reports as a basis for criminal action against individuals who are believed to have committed other crimes of which they cannot be convicted. This practice is now so common that nothing is thought of it, yet one must wonder what a Jefferson or even a Wilson would think of it.

Of course, we are now headed into a political campaign and must expect a great deal of pure buncombe in public utterances and in all sorts of political documents. It would be futile to expect careful and thoughtful exposition of public questions. It would be equally if not even more futile to expect candidates to avoid political cliches or to try to get at the meaning of phrases that are being used in the solicitation of votes. Unfortunately it would be about as futile to expect the rank and file of the voters to inquire very closely into the meaning of the stuff and nonsense that is being fed to them from day to day. It is, accordingly, not altogether easy to guess what benefit or what harm will be reaped by those who keep talking about such things as "civil rights" at the very same time that they are advocating various measures which further invade the civil rights that are left to us. It is unfortunate that any possibility of gain should exist.

Joins Sutro Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — L. Elliot Grafman has joined the staff of Sutro & Co., 460 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Allen Inv. Co.

(Special to The Financial Chronicle)

BOULDER, Colo. — Ronald H. Ross has become connected with Allen Investment Company, 1334 Pearl Street.

Sheraton Secs. Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Arthur L. Lee is now with Sheraton Securities Corporation, 470 Atlantic Ave.

With Columbia Secs.

(Special to The Financial Chronicle)

DENVER, Colo. — Bernard S. Leigh and Gustaf H. Nyberg are now with Columbia Securities Company, Incorporated, Equitable Building.

With Shelley, Roberts

(Special to The Financial Chronicle)

DENVER, Colo. — Vernon V. Caton has become connected with Shelley, Roberts & Co., First National Bank Building.

Goodbody Adds to Staff

(Special to The Financial Chronicle)

MIAMI, Fla.—Frank B. Emmerling is now with Goodbody & Co., 14 Northeast First Avenue.

Continued from page 24

Population Projections to 1975

whirlpool of discussion in 1953, when an earlier version of these projections was being prepared, and was glad to find there was agreement on two points; first, that there should be more than three projections, and second, that one projection should be based on the most recent experience as to age—specific fertility rates. The reason for not having exactly three projections is to try to negative the inference that the medium projection is the real "forecast," with a higher and lower projection stated to indicate the maximum and minimum boundaries of the possible range. I should have been glad to include six or eight projections, on as many sets of assumptions, but it did not prove feasible to carry through so many. It is recognized that the actual population may prove to be higher than the highest, or lower than the lowest, of the four projections that were published.

Four Projections

Let me get down, then, to brass tacks. The four projections which we published in October, 1955, in our Current Population Report, Series P-25, No. 123, are as follows, as compared with the actual July 1, 1955, figure of 165,248,000:

	1965	1975
	—Millions—	
Series AA	193.3	228.5
Series A	190.3	221.5
Series B	190.3	214.6
Series C	186.3	206.9

The percentage increases in the total population for the 20 year period 1955 to 1975 would be 38, 34, 30, and 25% respectively. For each of the four projections, the mortality rates used imply a continuation until 1960 of the rate of decrease observed in the 1940's, but were assumed to remain constant after 1960 at the average 1955-1960 levels. Net immigration was taken at 1,400,000 in the period 1955-1960, approximately the net arrivals 1950-55, and as 1,200,000 per five year period 1960-1975.

For the four projections, the assumptions as to fertility rates were as follows:

For Series AA, for each year to 1975, best available estimate of the birth rates effective in 1954-55.

For Series A, for each year to 1975, the best available estimate of the birth rates experienced in 1950-1953.

For Series B, for each year to 1965, the 1950-53 rates; then the rates decline linearly to the prewar (1939-1940) rates by 1975.

For Series C, rates decline linearly from 1953 to the prewar level by 1975.

As an illustration, the annual rates of births for 1,000 women aged 20 to 24 years were 232 in 1954-55, 213 in 1950-53, and 152 in 1939-40.

As indicated earlier, the Census Bureau is not making a firm forecast of the future population, even though we recognize the attractiveness of a prophecy from some modern Delphic oracle as a basis for your plans. We are merely stating what the population will be on certain definitely stated assumptions. We admit that our crystal ball does not enable us to say just which projection will prove nearest the actual population in July, 1975, in other words, whether the fertility rates will hold at present levels or will decline substantially.

Factors of Gain

While a fact-finding agency like the Census Bureau does not make forecasts, it is appropriate to call attention to some of the factors which have been suggested as responsible for the recent noteworthy rise in the birth rate and the large net annual gains in population. Perhaps these factors will weaken within the next 20 years:

(1) Change in the attitude of young people towards larger families.

(2) Improvement in the relative earning power of young workers.

(3) Absence since World War II of depressions or severe recessions.

(4) Greater willingness of the parents of young couples to help support their children.

(5) Reduction in mortality rates and in the extent of disabling sickness, with resulting betterment of the family financial background, and increase in the duration of married life.

Elementary and High School Enrollment

	Elementary Grades	High School Grades
Actual enrollment October 1, 1952	22,000,000	7,058,000
Projected enrollment, Basis A or B:		
1955	25,699,000	7,594,000
1960	30,548,000	9,422,000
1965	31,868,000	12,145,000
Percentage of Increase:		
1952 to 1965	45	72
1952 to 1955	17	8
1955 to 1960	19	24
1960 to 1965	4	29

Population of College Age—18-24, Inclusive

	Number	% Increase Over 1955
Actual July 1, 1955	15,106,000	--
Projected 1965	20,043,000	33
Projected 1973	26,360,000	75

Labor Force, Age 14 Years Old and Over

	Both Sexes	Male	Female
Actual April 1955 level	67,784	47,593	20,191
Revised Estimates based on Population Projections A or B:			
April, 1960	71,905	50,078	21,827
April, 1965	77,614	53,108	24,506
April, 1970	84,530	56,997	27,533
April, 1975	91,565	61,071	30,494
Percent Increase 1975 over 1955	35*	28	51

*Population Increase, 1975 over 1955: Projection A, 34%; Projection B, 30%

SOURCES: U. S. Bureau of the Census Current Population Reports:

(1) Projections of School Enrollment in the U. S. 1953 to 1965, Series P-25, No. 85, Dec. 7, 1953.

(2) Illustrative Projections of the College Age Population by States, 1958 to 1973, Series P-25, No. 132, Feb. 20, 1956.

(3) Preliminary Unpublished Revision of "A Projected Growth of the Labor Force in the U. S. Under Conditions of High Employment, 1950-1975," Series P-50, No. 42, Dec. 10, 1952.

It should be noted that the use we have made of actual recent experience as a basis for fertility rates assumes that the rates found recently for women in their 30s will apply 10 years hence to the young women now having a larger number of children while in their 20s. Some students of the problem, ably represented by a subsequent speaker, doubt this assumption because they believe these women may be merely giving birth in their youth to nearly all of the children they are ever going to have. This view has not been proved right—or wrong, but enough evidence has been assembled so that we think our B and C series should not be ignored. Moreover, this possibility, and the unknown effect of an economic depression that might come along, are two of the factors responsible for our reluctance to extend our projections beyond 1975. Another factor is the inclusion in post-1975 projections of children of persons not yet born.

As a test of the reasonableness of these projections 25 years beyond the 1950 Census, consider the effect of the repetition of the 1950 to 1975 rate of increase for the next three-quarter-centuries after 1975. The rate of increase from 152,000,000 at July 1, 1950 to 228,000,000 at July 1, 1975 is exactly 50% of the 1950 figure. Applying the same percentage increase for the next three-quarters would give year 2000, 342,000,000; 2025, 513,000,000; 2050, 770,000,000.

Future Need and Resources

This mathematical computation of the population of the United States by the middle of the next century, at over five times the 1950 population, strikes me as ranging beyond the bounds of what the physical resources of this country would permit, assuming adherence to our present standard of living. I have no recent analysis in mind on which to base this speculation, and must admit that some people have rosy dreams of greatly increasing our supply of water and food and mineral resources and our ability to draw on other countries for items of which the domestic supply proves inadequate. The Paley Commission pointed out commodities for which the United States is already a net importer rather than an exporter. It seems more reasonable to assume that within a relatively few decades their must be a reduction, largely due to increasing strain on the economic front, in the percentage rate of increase to a rate lower than the 50% every 25 years we are projecting for the period 1950 to 1975. It seems to me reasonable to expect a gradual reduction of the rates within the next 30 to 40 years and to allow for the possibility that some reduction may come before 1975, by using projections B and C as well as AA.

While the annual percentage increase in the population should not be assumed to continue to run indefinitely at present high levels, it is hard, on the other hand, to see signs of economic hardship and shortage of food or jobs of the sort that would be responsible for a sharp drop in the birth rate within the next five or ten years.

We have supplemented our computation of population projections with supplementary computations of population of school age, 5-17, college age, 18-24, and of the labor force, as shown in table, of which copies are available to you.

The consequences that would follow from the population projections depend in part on changes in other factors—e.g., in the case of school attendance on the population of school ages attending school, and in the case of supply of workers, on changes in labor force participation rates. In order to show the implications, I summarize in the table in your hand the expected changes, according to these projections in elementary and high school enrollment, and in population of college ages, and also the associated changes in labor force, allowing for recent trends in the labor force participation rates by groups classified by age and sex.

Adjustments

I recognize that the rapid increase in population projected in at least three of these four series, will call for a good many adjustments—for instance, perhaps even greater employment of women between 35 and 65 years of age, better planning of local transportation, adjustment of hours of work to attract some not now in the labor force because too young or too old for full participation, greater consideration of labor supply in locating new manufacturing or other enterprises, more use of second shift operations to stretch utilization of productive facilities. But, I find it hard to sympathize for the next 20 years either with those who see a spectre of unemployment or with those at the other extreme who see a serious shortage in labor supply or other disastrous excesses or shortages. Any such nightmare seems to me to depend on an unreal and unnecessary rigidity in labor force participation rates or amount of investment required per worker or in the usual annual improvement in production per man-hour worked, or in hours of work per week, or in some other factor. The difficulties in adjustment during the next 20 years because of population increase, will come to a head gradually and satisfactory adjustments can be made, I think, if the situation is faced realistically.

I suggest that sound policy, in the light of these or any other projections, calls for a check each year, or perhaps each quarter, for indications of a significant worsening of the economic position. The financial strain on families which started in 1947 or which began to grow more rapidly in that year, will increase year by year unless family income increases along with the increasing needs of growing children. The financial strain on the community, likely to be reflected in rising taxes, is already becoming significant because of requirements for schools, roads and highways, better water supply, and similar facilities. As long as the Consumer Price Index continues to hold stable, the index of industrial production follows the usual seasonal pattern with only mild cyclical fluctuation, the level of personal income remains satisfactory in relation to individual needs, and employment expands in line with the growth of population of working ages, projection AA may well prove a good guide. After a period of weakness in several of these indicators, population growth may shift temporarily or permanently to one of the lower projections. It is desirable, therefore, sometimes to test a proposed plan against several other projections as well as the one accepted as the best forecast.

All factors considered, it is my judgment that if these projections are checked regularly against current economic indicators and reviewed carefully every two or three years, they will provide a helpful guide for general policy discussions and many governmental and business operation decisions.

N. Y. Inv. Association Tenth Annual Outing

The tenth annual outing of the Investment Association of New York will be held on Friday, June 29 at the Sleepy Hollow County Club in Scarsborough, New York.

The entertainment committee has completed plans for a day of golf, tennis and swimming, followed by the Bar Room Stock Exchange and dinner. Lunch will also be served. A. Parker Hall, Shearson, Hammill & Co., and his committee are handling the arrangements for the golfers and Arthur B. Treman, Jr., Dillon, Read & Co., Inc., and his committee will line up the tennis competition.

The Investment Association's "Stock Exchange" which opens for trading once a year at the club's annual outing, has announced its 1956 offering of capital stock in an offering circular being distributed by members.

Trading in the shares is expected to turn the outing into a typical "Stock Exchange" auction market. The "trading" will take place on the grounds of the Sleepy Hollow Country Club at 5 p.m. Dividends to be declared at the close of the day's trading will set a new high. Active trading is anticipated during the trading hours on the "Exchange." Breen Halpin, Goldman, Sachs & Co., Chairman of the Investment Association "Stock Exchange Committee" has notified members that subscription books will close June 21. The syndicate managers are John Roll, Clark, Dodge & Co. and Dave Hamilton, Equitable Securities Corp.

William Gallagher, Kidder, Peabody & Co., is Chairman of the Association's entertainment committee which planned the outing. Andrew W. Eberstadt, F. Eberstadt & Co. is in charge of special events and Charles C. Lee, Jr., White, Weld & Co. is the dinner committee Chairman.

L. A. Bond Club Field Day Success

LOS ANGELES, Calif. — The Annual Bond Club of Los Angeles Field Day was held June 8th at Riviera Country Club, it was announced by Club President Lewis J. Whitney, Jr.

According to Field Day co-Chairman Richard W. Jones and Robert L. Lindstron, a record turnout attended. "Athletic" events will include baseball, tennis, golf, and horseshoes.

A membership dinner at the Country Club will wind up the Field Day festivities.

Two With Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Vincent J. Kaczyk and Laurette M. Markham have joined the staff of Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. Both were previously with Gibbs & Co.

With Grove-Simms

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla.—Lucyan Lada is now with Grove-Simms Investment Company, 527 Broadway.

Shillinglaw, Bolger Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Benjamin Weiner has been added to the staff of Shillinglaw, Bolger & Co., 120 South La Salle Street, members of the Midwest Stock Exchange.

With Inv. Planning Corp.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Thomas F. Killeen and Francesca E. Silvestri have become associated with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market continues to back and fill on a somewhat reduced amount of activity, because the money market is still tight, in spite of the help which has been given to it by the Federal Reserve Banks. The purchase of Treasury bills by the Central Banks has tended to relieve the money market of the strain which might have developed because of the seasonal need for funds, mainly for loans for the payment of income taxes.

Even though the Government market is not doing too much at this time, the attitude towards these securities continues to improve because of the uncertainty which is developing towards the general business situation. Fixed income obligations are having greater attraction for investors because the feeling is growing that the money market will not be as tight as it has been. A gradual easing of money conditions is an expectation in many quarters of the money market.

Money Market Expects Credit Ease

The money market is waiting for the results of the June 15th income tax borrowings, since the size of these loans is going to have an important effect upon the future trend of interest rates. To be sure, the aid which was given to the money market recently by the Federal Reserve Banks through the purchase of Treasury bills has helped to relieve some of the tightness, but there have been no signs yet that a reversal has taken place in the policies which have been in operation. There seems to be more of a feeling around, however, that with the business picture going over to the defensive, there will be changes in the tight money situation which was put into effect to curb the forces of inflation, and the boom psychology which went along with it.

Distant Maturity Bonds in Demand

The Government market has been moving in a rather restricted range, near the top of the upward trend which started about two months ago. The demand for Treasury issues has broadened a bit, but it is still a rather restricted market because the retail demand has not yet been built up to the point where it could be considered to be sizable enough to absorb the large offerings which might appear with further rises in quotations. Nonetheless, it is reported that large amounts of the more distant Government obligations have been taken out of the market in the last three months. These purchases have been modest in size, but they have been made very consistently so that in not too long a period of time the floating supply of many of these securities has been cut down very sharply.

Optionals Bear Brunt of Selling

There appears to be a developing interest for the maturities of Treasuries up to 1963. It is the set maturity ones in which buyers are interested and, in not a few instances, those obligations with a call date prior to maturity have been sold and the proceeds invested in the fixed maturity issues. The losses which are being taken in the securities which are being sold will be made up much faster through the purchase of the medium term set maturity Government obligations, according to those that are making these switches. These swaps are not confined to Governments since a fair amount of corporate bonds with long maturities are also being sold and the money is being reinvested in the middle-term Treasury securities.

Continued Interest in 3s of 1995

The longest Government bond, the 3% due Feb. 15, 1995, continues to attract considerable of a following, with institutional investors making greater use of this security, not only for the investment of new money, but also for the placing of funds which has come from the sale of Government and other securities. One of the bonds which is being sold in the Government list in order to make way for the 3s of 1995 is the 3¼% due June 15, 1978-83.

The demand for the shortest Government issues, namely Treasury bills, is very sizable but there are indications that some of the money which was previously confined to the 91-day maturity is now being invested in the intermediate-term Governments.

Stock Market Funds Going in Governments

The demand for tax-free obligations continues to be good, with funds still being taken out of the equity market in order to buy tax-exempt issues. According to advices, more of this common stock money is now being put to work in Governments, with the intermediates and the longs coming in for some of this buying.

Consumers Showing Exceptionally Fine Payment Record, Credit Executives Report

Columbia Business School meeting concludes 1956 payments as good or better than last year, and there is no cause for concern in present level of outstanding consumer debt. Majority expect increased volume by year-end.

American consumers, who set records in their use of instalment credit during the past year, have also been compiling one of the best payment records in history.

This was one of the principal findings of 58 executives who completed a six-day meeting here at Arden House under the sponsorship of the Columbia University Graduate School of Business.

At the same time, some of the executives reported that because of the current tighter money situation their institutions will be more selective in credit policies during the remainder of this year.

Participants in the Fourth Annual Consumer Credit Management Program, who represent 21 states, Canada and the District of Columbia, are executives of banks, sales finance companies, consumer loan companies and business schools of universities throughout the nation.

When asked to compare the payment record of their customers since Jan. 1 of this year with the same period in 1955—which was considered the best in history—52 executives reported that the payment record for the first five months is as good or better than last year.

Other findings of the conference survey were:

Fifty-five of the 58 executives reported they found no cause for concern in the present level of consumer debt outstanding. (About $36 billion). Fifteen stated that in some "isolated cases" the quality of credit could be improved.

Thirty-one said they felt the current study of consumer credit by the Federal Reserve Board should prove "helpful" to the industry on a long range basis; 14 are opposed to the study and the remaining said it was unnecessary or had no objection.

Fifty-five reported they were "definitely against" granting the Federal Reserve Board standby authority to control consumer credit in peacetime. The three who did not oppose qualified their statements that they approve only when controls are "absolutely necessary" and through readjustment of rediscount rates and reserve requirements to member banks.

Thirty-two said they expect the level of consumer credit to be higher at the end of this year; 16 think it will remain about the same and 10 anticipate a decline.

A total of 27 credit men—who extend consumer loans for or finance automobiles, refrigerators, washing machines, dryers, television sets and other valuable durable goods—said they believe there will be a "slight improvement" in general business conditions during the second half of 1956. Sixteen believe there will be no change and 15 think business will go slightly lower in the second half of the year.

"The outlook for business during the third and fourth quarters is good, due primarily to new automobile models and continued pressure for capital goods," one banker reported. A sales finance company executive reported that his company "expects an increase in outstandings during the fourth quarter."

The group was about evenly divided on whether the current tight money situation has had a material effect on the operation of their businesses. Several men reported that their companies have become "more selective" and growth has been restricted.

"The tight money policy has caused an increase in wholesale rates to auto dealers and has forced a reduction in dealer reserves and an increase in purchaser rates," one credit executive stated.

Among those who addressed the meeting were: C. Canby Balderston, Vice-Chairman, Board of Governors of the Federal Reserve System; R. J. Saulnier, member, Council of Economic Advisers; Martin R. Gainsbrugh, economist, National Industrial Conference Board and Adjunct Professor of Economics, New York University; Courtney C. Brown, dean, Graduate School of Business and Vice-President, Columbia University; Carl E. Fribley, President, National Automobile Dealers Association; Robert P. Brecht, Chairman, Geography and Industry Department, Wharton School of Finance; and J. Brooke Willis, Associate Professor of Banking, Graduate School of Business, Columbia University.

Dr. John M. Chapman, Columbia University Graduate School of Business directed the program for the fourth consecutive year.

Now With Fahey, Clark

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — John R. Hickey, Jr. has become connected with Fahey, Clark & Co., Union Central Building. He was previously with W. E. Hutton & Co.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Elihu Glass is now with Shearson, Hammill & Co., Third National Bank Building.

B. C. Morton Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — James E. Rabb has been added to the staff of B. C. Morton & Co., Penobscot Building.

Continued from page 5

Sound Business Principles For Federal Power

of Federal money run from a minimum of 3½% to more than 4%.

Amortization of Investment

First we may look at the period or number of years allowed for paying off the loan, that is, amortization of the investment. In Sec. 5 of the Act of 1944, the prescription is "a reasonable number of years." The period now used by the Army Engineers is 50 years. For the Bureau of Reclamation, a minimum of 40 years is prescribed with a permissible 10-year allowance for getting under way; the minimum in actual practice becomes 50 years.

Increasingly there is pressure for the use of longer periods—60 years, 70 years, and in the cases of recent proposals, affecting power from Army Engineer projects in the Southwest, marketed by Southwestern Power Administration, a 100-year period.

Here too the matter has been viewed from the standpoint of the borrowers or beneficiaries. However, in applying sound business principles, the matter would be looked at from the standpoint of the lender. If the borrower cannot afford to meet that minimum basis of amortization and particularly that period of amortization which is sound from the standpoint of the lender, the loan is not made. Safety of the loan is the prime consideration.

After all, 50 years is a long time. The past 50 years have witnessed the almost complete disappearance of the street car and the interurban trolley; the bankruptcy of many, if not most, railroads; and a tremendous shift of population from farm to city. Most pertinent perhaps is the fact that railroad securities issued 50 years ago have in many cases suffered severely from decrease in amount and value of railroad transportation and hence necessitous reorganization proceedings.

At present we are entering the age of nuclear power. It is my understanding that such power has potentialities of ultimately attaining a cost and hence market price so low as to undercut the overall costs of even hydroelectric power. In view of this prospect, the Power Authority of New York, in floating bonds for its St. Lawrence River power development, was forced to limit the maturity of its bonds to 40 years from the time of issuance.

Various bodies of experts, including the Engineers' Joint Council and the pertinent Second Hoover Commission Task Force, have recommended an amortization period of not more than 50 years. Surely, in the light of what is facing us by way of nuclear power, a 50-year period should not be exceeded.

Turning now to the **method** of amortization, there is no prescription in the Act of 1944 or any other pertinent statute.

The present practice—initiated by the Federal agencies, not by Congress—is to use the sinking-fund method which results in equal annual payments for the sum of amortization and interest (on unamortized balances). The reasons are two-fold: convenience of the agencies and leniency to the beneficiaries, that is, the power consumers.

A basic assumption of the sinking-fund method is that the income from the power project will continue at the assumed annual rate throughout the entire period of amortization.

Under the sinking-fund method, the return of the investment into the Treasury, that is, to the taxpayers, begins at a minimum and, if all goes well, reaches its maximum in the last year of the period of pay-off. In consequence, the lenders—the taxpayers—during their productive lifetime get the benefit of only a minor repayment of the loan. For instance, during the first half of a 50-year payout period, only about one-third is repaid.

But sound business principles require the reverse. Because of the uncertainty in respect of the future, particularly as regards nuclear power, Federal projects should "pay out" at a more rapid rate during the earlier years. In other words, the method of amortization should be one which results in a diminishing financial burden on the project as the years go on.

It seems to me that a sound business means of accomplishing this is that method of amortization which requires equal annual repayments of the Federal **investment** (not equal annual payments of the sum of amortization and interest on balances). Thus the annual interest requirements, and therefore the sum of amortization and interest, becomes less year by year.

This method results in a greater amount of amortization during the life of that generation of taxpayers which in effect has advanced the funds for constructing the project. It is to be remembered that, unlike the private investor or money lender, the Federal taxpayer is an **involuntary** investor. The former can, in general, get back the principal of his loan, or the unrepaid portion of it, by sale at any time in the open market. On the other hand, except as a Federal project during the taxpayer's lifetime makes repayment into the Treasury and thereby lowers taxes or has a corresponding effect on the national debt, the Federal taxpayer cannot recover the equivalent of any part of his contribution to the investment in the power project.

To the consumers of the power from the Federal project in turn, there would be the advantage of gradually decreasing rates for the power. Furthermore, this method of making equal annual payments in amortization of the investment, with consequent decreases in payments of interest year by year, results in a substantially smaller total payment of amortization and interest during the period of amortization than is the case under the method involving equal annual payments of amortization **plus** interest. In short, here is a method of amortization by which the investment in Federal power projects can accord with sound business principles.

Allocation of Cost

In the cases of Federal multiple-purpose projects, it is necessary to make an allocation of cost against the power purpose or function. Here I step more gingerly than with regard to some of the other elements of power cost and rates. Clearly, however, there should be allocated to power no less than is reasonable. Costs which actually belong to power should not be allocated to functions presently treated as non-reimbursable, such as flood control and navigation.

Recently there has been much clamor as regards the effect of allocation of costs upon the power rates of the Southwestern Power Administration. It has been contended that power should be charged with only its **incremental** cost, namely, the difference in cost as between a project including the power function and a project not including the power function. A Senator, presumably without thinking the matter through, has suggested that power should not be charged with any part of the costs of the dams.

Needless to say, I am not and do not claim to be an expert in this field, but I **do** know that—

(1) A dam and reservior solely for flood control cannot reasonably serve also for power development.

(2) If power development is to be added, the dam and reservior must be correspondingly enlarged beyond the needs for flood control; that is, there will be much greater cost.

(3) Practically the only case where power development is not chargeable with a substantial part of the cost of the dam is where there is developed the water power resulting at a dam constructed solely for navigation and constructed to a height no greater than is absolutely essential for the navigation purpose.

Surely departure from these simple propositions cannot be in accord with sound business principles.

Tax Charges

The most serious problem involved in the establishment of rates for Federal power is that of the charge to be made on account of taxes.

Under present practice, Federal commercial enterprises, such as power development, and therefore the customers of those enterprises, are permitted to be free of Federal taxes and generally to be free of State and local taxes. Practically the only exception in the latter respect is that TVA makes a contribution to the State and local governments in lieu of and as a partial offset to State and local taxes. In the case of Hoover dam, the Boulder Canyon Adjustment Act of 1940 contemplates the possibility that State taxes may be imposed upon some aspect of the project; but it seems fair to say that the annual payments to the States of Arizona and Nevada, specified by statute, are not in lieu of taxes, but were provided because of other considerations.

The equity of participation in the cost of local government and governmental services is recognized in the case of the District of Columbia, to which the Federal Government makes contributions which are the equivalent of payment of local taxes.

This practice has long been recognized with regard to national forests. Twenty-five percent of national forest receipts are distributed to the countries wherein forest lands are situated, for schools and roads. This year the counties will participate in forest receipts to the extent of about $25 million.

The exempting of Federal property and enterprises from taxes dates back as far as 1819 when the Supreme Court[3] held in effect that the sovereign, the Federal Government, could not be taxed without its consent. To be sure, in those days there was no Federal income tax and the Federal Government's acquisition of property outside the public domain had not reached modern proportions. Thus the practical or "sound business" aspect did not come to the fore.

At any rate, as regards Federal lands and structures, it must be recognized that taxation thereof by States or other forms of local government is subject to the consent of Congress. Nevertheless, the exemption of such Federal property from taxation has become burdensome beyond toleration. As an example, pertinent to our present subject, I need only point out that, contrary to the case of private development, Federal reservior development means removing from local tax rolls the land to be overflowed and the improvements thereon.

It is no wonder that there is a growing movement to require the Federal Government, through local taxes on its property, to participate in supporting local governments and their services. Various bills to that effect are pending before Congress. Some would apply even to the public domain and establishments for national defense.

As to Federal commercial enterprises, for many years the Postal Service was practically the only one — and is still the outstanding one. Unlike Federal power enterprises, the Postal Service is expressly authorized by the Constitution; it serves **all** citizens; and it serves them without discrimination as between classes of citizens. Hence the fact that the Postal Service is tax exempt has been accepted as natural.

Incidentally, as a matter of sound business, there is earnest endeavor, not merely to make the Postal Service completely self-supporting, but also to make the charges for the service equitable as between the several classes of users.

Next in order of quantitative importance are those with which we are here concerned — Federal power enterprises. I refer of course to the Federal commercial business of producing and supplying power to the public. Unlike the Postal Service, the Federal power business has no Constitutional authority; it is far from serving all citizens; indeed, it actually serves only one segment of the population. About 30% of the electric power consumers of the country are served to some extent by Federal power plants. In most cases the extent to which they are so served is indeterminable; in others it is **solely** Federally-produced power which they receive.

Let us turn now to the application of sound business principles in respect to taxation of Federal power enterprises. Outstanding is the principle that all beneficiaries of the services rendered by a given kind of business shall pay their proportionate parts of the cost — plus ordinarily some return or profit, but at least their proportionate part of the cost.

The Government of the United States is business, big business, not commercial, but the biggest of all American businesses. It renders governmental service to its citizenry — **all** of its citizens.

That governmental service is paid for out of taxes, nowadays mainly income taxes. **All** of the beneficiaries of governmental service should pay their full proportionate share of those taxes. Any departure from that principle is not merely discriminatory — it is **unsound** business.

As you know, at least as well as I, each power consumer served by private companies, in paying for his power, must on the average include some 14% on account of the Federal income tax which must be transmitted by all such companies to the Federal Treasury. In contrast, Federal enterprises, as we have already noted, are free from Federal income taxes. Thus some 10% or so of all of the power consumers of the country are served with solely Federal power and therefore, as power consumers, they contribute nothing at all toward the cost of the Federal Government. Something of the order of 20% more of the nation's power consumers, as we have seen, are served partially with Federal power and therefore

[3] *McCulloch v. Maryland*, 4 Wheat. 316.

as power consumers, do not pay their full proportionate part of the cost of Federal governmental service.

The amount of Federal tax which in this way is avoided must be made up by other Federal taxpayers, mainly by the customers of private power companies. In short, quite aside from the fact that there obviously is discrimination, here is a violation of a sound business principle.

Such violation would not be tolerated in the cases of services rendered by business concerns. For instance, insurance companies, when the rates for one class of risks do not meet the costs, either raise the rates or drop that class of risks. In fact, if sound business principle did not suffice, State insurance supervision would insist upon such action.

Similarly, in the cases of railroads: up to the limits of what the traffic will bear, passenger rates must include their proportionate share of all costs, just like freight rates. Indeed at present railroads, interests having large amounts of freight to be hauled and the Interstate Commerce Commission—all are seeking to make sure that in this respect the pertinent sound business principle is observed.

In summary, the present practice in Federal power business, so far as concerns **Federal** taxes, is inconsistent with the prescribed criterion of "sound business principles."

The same thing is true as to **State and local** taxes. In that respect, of course, any such lack of accord with sound business principles is more readily recognized. Thus in the cases of some counties, and all the more some townships, tax-free Federal reservoir projects, by reason of eliminating agriculturally productive or other lands from the local tax rolls, may impose an intolerable burden upon the local governments and those who continue to pay local taxes in order to maintain road and other services at their prior quality. I have already referred to the growing movement, including bills in Congress, requiring Federal projects, including those involving power, to pay directly or to pay the equivalent of State and other local taxes on property.

In contrast to our own practice, Great Britain, with its completely socialized British Electricity Authority and Area Boards, subjects all phases of its power property and operations to any and all taxation to which any other property or business is subject.

As concerns both Federal and local taxes, most of our Federal agencies have within the past year or two advanced in their thinking and practice to the point of requiring that, for purposes of economic evaluation and comparisons with at least non-Federal alternatives, the tax components of true cost be fully taken into account. We find this expressed in the April 1954 agreement of the Department of the Interior, the Army Engineers and the Federal Power Commission on cost allocation; that Commission's December 1955 prescription for evaluating Federal power projects,[4] and the January 1956 report by the Presidential Advisory Committee (the Cabinet Committee) on Water Resources Policy. (P. 26.)

But that procedure does not go far enough. Consistency with sound business principles requires that the corresponding taxes, costs and charges actually be included in the rates for Federal power and therefore be borne in fair proportion by the **consumers** of that power. This may require action by Congress.

Allowances for Overhead Costs

Although overheads are not a major element involved in rate making, it is as clear as it is simple that sound business principles require that the pertinent overhead costs of all kinds should be charged against Federal power projects and that the rates should be sufficient to cover those overheads. The principle needs to be applied to initial investment as well as to the annual costs of operation and maintenance.

The accounting for the initial investment should include all costs of bringing the given project into being, including the initial investigations, any explorations and all legal services within the constructing agency.

In the initial investment and likewise in the annual costs, there there should be included all associated costs of District, Division and Washington offices. Then, there are the expenditures by other agencies, such as the Treasury, the General Accounting Office, the postal service, the Department of Justice for legal services and the Civil Service Commision for administration of the Retirement Act. In too many cases some, or even all, of the foregoing are not charged against the project for rate-making purposes.

In any event adequate allowances for the unforeseen, that is, allowances for mishaps and other contingencies, should be included. If provision for such overhead items in detail is deemed to be too cumbersome or expensive, then at least it would seem that there should be some percentage allowance high enough to cover these overheads.

Actual Project Income As Compared With Pre-Construction Representations

No sound business would tolerate a condtion whereunder preauthorization or pre-construction estimates, predictions or representations are forgotten as soon as they have served their purpose of helping to bring the project into the stage of authorization or actually into being. Yet in the case of Federal projects, it is fair to say that, if not forgotten, at least such eariler estimates or representations are in general disregarded.

An outstanding example of what can and does result is the case of three projects (Wolf Creek, Dale Hollow and Center Hill) on the Cumberland River, constructed by the Army Engineers and with the power marketed by the Department of the Interior through its Southestern Power Administration. The Army Engineer estimate of the average annual benefits from the power of these three multiple-purpose projects totalled $11,223,000,[5] whereas the power output was sold to Tennessee Valley Authority for $3,500,000, with subsequent increase to $3,959,000.[6] That is, we Federal taxpayers are annually receiving only about one-third of what the Army Engineers estimated to be the average annual value of the output.

To be sure, a different agency, the Department of the Interior, does the marketing, whereas the Army Engineers do the constructing—and often the promoting—of the project. But the Army Engineers have no excuse for failing to recognize and point out that, up to the present and whether it be their fault or that of Interior, the financial performance of Federal power projects which they have constructed is all too often woefully below the prediction and representation.

Can it be said to be in accord with sound business principles if the promise is not performed and Departments which fail to cooperate are not forced to do so? In some cases, notably in the Southwest, the actual cost of Federal power is greater than the market can afford. In those cases the projects have been badly conceived and probaly should not have been constructed at all.

Conclusion As to Rates

Let us not be so concerned with the impropriety and inequity of it all that we forget the principles involved. The fact is, at least so far as concerns Federal power projects constructed by the Army Engineers with the possible exception of including full tax charges in rates, the remedy lies within the authority—indeed the duty—of those administering Section 5 of the Act of 1944.

It is as simple as this: the plain mandate of Congress, that rates for power shall be fixed according to "sound business principles," is being disregarded. In my view this statement applies to the Army Engineers, to the Department of the Interior and its power marketing agencies, and to the Federal Power Commission.

4 Fed. Pr. Comm. Tech. Memo, 1, Nov. 1955, p. 33.

5 House Hearings, Army Civil Functions Approp., 1950, pp. 346-51.

6 Annual Report, Secretary of the Interior, 1955, p. 122.

Charles Ebner Now A Proud Grandpa!

Charles L. Ebner, Jr.

LOS ANGELES, Calif. — With the birth of Marti Devan to his daughter and son-in-law, Paul and Charleen Humphrey, on May 24, Charles Ebner, Jr., Manager of the Trading Department for Bateman, Eichler & Co., became a proud grandfather.

Joins Newhard, Cook

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Elinor R. Uhri has joined the staff of Newhard, Cook & Co., Fourth and Olive, members of the New York and Midwest Stock Exchanges.

Joins E. L. Zoernig

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Reuben C. Campbell has joined the staff of E. L. Zoernig & Co., Inc., 315 North Seventh Street.

With Smith, Clanton

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — Sidney H. Phillips has been added to the staff of Smith, Clanton & Company, Southeastern Building.

Two With F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Mrs. Emma J. Wise and Harry B. Wise have joined the staff of Francis I. du Pont & Co., 1010 Euclid Ave. Both were previously with Green, Erb & Co.

Collin, Norton Adds

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio — Lewis S. Bixler is with Collin, Norton & Co., 506 Madison Avenue, members of the New York and Midwest Stock Exchanges.

With Chas. A. Goodwin

(Special to THE FINANCIAL CHRONICLE)

SALEM, Ore. — Margaretha Withee is now with Chas. A. Goodwin & Co., Masonic Building.

With Mid-Continent Secs.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William B. McIntosh is now affiliated with Mid-Continent Securities Corporation, 3520 Hampton Avenue.

Edward H. Hoopman

Edward H. Hoopman, 56, head of the Department of Investigation of the New York Regional Office, the Securities and Exchange Commission, was found dead on June 9 in his home, apparently from a heart attack. He had been suffering from a heart ailment for some time.

Mr. Hoopman worked in Wall Street for 16 years following his graduation from high school. He was with Orvis Brothers for 12 years, starting as a clerk and rising to the post of office manager; from 1930 to 1932 he was with E. F. Bittles & Co., and from 1932 to 1934 he was a partner in his own firm, Tallman, Smith & Co. After serving for a short while as technical adviser to the U. S. Senate Banking and Currency Committee under Judge Ferdinand Pecora, Mr. Hoopman joined the Securities and Exchange Commission in Washington, D. C., on Sept. 26, 1934. A few months later he transferred to the New York Regional office of the SEC where he remained until his death.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John P. Werner has become connected with Paine, Webber, Jackson & Curtis, Union Commerce Building.

Now With Sheffield Co.

(Special to THE FINANCIAL CHRONICLE)

NEW LONDON, Conn.—William N. Smith is now with Sheffield & Company, 325 State Street.

Joins Gordon Graves

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Edward T. Keeley is now with Gordon Graves & Co., Inc., Pan American Bank Building.

McInnes Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Ralph A. Miller is now affiliated with McInnes & Co., Inc., Huntington Medical Building.

With Thomson McKinnon

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Robert L. Morris, Jr. is with Thomson & McKinnon, Shoreland Building.

With Daniel F. Rice

MIAMI BEACH, Fla.—Edward M. Gale is now associated with Daniel F. Rice & Company, 317 71st Street.

Two Join Anderson Cook

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—Edwin H. Loring and William W. Moyle have become connected with Emerson Cook Company, 205 Seaview Avenue.

Nolting, Nichol Adds

(Special to THE FINANCIAL CHRONICLE)

PENSACOLA, Fla. — Beeman Ruthven has been added to the staff of Nolting, Nichol & Company.

Joins Allied Inv.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Luther B. Nance is now with Allied Investment Company, Walton Building.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

SANFORD, Fla.—Lee P. Moore is now with Goodbody & Co.

Continued from page 6

An Investment Banker Looks at Toll Roads

through the Reconstruction Finance Corporation.

This Pennsylvania Turnpike, which was so difficult to finance originally, had hardly been opened for traffic when World War II, with its restrictions on travel, gave it a severe test. However, the storm was weathered and with peace and the subsequent economic prosperity of the postwar period, the Turnpike proved an outstanding success. As a result a number of extensions have been added.

The Pennsylvania Turnpike thus became the granddaddy of the modern toll road movement. Its success provided incentive for like facilities elsewhere.

Other Turnpikes

The second major toll road in this period was the *Maine Turnpike*, opened for traffic in 1941. This road runs from the New Hampshire line northward to the outskirts of Portland, a distance of 47 miles.

Financing this facility also presented difficulties. No Federal subsidy was available, nor were the economic advantages as definite and obvious as was the case in Pennsylvania. Prospective buyers accordingly shied away from the bonds. Yeoman work was done, however, and not only were the bonds sold and the road built but, after a tough initial operating experience, it proved so successful that an extension, greater in length than the original road, was subsequently added.

Next in order was the *New Hampshire Turnpike*, opened to traffic in 1950. Here, again, features peculiar to the road made it difficult to apply experience of other roads to it. In fact, this road is but 15 miles in length, crosses the edge of New Hampshire and connects directly with the Maine Turnpike at one end and with the free expressway in Massachusetts on the other. It is, actually, a bridge, and is used relatively little by New Hampshire vehicles. In this instance, financing also varied from that of the two preceding roads in that General Obligation bonds of the state of New Hampshire were sold to provide for the cost, and the facility is operated by the State Highway Department.

The *New Jersey Turnpike*, successive sections of which were opened between November, 1951 and 1952, became the fourth of the major modern toll roads. In at least one respect, this facility is probably the best known of all because it is used by a greater number of vehicles than any other turnpike. In 1955, nearly 26 million vehicles paid tolls to use this road. It serves not only as a vital connecting link for traffic to and from the South and West and the New York-New Jersey metropolitan area, but it has astounded traffic engineers and others in the number of short trips that have developed.

The financial success of this Turnpike has been almost phenomenal. Originally, estimates of earnings were such that financing was arranged through direct placement with large institutions rather than public distribution. Like Pennsylvania, important extensions have been or are in the process of being added to the original section. Recently a jointly financed bridge across the Delaware River was opened connecting this facility with the Pennsylvania Turnpike.

The *Denver-Boulder Turnpike*, another short distance facility, was the next toll road to open for traffic. Here, again, unique features were evident. In order to insure financing, toll revenues are supplemented to a restricted extent with monies from regular highway funds. Further, the State provides cost of operation and maintenance.

Cooperative Effort

In 1953, the *Turner Turnpike*, here in Oklahoma, opened to provide for traffic between Tulsa and Oklahoma City. Once again, problems peculiar to the facility were encountered. At the time it was not found feasible to finance the entire 106 miles between the two cities. The problem was resolved by the Turnpike Authority constructing 88 miles of toll road and the State Highway Department constructing connections to the cities at each end — a splendid example of cooperation and coordination between State and Authority.

Like all the other facilities opened up to this time, the investing public and others viewed the Turner Turnpike with skepticism. That this skepticism was dispelled is not news to you gentlemen, and I am sure you are all pleased with the now acknowledged success of the Turner Turnpike. The persistence and determination demonstrated by Governor Turner and those supporting him in that project are in no small way responsible for the existence of the Turnpike today. Upon completion of the Northeastern Extension, running from Tulsa to the Missouri line, the value of this Turnpike will be even greater.

Another toll road is the *West Virginia Turnpike*, completed in 1954. This facility provides mileage-saving as well as a relatively level route through rugged, mountainous terrain. The entire cost was borne by bonds payable solely from revenues. Its first year of operation has been something of a disappointment, but there is evidence that the trend is improving and it is hoped that before long this road will be "out of the woods."

The *Garden State Parkway* in New Jersey, running 165 miles, generally along the New Jersey coast from Cape May on the south to Paterson on the north, was financed in 1953 by the issuance of 285 million dollars in bonds, the principal and interest of which are guaranteed by the State of New Jersey. In other words, revenues from the Parkway are applied to debt service, but if at any time they prove insufficient the State must make up the deficiency. So far, this has proven unnecessary, and at the rate at which earnings are increasing, it apparently never will be necessary.

Subsequent to the original financing, extensions were authorized, and additional bonds, backed only by revenues of the Parkway, were sold.

Resort to Tolls

The *New York Thruway*, which is still under construction in part, started as a free expressway intended to connect Buffalo and New York City. However, slow progress in the construction dictated the advisability of resorting to tolls and capitalizing on these anticipated revenues through the issuance of bonds. When completed, this magnificent artery will cover a total of 562 miles.

The bonds, supported by tolls, were supplemented by General Obligation State bonds issued especially for Thruway purposes. This setup differs entirely from that of the Garden State Parkway in that 500 million dollars of bonds backed by the faith and credit of the State are subordinated as far as lien on revenues is concerned to 350 million dollars of bonds serviced solely from revenues.

The major toll road most recently opened for traffic is the *Ohio Turnpike*. This facility adjoins the Pennsylvania Turnpike on the east and runs almost directly across the State to the Indiana line. It serves the important Ohio-Great Lakes industrial area and also provides a further link in the east-west trans-continental superhighway chain that appears to be developing.

The Ohio Turnpike was financed by the issuance of $326 million of revenue bonds and was opened for traffic last October. Here, again, an initial period of disappointing earnings is being experienced. I am confident, however, that given time, earnings of this great highway will exceed the most optimistic of estimates.

The *Indiana Toll Road* also should be mentioned here because its opening is expected by November of this year. Upon completion, it will provide the final link in a continuous superhighway from the outskirts of the City of Chicago on the west to New York City on the east.

The Indiana Toll Road, like the Ohio, was financed entirely from proceeds of revenue bonds.

Toll roads financed during 1955 included the *Texas Turnpike Authority* road which will connect Dallas and Fort Worth, a distance of about 35 miles, and the so-called bob-tailed *Florida Turnpike* running northward from Miami to the vicinity of Fort Pierce, a distance of 108 miles. It is planned to finance an extension of this latter pike this year so that it will run nearer to the northern boundary of the State, probably in the vicinity of Jacksonville. Bonds issued to finance these roads are payable solely from revenues.

Last September, the *Richmond-Petersburg Turnpike Authority* in Virginia was financed through the issuance of revenue bonds. This road is similar in many respects to the Texas Turnpike because, in a sense, it is a bridge connecting the two cities for which it is named. The mileage is approximately 35, which also is similar to that of the Texas Turnpike.

Latest Toll Roads

The most recent toll road financed, with the largest single bond issue of all, was that of *Illinois*—$415 million to pay the cost of 193 miles of toll road. This huge issue reached the market in October, 1955, after being delayed for a long period by litigation.

Parkways and Expressways

I have been speaking of the roads we usually think of as turnpikes, but there also should be mention of other important roads such as the *Merritt* and *Wilbur Cross Parkways* in Connecticut and the *Greenwich-Killingly Expressway* now under construction.

The Merritt and Wilbur Cross Parkways, like the New Hampshire Turnpike, were built from the proceeds of General Obligation State bonds. They are limited access, but not controlled access, facilities. That is, there are entrances and exits between toll barriers so that some users may ride without paying tolls.

The Greenwich - Killingly Expressway will be subject to tolls. But, there again, the State is lending its support through pledge of certain regular highway funds.

Mention should be made, also, of the Westchester County, New York, parkways—the *Hudson River* and *Saw Mill River*. These facilities might be considered pioneers in developing quick access to and egress from a large city. Certainly, getting into and out of New York City northward and east ward is facilitated by these parkways.

Limited Operating Experience

As you can see from this enumeration of toll roads financed in the postwar period, there has been a "rash" of toll roads. There are many more on the statute books of various states. You, here in Oklahoma, have three. Pennsylvania has several more. Indiana is trying to find a feasible north-south route, and so is Ohio.

Most, if not all, of these additional projects have been delayed, and it is conceivable that some further period will elapse before toll road financing on the broad scale we have seen is resumed. Some of the reasons for this stoppage, which I feel is temporary, as I see them are as follows:

Up until the last year or so, the majority of our turnpikes have been on paper. Bonds aggregating over $4¼ billion have been sold since 1946. In terms of miles, this means that 2,987 miles were provided for. Of those miles, only 492 were opened and in operation prior to 1954. Thus, it is obvious that more actual operating experience was needed. Only experience will bring forth patterns, spotlight weakness, and point up similarities and differences.

West Virginia Turnpike has now been open for a little over a year. The great Ohio Turnpike, stretching 241 miles across the State, opened just last October. In both instances, revenue has been definitely disappointing; so much so, in fact, that market prices on the bonds of these two facilities dropped badly and a sympathetic reaction followed in all other turnpike markets. Even the "Tiffany's of Toll Roads," the Pennsylvania and New Jersey, felt the effect.

Federal Program

Another reason that plans for some turnpikes have been held up is the uncertainty presently surrounding the Federal Highway program. As you know, in 1954 President Eisenhower appointed a committee headed by General Lucius D. Clay to study, report and make recommendations on the nation's highway needs. The recommendations of this committee were approved by the President but, after considerable political furor, were turned down by the Congress. Since that time, there has been a great deal of jockeying back and forth over a proper Federal road program. The latest effort—and one that seems most likely to get the green light—is the so-called Fallon Bill referred to earlier.

Many states with pressing highway needs have shelved programs in order to see to what extent they would receive aid from the Federal Government. It now appears that we will not have to wait long to learn the answer.

It is appropriate to comment here that states, authorities and commissions, as well as others, with toll road interests at heart, have exerted every effort to have toll roads accorded credit in the Federal aid program. This effort, to a great extent, has been spearheaded by the American Bridge, Tunnel & Turnpike Association.

I might throw in an opinion here for what it is worth. In the first place, I believe this pause in construction to be a healthy thing for the market and for the issuer. In the second place, I believe that we are so far behind in road building, and that the demand for roads is now and will be such in the future, that there will continue to be a definite place for those roads financed on the very sound principle of "user pay." In the third place, I do not feel that the Federal Highway Program, when and if it comes, and in whatever form, will spell the end of the toll road era. It is interesting that the majority of the ten State Governors questioned very recently by "Newsweek" expressed a similar opinion.

Putting these thoughts together —future toll roads, by reason of past experience, will be much more soundly conceived, from both an economic and financing point of view, and will fill a need in a much broader way than ever before.

Toll Road Limitations

While the "user pay" method of providing highways has filled, and will continue to fill, a great need, I do not feel that toll roads, as such, are the complete and final answer to our highway needs. There are distinct limitations to the instances where roads payable solely from revenues can justify their cost.

Most important, there are economic limitations, by which I mean that a toll road, which is in a very real sense a business venture, must have enough traffic to create the necessary revenues. It is not sufficient merely to say that we all have automobiles capable of traveling long distances at high speeds and therefore we need roads to accommodate them. It is not sufficient merely to say we will build those roads and let the users pay. It is necessary that we have an economic need for the road. We must need it to haul produce, manufactured products, people bound on business as well as the casual and vacation traveler.

In this connection, it should be said that highways, whether toll or not, provide, like railroads, a medium of transportation and in themselves create commerce and industry. We all have observed industry's spreading out into the country, usually at or near a highway that will serve that industry. With industry comes housing—homes, apartments. Following these, the need for roads further increases. More roads are built and more industries follow the roads and so on around the circle again. But, until such developments are sufficient to justify roads, the roads cannot stand on their own.

What Experience Shows

The experience of the last few years has shown us many things about toll roads. As I have just pointed out, there must be enough revenue to amortize the cost, or, to put it another way, a sufficient number of people must use the road to provide the necessary revenue. As one traffic engineer recently expressed it, passenger cars are the "meat and potatoes" of toll roads. While this is true, it is also true that a great portion of the revenue, in some instances considerably more than half, must come from commercial users.

The commercial user, in this sense, is substantially the large truck operator as contrasted with the small pick-up or panel type of commercial vehicle. Most of these fleet operators study costs as closely as any executive studies those of his business. They will use the toll road provided it returns them a profit either in the form of increased revenue or in lowered costs.

Things are continually changing—especially things mechanical, where we observe change almost daily. This certainly has been true in the case of the motor freight vehicle. Today's heavy truck, because of the use of lighter material, will carry perhaps two or three times the load of the same size prewar truck. The development of more powerful engines, particularly the Diesel engines that use a cheaper grade of fuel, has added to the economy of truck operation, and a truck today takes a 5 or 6% grade as easily as its prewar ancestor took one of 2 or 3%.

Another interesting development in truck operation has to do with the driver. Many of the largest operators now have agreements with their drivers calling for wages based on trip rather than on hours of operation. This is significant to toll road operators for it means that the time saving is frequently not as important as it used to be.

I am merely trying to point out here that the state operating toll roads must be prepared to assure its prospective bondholders that the economic conditions necessary to justify a road are present, or that they certainly will be induced by the road.

Continuing Need

I do not believe that what we are going through now, as far as the slowing up in toll road building is concerned, is part of a cycle similar to that of a century ago or that tolls, as a method of financing roads, will cease. As I have previously stated, I think there will be an increasing need for roads that can most equitably be satisfied by the "user pay" system.

Certainly—and this I want to emphasize because I consider it important — *the fairness, the soundness, and the acceptance by motorists of the "user pay" method has been demonstrated to such an extent that it would be economic waste and political folly to abandon it.*

The growth potential of our country and the closeness with which its economy is geared to the use of the motor vehicle point to the need for more and better highways in the future, and the "user pay" method of financing will fill that need in part. Given peace, and reasonable prosperity, we will see even broader development of the "user pay" principle in the future as a result of increased use of the motor vehicle.

Future Use of Tolls

It may well be that by and large the roads of the future, payable solely from tolls, will be short haul rather than long distance roads. A study by the Commissioner of Public Roads early last year concludes, among other things, that except for the Interstate Highway System, there are perhaps not more than 200 miles of road in this country considered as toll road possibilities. I don't agree with this conclusion, but I am aware of the growing importance of the comparatively short haul on all of our major turnpikes. Roads will not be paid for entirely from tolls where they are dependent to a great degree upon long haul trips.

It also should be borne in mind that toll roads frequently compete with paralleling free roads. They are not a monopoly in the same sense as a tunnel or bridge.

Tolls, because they represent such a fine form of the "user pay" concept, can, where conditions warrant, always be used as a basic form of payment. By that I mean that the states in one way or another can assist in the development of highways where tolls alone are not sufficient to bear the cost. There are instances where tolls are sufficient but where the margin of protection (or ratio of net revenues to debt service) demanded by the investor is so narrow that the state must subsidize it in one way or another.

This has been done and may be done to an even greater extent in the future through the states bearing part of the construction cost, guaranteeing principal and interest on the bonds (as in the case of the Garden State Parkway in New Jersey), building direct feeder connections (as in the case of Turner Turnpike), and in various other ways. Thus, the "user pay" principle is maintained to the fullest possible extent in each instance.

There is ample compensation to the state for such assistance. Much-needed development of a given territory is made possible; induced and diverted traffic will return the state more in gasoline and other taxes; commerce and industry are induced and population increase follows.

Some Observations

In conclusion, I would like to make a few observations.

We have learned many things during this postwar period about toll roads. For instance, in view of operating results on some of the turnpikes, many of us are justifiably concerned over traffic forecasting and the need for a closer examination of the premises on which such forecasting is based. Also there is concern about the approach to the scheduling of tolls for various types of vehicles and for varying distances.

A toll road, rather than a continuous highway, must be looked upon as a series of connected trips. A fair rate of toll cannot always be determined by dividing a given trip by the number of miles and applying a uniform per mile rate of toll. Each trip, of whatever length, must be analyzed and the value of that trip to each class of motor vehicle determined. A user may be willing to pay a dollar to go over a specific ten-mile trip and yet consider ten cents too high for like mileage on another section.

The New Jersey Turnpike, in a broad sense, employs this principle. At its northern end, for instance, passenger tolls are at the rate of approximately 4½ cents per mile whereas at the southern end the rate would figure something under one cent per mile. The heaviest traffic on the Turnpike is in this highest cost area and that applies to commercial vehicles as well as passenger vehicles. The Pennsylvania Turnpike just recently announced a revision in tolls over the entire system. The new schedule represents a refined application of this "value of trip" principle.

I might also observe that the character of management is very important. We who have raised the billions of dollars for toll roads have looked upon management as we would look upon that of any business. By and large, we have been very fortunate. The commissioners and members of authorities generally are high-grade individuals and the staffs well-selected, capable, loyal and hard-working. I am sure that in the case of your own State, Oklahoma, this will continue to be one of the strong points behind your toll road securities.

Again I observe that we have learned a great many things through experience. The experience of each turnpike is highly beneficial to all when cooperatively applied. Recently there has been a move through the formation of the American Bridge, Tunnel & Turnpike Association to pool this experience. A great deal of benefit can come through the cooperation of the various commissions and authorities in exchanging ideas and concentrating on mutual problems.

One of these problems, for instance, is financing, and there is being established a liaison committee to work between the investment bankers and the American Bridge, Tunnel & Turnpike Association to assist each other in this respect.

Another observation is that close cooperation of a toll authority with the political and administrative heads of the state is essential. From the investor's point of view, there is an advantage in continuity of management and freedom from political interference in a toll road authority or commission. However, it must be recognized that this same authority or commission is operating solely in the interests of the state and should receive and give all the cooperation necessary from and to the political and administrative heads of the state. Further, the plans of the authority and the Highway Department should always be closely coordinated so that the interests of the state as a whole are best served.

A final observation is that if a state, authority, or commission is to finance these needed highways on the "user pay" principle, it must do everything possible to instill confidence in the investor. For he is the man who puts up his money, and again as in a business, he is entitled to adequate information and reports from time to time. These are best assured when the authority works with its selected bankers and holds them responsible for dissemination of the information to those people who have purchased the bonds. In conclusion, let me here compliment the Oklahoma Turnpike, its staff, and Governor Gary for doing just this.

Cantor, Fitzgerald Co. Promotes Miller

BEVERLY HILLS, Calif.—Eugene M. Miller has been promoted to the post of Assistant Vice-President of Cantor, Fitzgerald & Co., Inc., it was announced by B. Gerald Cantor, President of the Beverly Hills investment banking firm. Miller has been associated with the company for the past year. Previously a partner in the firm of Fisher, Neblett & Co., management consultants of Los Angeles and New York, Miller is a graduate of the Wharton School of the University of Pennsylvania.

With Thomson McKinnon

(Special to The Financial Chronicle)

WEST PALM BEACH, Fla.—James M. Strother is now affiliated with Thomson & McKinnon, Florida Bank Building.

Joins Merrill Lynch

(Special to The Financial Chronicle)

CHICAGO, Ill. — Edmund F. Krzyminski is now with Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

With Reynolds & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Harold B. Prout is now with Reynolds & Co., 39 South La Salle Street. In the past he was with Bache & Co.

David Morris to Leave On European Tour

David Morris

David Morris of David Morris & Co., New York City, will leave on June 30 by Pan American for a tour of Rome, Zurich, Vienna and London, to investigate current business conditions, returning to his desk August 5, also by plane.

Parise With Shearson

(Special to The Financial Chronicle)

CHICAGO, Ill. — George D. Parise has become associated with Shearson, Hammill & Co., 208 South La Salle Street. Mr. Parise was formerly with Fairman, Harris & Co. for many years.

With Arthur Krensky

(Special to The Financial Chronicle)

QUINCY, Ill.—John P. Hoeffler is with Arthur M. Krensky & Co., Inc., 114 North Seventh Street. He was formerly with A. C. Allyn and Company, Inc.

Continued from page 10

Business Outlook Cross Currents And Money Market Questions

say just where it is and incur only minor day-to-day fluctuations.

The general situation is about as follows:

Yields on some short-term Treasury securities (bills and others with a maturity of close to one year) are fairly low compared with the level of the discount rates of the Federal Reserve banks, even if we consider these to be 2¾% and ignore the two banks who went to 3%. (It almost looks as though those two banks have run into mechanical trouble—maybe the discount rate levers are stuck.)

The present relationship, with a number of short-term yields below the discount rate, is rare when credit policy aims at restraint. Indeed, short-terms yield less than the discount rate only occasionally when the Reserve aims to be neutral. The present, relatively low level for short-term Treasury yields may be attributed to the general belief that some relaxation from past degrees of restraint already has begun. Should events subsequently prove this conclusion or surmise to be wrong, Treasury and other bond prices could move downward sharply. This is not expected but we may have to wait a bit longer for the inevitable crystallization of events that will determine the next major move.

In the meanwhile things may shape up as follows: Little buying power is likely to come into the market for short-term obligations during the current week. Next week, perhaps, some fairly large reinvestment demand will arise. This could come from the cash redemption of some of the June 22 maturities of tax certificates. Such a demand could give a momentary lift to short-term Treasury security prices. This might permeate into somewhat longer-term issues. However, this reinvestment demand should be a short-lived affair. Before it is completed market people will have begun to think, seriously, about the rate of interest the Treasury may have to pay on one-year paper (in July) to refund its Aug. 15 maturity. If it looks as though the Treasury can refund with a one-year 2⅝% obligation, some increases in the prices of Treasury securities of somewhat long-term might be stimulated. This could give a sympathetic lift to bond prices generally.

Effect of a 3% Coupon

Actually, however, the record of Treasury financing suggests that new issues of one-year term require a coupon that is from ⅛% to ¼% (or more) above the discount rate in conditions such as exist. Thus, if the discount rates at the end of June are still 2¾% the market might conclude that a 3% coupon could be required. Such a prospect would weaken short - term Treasury security prices and should be expected to start a general decline in bond prices.

This is because, right now, the slightly longer Treasury maturities, such as the 1958 maturities, cannot move up in price very much except as the yields on bills and certificates decrease. Anticipation of a 3% one-year rate, therefore, would lead to weakness in the 1958 maturities. Even a 2⅞% one-year rate might introduce mild price pressures. The next longer maturities, such as those of 1959 through, perhaps, 1963, can hardly advance much more in price even if shorter-term issues hold firm. The next longer 2½% optional bonds are fully priced, also, compared with shorter-term issues. Yet, such yields cannot decline much, except temporarily, as long as the discount rates of the Reserve banks hold at 2¾%.

Now let's take a look at the long sector. The Treasury 3s of 1995 are an exceptionally good value, for my money, compared with shorter Treasurys, such as the optional 2½% bonds. At the same time, Treasury 3s look quite high against the yields that are available on new issue corporate and municipal securities. The prospect there seems to be for a fairly large supply of such new issues for sometime to come. Some of the supply will originate with capital market financing related to enlarged business plant and equipment expenditures, state and municipal financing and the like. Some will come from a desire to refund bank loans. The supply of new capital market issues may well be high enough to make it difficult for such bond prices to advance. Some selling of the 3s of 1995 has recently taken place because of the wide yield spread that exists between this bond and new issue yields.

In other words, while the Treasury 3s of 1955 look cheap compared with next shorter Treasurys, they are high against new capital market offerings and the prospective supply of the latter looms fairly large. Thus, the long end of the Treasury list is in a relatively weak technical position. The short-end of the Treasury list is selling at yields that are low considering the co-existence of a policy of credit restraint and a 2¾% discount rate. The latter may force the Treasury to set a rate for a one-year refunding offer that would unstabilize this sector, and, could lead to general weakness throughout all sectors.

Federal Reserve's Credit Policy?

This brings us, therefore, to Question No. 3, namely, **what may the Federal Reserve do with respect to credit policy?**

Reserve officials have made it plain that their concern has been in the area of prices, capital market financing and the demand for bank credit. We have had some noteworthy declines in sensitive industrial commodity prices. The next key to official thinking with respect to prices may have to await the outcome of the steel wage negotiations. But, as I have already suggested, some who are quite thoughtful are not sure that a steel price increase can be made to stick and some are not convinced that a rise in steel wages will as fully permeate other industries as has been the case heretofore.

Capital market financing continues to loom large and so does the immediate demand for bank credit. The capital market picture is tied into the availability and cost of bank credit to a considerable degree. We know that the demand for bank credit in June is going to be large. The question, really, is how large.

In this connection, there is a related consideration of which little specific mention has been made, namely, the significance of a Treasury budget surplus. When the Treasury has a fairly decent surplus in its cash budget this normally would be applied to a reduction in public holdings of Treasury debt via maturing obligations. Thus banks would have their short-term holdings reduced. Non-bank holders would end up with cash and would wish to acquire outstanding Treasury securities. The principal source of these would be commercial banks. Consequently, when the Treasury has a substantial cash surplus it is necessary for private debt to increase at a greater rate than might otherwise be appropriate—if—business activity is not to be hampered by an inadequate supply of money. This means, I believe, that we need to think more in terms of **net bank credit expansion** instead of concentrating largely on the rate of increase in bank loans alone.

One school of thought on this is that the Reserve will purchase enough Treasury securities in the market to, perhaps, eliminate the deficiency in member bank reserves that has lasted so long. It is said that this should permit short-term Treasury yields to decline, and thus encourage a shift by investors to an increased preference for long-term investments. I agree but I think that for credit policy to be fully effective in this regard it would be necessary to follow up such open market purchases by an early reduction in the discount rates (to 2½%).

Of course, those of us in the bond market may concern ourselves too much with these technical market considerations. Yet, such technical considerations lead to developments that, sometimes, are not generally anticipated. If not observed an element of shock may be introduced that might prove undesirable. When one of the major sustaining forces within the business economy is a capital spending program, the ability to finance such a program readily, and attractively, takes on unusual importance. A declining bond market, therefore, could be quite harmful at this point in business developments.

I note the ouija board is getting active once again. It warns me to be careful. I shall heed this admonition by adding that, as of now, it is probable that market people expect more relaxation in credit policy than the Reserve, up to now, seems to be ready to provide.

Expected Treasury Financing

Question No. 4 — **What sort of Treasury financing should you expect over the next three or four months?**

First of all, Treasury receipts are so encouraging we believe the Treasury will not have to come to market to raise cash until October. If this is correct, the market faces only refunding operations from now until fall. The Treasury has an Aug. 15 maturity of some size and a small issue of partially tax-exempt securities that has been called for payment on Sept. 15.

What kinds of securities should you expect? As of now, I doubt that Treasury officials have given this a thought. It is too early to think about it seriously. If, however, we assume that, in July, business will be undergoing some let-down, I should think the Treasury would avoid adding to the demands on the capital markets. That is, you should not expect any bonds to be offered.

Moreover, if private capital market financing is to be facilitated, buying power must be made available in the market for such Treasury bonds as savings banks, insurance companies and others desire to sell to buy larger amounts of the new capital market issues. This buying power can come largely only from commercial banks. At best, it is not likely to be large. Therefore, it may need to be conserved.

On the whole, I should think that the Treasury's July refunding offer might be confined to securities of one-year term. Also, the Treasury should find the prospects of being able to actually retire an issue of maturing bonds (the partially tax-exempt issue called for Sept. 15) to be a novel experience, one that would be heartening to the whole country. So, perhaps, that issue will be paid off for cash.

The ouija board reminds me now that I frequently have been wrong in guessing the kinds of securities the Treasury may offer. So, I must suggest that you take my points of view on prospective Treasury financing as being worth very little.

You can consider the seance to be over. I think that the ouija board is quite tired. You may be. I therefore shall make the remainder of my remarks quite brief.

Are Rates of Interest Low?

The accompanying table that illustrates the rates of interest the New York Clearing House Association permitted its members to pay on demand deposits from 1918 until Federal laws prevented such payments, I believe, as of 1933.

Also presented is an illustrative table of the average rates of interest paid by savings banks in New York State during the period 1919 through 1929. I apologize for submitting figures on New York savings banks to my friends in Massachusetts, but time required that I seize on such information as I happened to have available.

From—	To Depositors Other than Banks	On Inter-Bank Deposits
1918 to July 1922	3%	2¼%
July 1922 to Feb. 1923	2¼	2
Feb. 1923 to May 1924	2½	2¼
May 1924 to June 1924	2¼	2
June 1924 to Aug. 1928	2	1¾
Aug. 1928 to Mar. 1930	2½	2
Mar. 1930 to June 1930	2	2
June 1930 to Dec. 1930	1½	1½
Dec. 1930 to May 1931	1	1
May 1931 to Oct. 1931	½	½
October 1931 on	1	1

The average rates of interest paid by savings banks in New York State during the period 1919 through 1929:

Period	Average Rate
1919	3.96%
1920	4.00
1921	4.02
1922	4.04
1923	4.07
1924	4.08
1925	4.12
1926	4.23
1927	4.25
1928	4.39
1929	4.43

I have no opinion on whether it was necessary for savings banks to pay higher rates of interest in the 1920's simply because demand deposits received interest payments at that time. I suspect that there was some bearing between the two. We do know, however, that the other costs of operating institutions, such as yours and commercial banks, are much higher today than they were in the 1920's, even when viewed on the basis of cost per dollar of deposits.

The point of real interest, however, is the relationship that was borne by the rates of interest paid on deposits (of each type) and the rates of interest paid by the Treasury—then and now. For example, in 1922, the Treasury paid 4¾% to sell a 4-year Treasury note. At the same time, the New York Clearing House banks were paying 3% on demand deposits, at least to the larger depositors. Therefore, the net return available on the Treasury note was only 1¾%. Today, the comparable spread might be said to be 2⅞%, based on the last offering of a Treasury note, 2⅞% versus a zero rate of interest payable on demand deposits.

Of course, to be fair in such a comparison, allowance undoubtedly should be made for the higher percentage of reserves required against demand deposits and, in at least some degree, for the much higher tax rates applicable to corporate income. By and large, however, I suspect that after making such adjustments, one could say that the net return from a 2⅞% note in 1956 compares favorably with the net return obtainable from a 4¾% note in 1922, as far as commercial banks are concerned.

Now let's make a similar comparison with respect to savings banks. The highest interest rate on a Treasury bond issue during the 1920's was 4¼% on a bond with a term of 25-30 years (in 1922). At that time, the average rates of interest paid by savings banks in New York State was 4.04%. The gross spread, therefore, was less than ¼%. Today, the spread is zero, if you happen to have purchased 3s of 1995 at 100 and if you happen to pay 3% to your depositors. But, in 1927 and in 1928, the Treasury floated bonds with a coupon rate of only 3⅜% and in those years the average rates of interest paid by savings banks in New York State was 4.25% (in 1927) and 4.39% (in 1928).

Consequently, it seems to me that in reaching a conclusion as to whether interest rates, lending rates and the discount rates of the Reserve banks are low or high today versus earlier periods such as the 1920's, we need to take a number of things into consideration besides interest rates *per se*. Considering all factors, I have concluded that the present levels of interest rates are moderately high — above the average that should prevail in the future.

Short-Term Yields Above or Below Long-Term

Now for my last point, namely, the claim that under flexible monetary policies you should expect the yields on short-term Treasurys to rule as high or higher than the yields on long-term Treasurys, in the ordinary course of events.

The facts fail to support the contention. For example, recently, a rather stimulating article appeared in the March edition of "Lloyd's Bank Review." A chart accompanied this article which showed the yields on British Treasury bills, the Bank of England rate and the yields on British 2½% Consols from 1924 to date. From the chart it was apparent that the yield on Treasury bills had been equal to or higher than the yield on the 2½% Consols on only five occasions throughout the 32-year period. On each such occasion, "the bank rate" had been pushed up to meet one or another sort of crisis.

In this country our experience has been similar. Short-term Treasury yields (made by short-term certificates prior to 1929 and by Treasury bills thereafter) have been equal to or higher than the yields on our so-called long-term issues on relatively few occasions. These were 1919-1921, for brief periods during 1926 and 1927 and during the inflation of 1928-1929. The longest period during which short-term yields were equal to or higher than long-term yields occurred in 1928 and 1929.

The reasons why long-term investments ordinarily offer a higher yield than short-term investments are bound to be logical ones. The long-term investor is willing to forego the greater liquidity that is characteristic of short-term securities. The long-term investor accepts the risk of a greater depreciation in the market value of his investments than is true of the investor who elects short-term securities. The long-term investor expects to be paid for this. Otherwise, why not invest at short-term?

Actually, there is only one general condition under which long-term yields may be expected to be less than those on short-term commitments (of comparable credit rating). This is when long-term security prices have been depressed to a point that an enlarging number of people believe the risks of further depreciation have become small, and the chances of capital appreciation have been greater than average. Investors then are doubly encouraged to forego the higher income temporarily obtainable at short-term. Such conditions cannot be normal. They must prevail only infrequently and be of relatively brief duration.

Since I have taken up so much time already, I shall endeavor to summarize my somewhat rambling remarks most briefly.

The business picture is full of cross-currents. Business cannot be said, according to my ouija board, to be as strong as it was during the first quarter of this year. There is a difference in the feel of things and in the outlook. Yet, there is no cause for concern over the business economy. The situation in the capital and Treasury security markets is rather tenuous. Pressures that could unbalance the market on the down-side of prices exist at both the long and short ends of the Treasury list. This can be remedied by a shift in Federal Reserve credit policy. Some relaxation in the degree of credit restraint that has characterized the credit markets is to be expected. The question is whether the degree of such relaxation will be as great as market people presently expect, and whether it will be sufficiently timely to enable the important capital spending programs to proceed on schedule. The prospects are that the Treasury will have to raise new cash until early fall. If business activity dips a bit further in the third quarter, I think you should expect the Treasury to offer only short-term securities in connection with its August 15 maturity. We might encounter the novel and heartening experience of having the Treasury redeem for cash on September 15 the partially-exempt Treasury bonds that have been called as of then. My views on what the Treasury may do, however, are quite unreliable.

Finally, I think one should view the present level of interest rates as being relatively high, rather than low when you are planning your investment operations. The chances are that short-term yields on Treasury securities will prevail at levels equal to or higher than those on long-terms infrequently and only during periods when a minor credit crisis of one sort or another, may be said to exist.

The remarks I have made were written, or were in final process, before we were greeted with the unwelcome news of the President's illness. Over the weekend, we all learned of the operation and of the President's excellent, post-operative recovery. The prospects for his complete return to good health are said to be excellent. For this, hundreds of millions of people throughout the world are most grateful. I grant that, for a time, some degree of new uncertainty may be injected into the thoughts of some of us. But, I felt no need to redraft or to change the views I have just expressed. This country is going to have a few ups and downs. It always has. I think we may go down a bit before we go up. I don't think the week-end news changes the prospects over the near future appreciably as far as business and credit conditions are concerned.

Rates of interest which members of the New York Clearing House Association were permitted to pay on demand deposits during the periods noted:

L.A.-S.F. Exch. Tickers To Show Joint Quotes

SAN FRANCISCO, Calif.—William H. Agnew, Chairman of the Board of Governors of the San Francisco Stock Exchange, and Frank E. Naley, Chairman of the Board of Governors of the Los Angeles Stock Exchange, have jointly announced that arrangements had been consummated between the two Exchanges to print the transactions and quotations of the San Francisco and Los Angeles Exchanges on the Western Union ticker system used by both Exchanges.

Effective June 11, 1956, therefore, both the San Francisco and Los Angeles Stock Exchange tickers will reflect the transactions and quotations emanating on the two Exchanges. Each transaction will be preceded by "SF" or "LA" to designate the Exchange on which it originated.

This combined circuit should be in the public interest and should aid the flow of orders between the two Exchanges over the wire linking both trading floors, which was installed nearly a year ago.

Western Union Telegraph Company engineered the combined system.

With Hanrahan Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — William J. Gould, Jr. is now associated with Hanrahan & Co., 332 Main Street, members of the Boston Stock Exchange. He was formerly with Schirmer, Atherton & Co.

Cosgrove, Miller & Co. Adds to Staff

Cosgrove, Miller & Whitehead, 44 Wall Street, New York City, members of the New York Stock Exchange, announce that Charles McGolrick and W. Deane Pruden are now associated with the firm as account executives. Walter F. Rant has joined the firm's Research Department.

Continued from page 2

The Security I Like Best

and accomplishments will be more productive in a truly growth field. Even the best of managements cannot hope to produce unusual growth results if the company is not in an expanding industry.

From a relatively minor role in the country's early history, the chemical industry has grown phenomenally in the 20th century and now occupies a basic position in our economy. Since 1925, production of industrial chemicals has grown at an average of about 10% a year, compared to 3% for all industry. Future growth of the chemical industry at an even more rapid rate than the rest of industry is predicted by authoritative studies.

What makes the outlook for the chemical industry so bright? First, is the immense diversity as to products and markets. Chemical products are sold to every industry for innumerable and unrelated purposes. For example, one manufacturer lists 256 cnemical products used directly or indirectly in making automobiles. Second, large expenditures for research and development are continuing. These expenditures represent a down payment on future business. The proven value of research is demonstrated by the increase in research budgets of chemical companies from less than one-half cent per dollar of sales to over three cents currently. Third, its sound financial strength, cheap and abundant raw materials and low labor costs contribute to the over-all strength of its industrial situation. Expanding usefulness of chemicals is continually increasing sales volume which makes lower prices possible and which, in turn, further increases sales volume.

Dow Chemical is amply endowed with these plus factors. They contributed to its enviable growth record and show every promise of continuing to do so. It is a distinct tribute to Dow's progressive management that the company's sales growth has bettered that of the chemical industry as a whole.

Efficient management is essential to the successful operation of any company. It is eminently true in the case of Dow. A great deal of the company's early success was due to men of vision like Dr. Herbert Dow and his son Willard. While the founder and his son have passed on to tneir reward, they left behind them an omnipresent, indefinable aura which continues to stimulate the management to scientific achievement of the highest order. Long ago, Dr. Dow recognized that progress depends on an increasing fund of new discoveries—processes, products and end uses. This view, so thoroughly imbued into the people at the company by Dr. Dow, is referred to by some as "creative discontent" and by others as "bold and fearless approach to research undertaking, unfettered by any sense of guilt in case of failure." The present Dow team has scored amazing results following the founder's precepts.

Complementing this scientific ability and the attainments of its research staff, is the excellent business judgment on the part of those responsible for administration, production and finance. Acquisition of plant capacity in excess of existing sales needs is a measure of its foresight. The Freeport-Velasco group of plants on the Gulf Coast is for Dow a veritable chemical empire. While only one of the company's many properties, it encompasses extensive land, oil and gas reserves, and cheap raw materials.

Dow is expending over 3% of sales for research, both basic and applied. Some of the specific fields are: organic chemicals, plastics, biochemistry, agriculture and synthetic textiles. Others are ethylene, propylene and their derivatives and magnesium. With respect to magnesium, many uses for this metal have been developed in aircraft, transportation, machinery, photo-engraving and consumer products. Magnesium is used in both military and commercial applications. The PMPC report estimated 1975 U. S. consumption of this metal to be about 2,000% greater than in 1950. This points up the favorable future prospects for Dow since it is the largest producer of magnesium and magnesium allows. The company is also engaging in research directed at the development of industrial uses of atomic energy and operates a plant at Rocky Flats, Colorado, under contract with the Atomic Energy Commission.

Steps taken in the past to improve sales position by aggressive merchandising techniques, extension of distributive channels, expansion of the sales force and sales offices, and intensification of promotion and advertising have begun to bear fruit. Management indicates that efforts in these directions are continuing vigorously.

According to the Stanford Research Institute forecasts, the chemical industry in the next decade will grow at a rate three times faster than the average for all industry. It estimates that the industry will be four or five times its 1950 size by 1975, and current growth is in line with this estimate. Since the end of World War II, Dow's business has more than quintupled. During this period, capital expenditures have been close to $700 million. While these heavy expenditures for expanding plant capacity and new product development, with resulting heavy depreciation and amortization charges, have limited benefits from expanding sales, profit margins have increased 50%. There is another side to the coin here, in that the cash flow from these abnormal write-offs enabled the company to prepay a substantial amount of long-term debt, retire the preferred stock and finance considerable plant expansion. Further reduction in debt and normalization of depreciation charges should be reflected in still higher earnings.

The peak debt plus preferred stock, totaling some $400 million, has been more than halved in recent years. Senior capitalization now stands at $180 million including $100 million subordinated debentures convertible into common at $46.08 through 1962, then higher. The common shares were last split on a 3-for-1 basis in 1952. The most recent stock dividend was 2% in November 1955. In May 1956, the 25c quarterly dividend was increased to 30c, putting the stock on a $1.20 annual basis.

Sales last month are reported to be the best in the company's history. For the 1955-56 year ended May 31, sales, when announced, are expected to be upwards of $565 million as against $470 million for the 1954-55 fiscal year.

Earnings for the fiscal year ended May 31, 1956 probably were close to $2.50 per share. While the shares are presently selling (68⅛) at some 41 times 1954-55 earnings of $1.64 a share, on the basis of the $2.50 per share earnings, they are priced 27 times the 1955-56 earnings and reflect the high investor esteem in the shares. On the more realistic basis of $5.80 per share cash earnings, the price-earnings ratio of 12 places the shares within the limits of a desirable purchasing area.

Based on an excellent growth record, favorable current trends, the attractive future outlook for the industry and the economy, and the aggressive research and new product development policies of the forward-looking management, the prospects for Dow Chemical are promising indeed. At the normal chemical industry rate of growth, Dow should become a member of the Billion Dollar Club by 1962. However, because Dow has consistently expanded at a rate faster than the chemical industry, it is reasonable to expect that this distinction might be reached sooner—perhaps by 1959. For an opportunity to participate in the dynamic growth of the company and the chemical industry, the shares should be retained or may be purchased by investors with long-term objectives who are willing to subordinate present income for future growth. The stock is listed on the New York Stock Exchange.

Two With E. E. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Alfred W. Maddock and Edward K. Mathews are now with Edward E. Mathews Co., 53 State Street.

Schirmer, Atherton Adds

(Special to THE FINANCIAL CHRONICLE)

MANCHESTER, N. H.—Francis W. Rice is now with Schirmer, Atherton & Co., 1015 Elm Street.

Continued from page 17

The Railroad Industry and Federal Transportation Policy

their services in the most effective way to get the business. None of the exempt highway and water carriers and none of the regulated water carriers can be prevented from fixing rates at any level considered desirable to take traffic from the railroads, but when the railroads attempt to prevent the diversion of their traffic to these competing forms of transportation or to regain lost traffic, their proposed rate reductions may be disallowed, even though the rates are fully compensatory, in order to make sure that they receive no more than their "fair share" of the available traffic.

Tied Hand and Feet

Under these conditions, with the railroads tied hand and feet and the great bulk of their competitors free to compete as they wish, a tremendous volume of traffic—most of it the more lucrative and desirable traffic — has been diverted from the railroads to competing forms of transportation. As a result, the railroads' share of the total inter-city freight traffic has declined from 67% in 1946 to a low of 50% in 1955.

Of course, neither the railroads nor any mode of transportation has a vested interest in any given percentage of the nation's total freight traffic. But I am convinced that we have lost a good deal of traffic to the other forms of transportation which the railroads could have continued to handle if they had been permitted to offer rates reflecting their inherent cost advantages. Enactment of the three "shall-nots" would give them such an opportunity to arrest the trend of diversion.

As might be expected, the other forms of transportation, which are favored by the present system of regulation, are bitterly opposed to any change. But it can hardly be denied that the public would benefit from enactment of the three "shall-nots." The railroads and the regulated trucks would be in a position to offer the public whatever advantages of service or cost they possess. As I have already indicated, the non-regulated trucks and all water carriers — whether regulated or not — are permitted to do this at the present time.

Under such conditions no form of transportation would be denied the right to put its best foot forward in competing for traffic merely because some other form might not be able to do as well. On the other hand, each type of carrier would benefit from the opportunity to secure an increased volume of the kinds of traffic it was best fitted to handle.

Other Proposals

Although the railroad witnesses testifying before the House Subcommittee placed principal emphasis on the removal of undue restraints on competitive rate-making, they also endorsed certain other objectives proposed by the Cabinet Committee as a means of assuring a modernized and financially strong system of common carrier transportation. These include the following proposals:

(1) That for-hire carriage performed under the guise or subterfuge of private carriage be restrained or regulated;

(2) That the statutory definition of contract carriage be clarified;

(3) That the actual charges of contract carriers be filed with the I. C. C. and made public; and

(4) That the dry-bulk commodity exemption, which relieves so much of the waterway traffic from any rate regulation, be repealed.

The railroads also endorsed the recommendation for I. C. C. control over the discontinuance of unprofitable railroad services that unduly burden interstate commerce. They suggested, however, that action on this proposal be deferred until the I. C. C. has completed its pending investigation of the entire railroad passenger deficit problem.

In addition, the railroads supported the proposal by the Interstate Commerce Commission to modify Section 4, the so-called "long and short haul clause." This was a non-controversial measure designed to eliminate red tape. It is not important for our consideration here today, but is included in order to make complete this statement of the railroad presentation.

Inequities Ignored in Cabinet Report

It is appropriate to say here that, while the Cabinet Committee is broad in scope, it fails to deal with several important matters which should be included in any comprehensive revision of Federal transportation policy. It fails to deal with subsidies and other public aids received by competitors of the railroads, including the failure of the government to impose adequate charges for the use of publicly-owned facilities provided for highway, waterway and air transportation. It fails to deal with provisions of existing law which have been so administered as to restrict the railroads severely in their use of other forms of transportation — particularly highway transportation.

It does not treat with all phases of rate questions and it fails to recommend repeal of the unfair and discriminatory transportation taxes which place common carriers at a great disadvantage in their competition with private carriers. Correction of these inequities should be an essential part of any long range revision of Federal transportation policy.

Now, where do we stand with reference to consideration by Congress of the proposals stemming from the Cabinet Committee Report? As I indicated earlier, hearings are currently being held by a Subcommittee of the House Interstate and Foreign Commerce Committee. We believe that the Subcommittee will make a recommendation during this session of the Congress, but we think it would be overly optimistic to think that the House itself would take final action on a bill during this session of the Congress. On the Senate side, no hearings have been held and I doubt that any will be held during this session.

One should not be too much disturbed because these considerations will carry over to the next session. Very seldom are major legislative policies adopted by the first session of Congress which gives consideration to those questions.

It is timely, however, to begin serious considerations of where we stand if at the following session the Congress recognizes the wisdom of the rate making philosophy of the three "shall-not" declarations, and that they become law. How are the railroads equipped to carry on under that new declaration?

There are two places where I think we are not as well equipped as we should be. One is the total ownership of freight cars in the country and the second is cost accounting.

Total Railroad Car Ownership

First, a few words about the total railroad car ownership. Everyone knows that there has been a shortage of freight cars for some considerable period of time. Nothing has worried me more than that. We are now advocating a change in rate making policy to give us greater freedom to make prompt adjustments to meet competition with other modes of transportation and thereby make a contribution to increasing the low proportion of only 50% of the total intercity freight traffic which was handled by the railroads in 1955. We would have handled more of the total intercity traffic in 1955 if we had had more freight cars.

That condition is a challenge which simply must be met by having an adequate supply of freight cars. An "adequate supply" of freight cars includes the actual number of cars owned, their suitability for service, and the efficiency of their utilization. Shippers, along with railroad people, have an obligation with reference to utilization.

Why is it that we do not have enough freight cars? Financial ability of some railroads is one answer. Improper depreciation allowances is a contributing factor to that. This has been offset to some extent, but not entirely, by certificates which permit a certain degree of accelerated amortization. I am one of those who believes that another contributing factor is that the per diem charge for the use of freight cars is lower than it should be.

Then, in all frankness, there has been what I believe is an over-indulgence in corporate selfishness. Certain companies have taken undue advantage of the fact that the Association of American Railroads cannot force any one railroad to furnish its fair share of the freight cars needed for the commerce of the country and the further fact that the Interstate Commerce Commission does not exercise any such authority. I think there might be differences of opinion among railroad lawyers as to the ultimate authority of even the Interstate Commerce Commission to force a railroad to acquire its fair share of freight cars.

I pass over this lightly and merely say that, when one fails to provide his fair share of freight cars, he makes a contribution to his own financial distress, because every railroad in the country has suffered because we have had a freight car shortage.

All of you understand the principles of depreciation and per diem, but I sometimes fear that among accountants and others there is not a full appreciation of the adverse effect that has been produced by deprecation allowances on too meager a basis and per diem charges are too low. I suggest to each of you that you review carefully your previous considerations pertaining to proper depreciation and proper per diem charges.

Cost Accounting and Value of Service

Now, the next question which I think requires close examination by railroad accounting officers has to do with cost accounting as a factor in the making of competitive rates. While no single statement can encompass all of the ramifications of the freight rate structure, as a by-and-large matter, it can be said that the railroad rate structure was based originally upon the value of the service with emphasis upon a relationship between commodities and communities. While these questions of relationships continue to be important and, in many instances, are controlling, nevertheless, knowledge of the cost of performing a particular service is becoming increasingly important in our competition with other modes of transportation.

Some railroads are better fixed than others with reference to cost accounting whereby close approximations may be given as to the cost for handling any particular traffic, but, for my book, every railroad in the United States should make a searching scrutiny as to how well it is equipped to perform this increasingly important function. I think each railroad will find that there is something to be done.

I hope each and every one of you will take this seriously and when you get home you will sit down with your boss and your associates and do something over and above what you have done about the refinement of cost accounting.

Because of its national importance, I have spoken at some length about the Cabinet Committee Report and the associated legislative proposals and the two outstanding railroad problems which I think are incident to the legislative changes we advocate.

Talk to Your Congressman

You may ask the question: "What am I supposed to do about these legislative considerations?" The first question I would like to ask in turn is: "How well do you know your Congressman?" "Do you know him well enough to carry on conversations about proper legislative treatment of these economic problems?" "If you don't know him that well, is there any good reason why you shouldn't?" "Are you carrying out your full obligation as a corporate officer and a citizen if you do not have an acquaintance which enables you to have such discussions?"

I think that by reason of their training and experience accounting officers are peculiarly well equipped to have such discussions, but, first, you must get acquainted with your own representative in the Congress. I urge that you know your Congressman.

I am one of those who believes that we should strive for a better understanding of our economic and political system so that, when the opportunity comes where we may persuade and perhaps influence the opinions of others, we may carry on discussions with a reasonable knowledge, objectivity and judgment.

With the foregoing in mind in each of the past four years we have detached some 35 officers from their routine duties for a period of about six weeks during which they attend a course in Business Economics at the University of Southern California. Undoubtedly, there are other and perhaps better ways by which the members of the railroad staff may obtain a more comprehensive understanding and appreciation of the functionings of what is perhaps the world's most complex economy, but regardless of how one might make a contribution to that desirable objective, I commend it for favorable consideration.

We have been discussing the desirability in connection with our competition with other forms of transportation of making specific changes in our rate structure expeditiously and, generally speaking, this means downward revisions. There will be times, however, when inflationary pressures will force general rate increases, however much we may dislike to adopt that practice.

Because of that and because every corporate officer and every citizen is affected by inflation, I would like to discuss briefly the effects of inflation upon our industry and how it emphasizes the need for improved efficiency and greater productivity.

Inflation and Productivity

The period since the end of World War II has been the one of greatest inflation. For the past two or three years inflationary forces have been rather dormant, but indications are that they are on the loose again. There are differences of opinions about the causes of inflation and probably there are several, but the one which concerns us more directly has to do with the cost of production rising at a faster rate than the increase in productivity. Let us see what you can do to improve the productivity of the industry.

Hundreds of millions of dollars have been spent for better tools and better facilities to increase the productivity of the railroad plant and splendid results have been obtained. The diesel locomotive has been our best friend and quite a number of railroads are now completely dieselized. On the credit side, one example is that in 1955 the Santa Fe handled 150% more traffic units per hour paid for than it did in 1929, but its wages per hour paid for increased 206% in the same period of time, so that when it comes to traffic units per dollar of wages, the debit side shows that our 1955 results were some 18% below where they were in 1929 and about 48% below what they were in 1942. It is fair to say that in 1942 we handled a large volume of business due to the war and at that time we did not have the inflation which got under way so strongly some four years later.

Earlier I said we solicited your help in securing improved efficiency. En route from Chicago to Los Angeles I examined some figures taken from Interstate Commerce Commission Wage Statistics for Class I railroads showing comparisons between the years 1939 and 1955, which are worthy of your attention.

These show that the total number of employees in the six classifications or "reporting divisions" (Nos. 5 to 10, inclusive of the reports) embracing clerical positions, office machine operators and employees in the stenographic and typist categories, increased 24% over 1939, whereas the total employment in all classifications other than these six increased only 5%.

In 1939 the number of employees in the six clerical classifications represented about 11½% of all railroad employees. Today they represent about 13½%. In other words, about one out of every seven railroad employees are in the clerical classifications. Although much has been achieved in modernization of office methods, equipment and procedures, it may not be illogical to say that the comparative statistics suggest this phase of the operations as being a fertile field for more intensive study and research in order that it may not suffer by comparison with what has happened in other departments of the industry.

It is probably fair to say that railroad accounting is divided among four major parts: (1) the "record" type of bookkeeping and this is controlled primarily by regulations of various States and the Interstate Commerce Commission, (2) tax accounting, (3) interline accounting (this has to do with one of the outstanding differences between industrial and transportation accounting), and (4) accounting or the preparation of statistics for home consumption.

One of the contributions you can make to increasing productivity is to use your influence in holding to a minimum the preparation of statistics purely for record purposes. In exercising your influence in this field you will need to master the art of persuasion in discussions with government officers as well as others.

Interline Accounting

Interline accounting is complex and difficult but it is also costly. I am aware of the studies now under way on this complex subject. I hope that you have exercised and will continue to exercise great ingenuity in suggestions and recommendations designed to affect economies in this substantial item of accounting expense.

It is easy to overdo statistics for home consumption but certainly the greatest value of these are those which are helpful for administrative purposes, i.e., those which are of assistance in establishing proper policies and practices and those which discipline our administrative efforts. Here again we should eliminate or reduce those statistics which are largely for record purposes.

We need to eliminate accounting functions which are not really necessary because, as I see it, we must inevitably take on some additional expense in the refinement of cost accounting about which I spoke earlier.

Accountants can do something more than they have done if they first become acquainted with the potentials of different techniques and stimulate the ingenuity of their associates by discussions and comparisons designed to bring on argument and debate, which finally leads to the best possible treatment, not only of major questions, but of the many thousands of humble and daily chores which taken together comprise the operation of a railroad.

This will carry you into considerations, which, at first blush, one might think should be reserved for other departments, but I feel strongly that there is no departmental sanctity about this broad question of productivity and the reduction in management expense.

If there should be any hesitancy on your part about crossing departmental lines, I urge that you be guided by the language in Webster's dictionary about accounting, and I now quote: "Accounting draws from the results furnished by the bookkeeper inferences as to the condition and conduct of the business." As I indicated earlier, the chief executives solicit your devotion and your help in the difficult task of drawing the proper inferences from the bookkeeping as to the condition and, especially, the conduct of our business.

A. C. Allyn & Co. To Admit Partners

CHICAGO, Ill.—A. C. Allyn & Co., 122 South La Salle Street, members of the New York Stock Exchange, on June 21, will admit to partnership Webb B. White, Sanford C. Miller, Thompson M. Wakeley, Walter C. Lyklema, H. F. Henrickson, James D. Casey, Jr., Norman I. Tufte, Lester M. Roeder, J. Palmer Crawford, John R. Duchesneau, Gordon L. Teach, George J. Gillies, John S. French and James E. Snyder. All are associated with the firm's corporate affiliate, A. C. Allyn and Company, Incorporated.

Estabrook Adds Two

(Special to The Financial Chronicle)

BOSTON, Mass. — Edward H. Junkins, Jr. and Daniel F. Ryder, Jr. are now with Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges.

M. M. Meyers Adds

OMAHA, Neb. — Marvin M. Meyers, Jr. has joined the staff of M. M. Meyers, Insurance Building.

Railroad Securities

New York, Chicago & St. Louis (Nickel Plate)

Railroad traffic so far this year has consistently been running ahead of a year ago and this has been reflected in rising gross revenues for most of the railroads. Pre-tax earnings results, however, have been quite spotty. During the early part of the year all of the roads operated under the handicap of higher wages with no compensating freight rate increases. For the predominantly freight carriers the rate increase that was effective early in March pretty well offset the higher costs. This was not true, however, for the roads with large passenger business and the passenger fare increases did not go into effect until May. As a result, many of the large carriers reported consistent declines in pre-tax earnings throughout the first four months of the year.

Considered against the background of the general industry earnings experience, the performance of New York, Chicago & St. Louis (Nickel Plate) for the year to date is striking. Despite the long standing misconception that this road's fortunes are tied closely to the automobile business, and the rate of automobile production, Nickel Plate in each of the first four months of 1956 reported higher pre-tax net than for the like periods a year ago. The cumulative gain came to approximately $3 million. The road has very little in the way of Federal income tax deferment because of accelerated amortization certificates and for the period through April Federal income tax accruals were up roundly $1½ million. Even with the heavy tax bite net income was up more than 30% and common share earnings, adjusted for the recent two-for-one split, amounted to $1.34 compared with $0.90 a share reported for the period through April 1955. This better-than-average earnings performance has, in turn, resulted in a considerable quickening of investment interest in the company's stock.

To rail analysts the ability of Nickel Plate to take the higher costs in stride hardly comes to a surprise. Traditionally this has been a sound and efficient operation and the road has many natural advantages. It has little passenger business and does not handle any great amount of l.c.l. freight. Both of these are expensive phases of railroading. The system is virtually all main line with little in the way of low density branches to hamper it. It handles a substantial volume of bridge line traffic which, moving the length of the system from St. Louis or Chicago to Buffalo, gives it a long average haul in relation to the mileage operated. Reflecting these advantages, and aggressive management, Nickel Plate has consistently over a long period of years had a transportation ratio below that of the industry as a whole and a pre-tax profit margin just as consistently wider than the Class I average.

There are a number of reasons given by analysts for anticipating continued improvement in Nickel Plate's operations and earnings. For one thing, the road has a very strong traffic position. This has been demonstrated in the 11.7% increase in car loadings so far this year compared with 7.4% for all Class I carriers and a rise of 6.0% for New York Central with which it directly competes for a considerable part of its traffic. Secondly, further improvement in operating efficiency is anticipated as the lines become more fully dieselized, additional centralized traffic control is installed, and some additional yard improvements are undertaken. Adjusted for the recent two-for-one split earnings last year amounted to $3.95 a share. Even if there were no further gains during the last eight months of the year this would mean $4.39 a share for 1956. Actually, some further gains appear likely and final results for this year could well reach $4.60-$4.70. If so, some liberalization of the indicated present $1.80 dividend might be called for.

De Coppet & Doremus Will Admit Partners

De Coppet & Doremus, 63 Wall Street, New York City, members of the New York Stock Exchange, on July 1 will admit to partnership H. Ward Reighley, Edwin Lefevre, Jr., Charles J. Pallesen, Jr., Walter L. Carey, and Sidney L. Parry. Mr. Reighley has been active as an individual floor broker. Mr. Parry has been associated with De Coppet & Doremus for some years. Prior thereto he was with Charles W. Scranton & Co. and was an officer of the Association of Stock Exchange firms.

Westheimer & Co. to Admit J. E. Tobias

CINCINNATI, Ohio — John E. Tobias will be admitted to partnership in Westheimer and Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges, on June 21. Mr. Tobias has been with the firm for many years.

Equisec Canada Inc. Formed in Delaware

WILMINGTON, Del. — Equisec Canada Inc. has been formed with offices at 100 West Tenth Street to engage in a securities business. Officers are Arthur Dymond, President; Howard W. Hunter, Vice-President; John Hill, Secretary-Treasurer; Howard Metcalf, Assistant Treasurer. All are officers of Equitable Securities Canada Limited of Toronto.

Joins Bache & Co.

(Special to The Financial Chronicle)

LEAKSVILLE, N. C.—William R. Holmes has become affiliated with Bache & Co. He was formerly Goldsboro representative for Powell & Co. and prior thereto was with McDaniel Lewis & Co.

W. O. L. Schmidt Joins Yates, Heitner Woods

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—William O. L. Schmidt has become associated with Yates, Heitner & Woods, 320 North Fourth Street, members of the New York and Midwest Stock Exchanges. Mr. Schmidt was formerly an officer of Bramman-Schmidt-Busch, Inc.

C. Brinkley Turner

C. Brinkley Turner passed away at his home June 8 at the age of 63. Mr. Turner had been associated with Harper & Turner, Inc., of Philadelphia.

Clarence M. Schwerin, Jr.

Clarence M. Schwerin, Jr., partner in Schwerin, Stone & Co., passed away on June 4.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

The accompanying chart gives for a large group of fire and casualty insurance stocks a ratio of 1955 consolidated earnings to the Dec. 31, 1955, liquidating values. It is not deemed advisable to compare the data of the various companies indiscriminately, but rather, if comparisons among different units are compared, to select only comparable situations. Also, it is useful to relate 1955 results to those of 1954. We would not, for example, set Seaboard Surety, with its 80% of net premium volume committed to fidelity and surety lines, alongside Continental Casualty, which writes many more lines of business than Seaboard, and specializes in accident, accident and health, group accident and health, hospital, etc. The two just are not fairly comparable. Nor would we do so with Hartford Fire and Northern, for Hartford's wholly-owned affiliate, Hartford Accident & Indemnity Co., a casualty carrier, writes more insurance than the parent company, whereas Northern's single subsidiary, in the first place contributes relatively little to consolidated earnings, and is in no sense a multiple-line company.

But comparisons may be made among the America Fore companies, Hartford, Insurance Co. of North America, Fireman's Fund, all large units, and all with wholly-owned large multiple-line casualty affiliates.

The results, on average, between the two years do not differ greatly. The average ratio for 1955 was some 13% higher than for 1954. With very few exceptions, investment income contributions to total net earnings in 1955 were greater because of the higher dividends disbursed by most industrial, utility and railroad companies in that year.

Generally, the casualty writers show a somewhat better average ratio of earnings to liquidating values. The principal reason is that they customarily have a higher rate of unearned premium reserve liability to capital funds. In other words, there is greater earnings leverage among the multiple line carriers of casualty risks.

The average rate for 1954 was approximately 3.7%; for 1955 about 4.2%. These rates on the break-up values of the leading companies are not particularly favorable. It will be argued that the companies had two bonanza years in 1954 and 1955 in the increases in their portfolio valuations; but these are not enduring, as has been learned in recent stock market action; and they certainly will not be in a major bear market.

Rate of Earnings on Year-End Liquidating Values

	1954 %	1955 %
Aetna Casualty	9.6	8.1
Aetna Insurance	3.4	4.5
Agricultural Insurance	2.2	1.9
American Insurance	3.7	2.7
American Surety	6.6	4.9
Bankers & Shippers	3.4	5.0
Boston Insurance	2.7	*
Continental Casualty	11.0	10.9
Continental Insurance	4.0	3.5
Federal Insurance	6.3	5.8
Fidelity & Deposit	6.4	6.7
Fidelity Phenix	3.3	3.3
Fire Association	2.2	3.9
Fireman's Fund	6.2	5.5
Firemen's Insur.	4.4	4.0
General Re Insurance	5.9	5.8
Glens Falls Insurance	5.1	4.3
Great American	4.0	3.9
Hanover Insurance	2.7	3.7
Hartford Fire	6.1	6.2
Home Insurance	0.4	4.0
Insurance Co. No. Am.	5.2	5.1
Massachusetts Bond	7.2	8.0
Merchants Fire	3.7	4.0
National Fire	2.4	3.1
National Union	5.1	3.8
New Hampshire	*	2.4
Northern Insurance	4.6	7.1
North River	4.2	3.8
Pacific Fire	3.3	4.6
Phoenix Insurance	0.7	2.0
Providence-Wash.	*	2.8
St. Paul Fire	7.5	7.4
Seaboard Surety	6.7	7.3
Security Insurance	3.7	3.5
Springfield Fire	2.4	2.4
Standard Accident	12.8	5.5
U. S. Fidelity & Guar.	10.3	7.6
United States Fire	3.8	3.9
Westchester Fire	4.1	4.1

*Deficit.

Estabrook & Co. to Admit Roger Kenyon

Estabrook & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, on June 30, will admit Roger W. Kenyon to partnership. Mr. Kenyon is Manager of the firm's Statistical Department.

John Andresen to Be Partner in Riter Co.

On July 1, John A. Andresen will become a partner in Riter & Co., 40 Wall Street, New York City, members of the New York Stock Exchange. Mr. Andresen has been with the firm for some time.

Inv. Planning Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—James E. Finnegan, Jr. and Walter J. Stamp have been added to the staff of Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Joins Lang & Dadmun

(Special to The Financial Chronicle)

BOSTON, Mass. — Ralph D. Joslin has joined the staff of Lang & Dadmun, Inc., 53 State Street. He was formerly with Waddell & Reed, Inc., and Richard J. Buck & Co.

Continued from page 15

Preserving Our Prosperity

more about the role of instalment credit in American life.

Even today, however, there are many things which can be said to throw light on some of the phases of instalment credit that are being widely discussed. There is the so-called "quality" question, for one. Beginning about two years ago, a movement toward more liberal retail automobile financing terms got under way.

By last June, banks and finance companies had established a pattern for new cars which permitted downpayments as low as 25% — some went even lower — and terms up to 36 months. This was considerably more liberal than the standards of one-third down and 30 months to pay which had previously prevailed.

I do not like loose terms and I did not care very much for what went on last year. However, I must say that, to date, those obligations have paid out very well and we as an industry have enjoyed a collection experience that is at least as good as normal, although it has not been as good as it was a year or more ago.

It is a source of satisfaction to me to be able to report to you that the situation has stabilized. Even though there has been great pressure on the automobile industry for sales all this year, the financing institutions, the dealers and all concerned realized that things had gone far enough.

Credit Is Self-Regulating

The reason for this lies in the fact that instalment credit, like nearly every other mechanism in the American business system, has its own inbuilt regulators. I like to call the principal one the pocketbook nerve. I have never known it to fail that whenever anyone who extends credit presses against the bounds of good sense, his collection problems and his losses begin to increase. No one likes losses, so corrective action soon follows. When someone gets too close to a fire he soon draws back. It's that system of rewards and penalities that gives our business system its greatest protection.

This ties in with the statements and news accounts that have been appearing with almost clocklike regularity for the past six years or so—all of them deploring the expansion of instalment credit outstanding and warning that both consumers and the economy were in for trouble because the populace was living beyond its means and mortgaging the future. As I write this, I have before me stories from 1951 . . . 1953 . . . 1954 and 1955, all to this effect.

Despite these past warnings of trouble ahead, what are the facts? The facts show that the prophets of doom were 100% wrong. The debts of years past have been paid —and consumers made an excellent record of promptness and regularity with their payments. What was then of such great concern to outsiders should have been of no concern at all, as we in the industry well knew and tried to explain.

That is one of the characteristics of most of the criticism of instalment credit — it is always criticism of the future, what **might** happen, not what has ever happened before. These critics must concede that Mr. John Q. Public and the industry knew what they were doing in the past. But, of course, the future is always another question. This is a particularly difficult kind of criticism to answer—you are being asked to plead innocent or guilty to something that has not yet taken place.

It has been pointed out that instalment credit is a particularly democratic form of credit — Mr. Jones can use it to carry out a program of making major purchases and it affords him the chance to make his own determinations about these economic matters of great importance to him and his family. Those who criticize it most bitterly show a deep distrust of this process and of the judgment of Mr. Jones. They want to substitute their judgment or opinions for his as to what he should do with his own means and his own future.

Average Fellow's Common Sense

Consciously or unconsciously they believe "Mother knows best." They want to be mother for the millions of Joneses who they trusted to vote but whom they would not trust to manage the Jones' family pay envelopes. Often this attitude is disguised by talk about inflation, the outlook for durable goods sales, or for the dollar level of consumer debt. But in the end it always boils down to lack of confidence in the average fellow's common sense — even though the average fellow has always proved to be an excellent manager, in depressions as well as booms.

When concern over instalment credit is expressed, it emphasizes how important durable goods have become to the average family and how the reported totals of instalment credit outstanding have increased over the years. There are good, homely reasons for these two developments, if we think about them. One way of putting it is to say that times have changed in the last generation and machines have replaced human energy and toil in the American home as well as in the American factory. Automation is taking over the kitchen as well as the assembly line.

The family that in 1929 or 1935 was spending so much per week for the iceman, so much for public transportation and so much for the laundry was paying for these services on time — a bill every week or an outlay every day. Future pay envelopes were "mortgaged" for them all. But now the iceman has been replaced by a refrigerator, the bus or train has given way to a family car, and the laundryman or washwoman has yielded to an automatic washing machine and clothes dryer. As a result of changes like this, the substitute expenditures for preserving food, keeping clean or getting to work, still by way of periodic payments have been converted to instalment credit and are duly reported by the Federal Reserve Board. The change has very materially increased today's instalment credit totals, in comparison with the past, but the family commitment to the future has not really changed at all.

The typical American family today enjoys a higher living standard, more leisure, a greater amount of comfort and cleanliness and more security, than ever was available before in any other land or any other generation. Let us recognize the vital contributions to this achievement which has been made by instalment credit, the mechanism that provided mass markets for durable goods and thus created mass employment and high average personal incomes.

Credit's Strategic Role

If we would take a moment to compare the present economies of Great Britain and the United States, we would observe the strategic role that instalment credit plays in maintaining a high level of domestic consumption.

Britain, her investment position substantially liquidated by the cost of World War II and her natural resources and productivity limited by causes which are not easily cured, cannot supply the basic needs of her people without foreign exchange. Yet to secure a favorable foreign exchange position she must export heavily and curb home consumption.

If Englishmen consume less, there is more to export and less to import. Therefore Britain, with her perfectly understandable and essential need to cut consumption, is stringently limiting the use of instalment credit. This acts powerfully to reduce the British living standard and saves steel, gasoline and power as well as finished goods that can be sold abroad.

But in the U. S. conditions are entirely different, of course. With our huge productive machine and our enormous stores of natural resources, we need more domestic consumption, not less.

A higher living standard is our goal, with broader markets for cars, home furnishings and other good things. To deliberately surpress instalment credit would mean to cut car and appliance production and force the chain of reduced output and employment to extend all the way back to the mines.

We need to create new markets at home — and instalment credit does just that. Since it also improves our living standards, the pleasures of family life and the levels of employment and prosperity, it is a boon to everyone, whether he personally uses it or not.

Psychological Reaction

In this talk I have deliberately emphasized the importance of public attitudes and public discussion concerning inflation, deflation, consumer credit and the future of our economy. Never was an economy so widely reported, insistently discussed, or made everybody's business to the degree that we now give attention to every twist and jiggle of the business curve. If and when we have a real recession, it will be the best-advertised one in all history. Sometimes I think our most exportable surplus is the surplus of economic forecasts . . . (and I am perfectly well aware that I am contributing to the supply by my talk today).

But really all of this economic talk is good, intelligent and desirable. It is only when we spend all of our time talking and imagining, instead of working and thinking boldly, when we let other people's opinions intimidate us or warp our perspectives that this economic tea-party does harm.

I do not believe I am overstressing the importance of the psychological side of these economic problems — although I realize most economic books rather ignore public psychology. Just let me quote a few words by Chairman William McChesney Martin, Jr. of the Federal Reserve Board, from a speech he made last month before the Pennsylvania Bankers Association. Here, the man with perhaps the greatest influence over our economy, tells what he has learned about the tremendous impact of people's reactions.

He said:

"A factor that we have to deal with is psychology—and no reliable yardstick has yet been devised to measure what people may be thinking. What things really **are** may count most in the long run, but what often counts in the short run is what things **seem** to be—what people **think** they are. I recall a brief period some three years ago when we were proceeding on technical measurements of the money supply that, even in retrospect, seemed to me pretty close to perfect. But even if they were right in fact, they were wrong in the scales of psychology. And what counted was not what the facts were, but what people thought they were.

"Well, the earth has been round since, presumably, the beginning of its existence, and yet for age after age men insisted it was flat, with the practical consequence that the discovery of America, among other things, was retarded by a few centuries.

"In the case I cited of a Federal Reserve misjudgment of psychology, the only feasible thing we could do was to adjust to the situation as soon as we saw it. All I can say about our adaptation of policy at that particular point is that it illustrates something we talked about earlier; since monetary policy deals with human nature and human beings, it can't operate on a formula basis."

My message today is what we should all, for our own sakes and for the sake of the investments of other people entrusted to us, try to look behind the headlines, keep our sense of perspective and proportion and—to repeat—maintain our undiminished faith in the American business system and the American people.

Let's not be stampeded by the Gloomy Guses and the Calamity Janes. Let's take reasonable fluctuations in the business cycle in stride, be conservative when things are moving upward and be courageous when things seem to be turning down. Let's remember this nation, its workers, its farmers, its politicians, its business leaders, its people, have managed to create the highest standard of living in all history and, at the same time, to preserve for every man a greater degree of individual liberty and economic opportunity than ever before existed.

The best is yet to come—if all of us will only make it so.

With Zilka, Smither

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Thomas E. Pillette has become affiliated with Zilka, Smither & Co., Inc., 813 Southwest Alder, members of the San Francisco Stock Exchange.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Jerald L. Schall has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 216 Superior Avenue, Northeast.

Zilka, Smither Adds

(Special to THE FINANCIAL CHRONICLE)

SALEM, Oreg. — Lawrence A. Rich has been added to the staff of Zilka, Smither & Co., Inc., Oregon Building.

Form Alexander & Cox

Oscar H. Alexander and Harry T. Cox have formed Alexander & Cox with offices at 25 Broadway, New York City, to engage in a securities business. Mr. Alexander was previously with Leff Brothers. Mr. Cox was with Ralph D. Pasquale Co.

J. A. Finkel Opens

HUNTINGTON WOODS, Mich. —Joshua A. Finkel is conducting a securities business from offices at 26680 York Road. He was formerly with Merrill Lynch, Pierce, Fenner & Beane and Moors & Cabot.

J. A. Coleman Jr. Acquires Exchange Membership

John A. Coleman, Jr., 25-year old son of a member and former Chairman of the New York Stock Exchange, was approved June 7 as a member of the Exchange by the Board of Governors, Keith Funston, President, announced.

He plans to join his father's firm, Alder, Coleman & Co. The firm acts as specialists in 51 stocks listed on the Exchange. Young Coleman started training for a career in the brokerage business when he took a summer job at 14.

Form Madison Organizat'n

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla.—The Madison Organization Incorporated has been formed with offices at 1278 North Palm Avenue to engage in a securities business. Officers are R. C. Hardy, President; H. F. Taylor and G. C. Northrop, Vice-Presidents; Anita L. Taylor, Treasurer; and Hilda Hardy, Secretary.

Continued from page 4

The State of Trade and Industry

steel output this year will exceed last year's 117,000,000 tons; possibly by as much as one to three million tons, barring a strike. The fourth quarter pickup will more than make up for a third quarter easing, it concludes.

Corporate spending for plant and equipment points to a further new high with companies expanding their facilities planning to step up such expenditures to a yearly pace of $36,700,000,000 in the third quarter, Secretary Weeks of the United States Department of Commerce announced. That would be $1,900,000,000 above the rate scheduled for the three months ending June 30. It would be $3,900,000,000 above the yearly rate of March quarter outlays. Capital spending by business firms has been one of the mainstays of the current economy, helping to offset soft spots in the auto and home-building fields.

In a review of the automotive industry for last week, "Ward's Automotive Reports" stated on Friday that the nation's new car dealers chopped fully 75,000 units off their record new car inventories during May, pulling them down near 800,000 units to the lowest point of the year.

The industry's statistical authority said that an improving rate of new car sales foreshadows another 100,000 inventory reduction during June and predicted a curtailment in the unemployment spiral due to the brightening sales picture.

"Ward's" said that auto output in United States plants the past week was at a 21,200-unit daily rate in line with the 446,000 car assemblies scheduled for the month. With 426,000 of these destined for the domestic market, another 100,000 units will have to come out of inventory to meet the June sales goal of 530,000 units.

Counted for last week, by "Ward's," were 106,210 cars and 22,125 trucks that found most producers working five days. The preceding week's holiday curtailment held operations to 77,451 cars and 17,466 trucks.

Exceptions to last week's five-day schedule were some Ford plants, which were idled on Friday, plus output at American Motors Corp. plants in Wisconsin. The latter producer, however, has resumed body manufacture for its big cars and began final assemblies on Monday of this week.

"Ward's" said United States plants built an estimated 471,994 cars and 96,064 trucks in May compared with 547,766 and 99,304 in April.

Businessmen added a more-than-seasonal $900,000,000 to their inventories during April, the United States Department of Commerce reported.

The department said the book value of total manufacturing and trade inventories at the end of April amounted to $85,700,000,000. This compared with a book value of $84,800,000,000 at the end of March and $78,500,000,000 at the end of April last year.

Taking seasonal factors into account, the department figured the book value of inventories during April rose about $600,000,000 to a total of $84,400,000,000 at the end of the month.

Manufacturers' stock increased $500,000,000 on the seasonally adjusted scale. The report noted that more than half the rise occurred in the machinery and aircraft industries. Wholesale inventories edged up almost $100,000,000 and retail stocks were about unchanged from the end of March.

Personal income in April rose to a record annual rate of $317,000,000,000 or nearly $2,000,000,000 above the March pace. About half the gain took place in wage and salary payments, reflecting increased employment and higher hourly earnings in manufacturing industries, according to the United States Department of Commerce. Farm income in April was $500,000,000 above the rate in the preceding month, reaching the best level since last November.

Steel Output Estimated at 96.6% Capacity for Current Week

Metalworking industries are heading for a record year, despite expectations for a third quarter dip in steelmaking operations and in some consumer durables, "Steel" magazine predicted on Monday of this week.

The metalworking publication said the steel industry appears certain to set a new production record of at least 122 million tons. While production will dip after July 1, average third quarter operations are expected to hold above 85% of capacity. The fourth quarter production will rise sharply, it added.

Meanwhile, most of the capital goods industries will be booming along without perceptible interruption. Material handling equipment producers are predicting their sales will be 25% above those of last year and manufacturers of gears, a basic component in many metalworking products, will produce 10% more this year than in 1955, it noted.

Businessmen, "Steel" pointed out, are not slowing down their capital expenditure plans to coincide with any temporary lull in the economy. It said order cancellations have been almost negligible on such important items as machine tools, fabricated structural steel and industrial furnaces. New orders have been high, with the upward trend in industrial supplies especially noteworthy. Somewhat feeling the pinch, however, is the appliance industry.

Although steel demand has lost some of its zip, the let-up is not reflected in any slackening in steelmaking operations, according to the metalworking authority. The national ingot rate has held unchanged at 96.5% for four successive weeks. This is equal to an output of about 2,375,000 net tons weekly. Were it not for the work stoppage in the Birmingham district, production would have been maintained at a pace only slightly under the all-time weekly high attained last March.

The current level of operations is expected to hold through the remainder of this month. What happens then will depend on how steel wage negotiations go. Strike talk has quieted down slightly with the move of negotiations from Pittsburgh to New York, continued this trade weekly.

Even should a steel strike be averted, output will be cut by seasonal factors. Some steelmen, however, are confident of maintaining close to capacity production through the summer due to the demand for heavy products, "Steel" noted.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at the average of 96.6% of capacity for the week beginning June 11, 1956, equivalent to 2,378,000 tons of ingot and steel for castings as compared with 96.7% of capacity, and 2,380,000 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 95.3% and production 2,345,000 tons. A year ago the actual weekly production was placed at 2,316,000 tons or 96.0%. 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 Resumed Upward Trend In Post-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, June 9, 1956, was estimated at 10,951,000,000 kwh., a mild increase above the Memorial Day holiday week ended June 2, 1956, according to the Edison Electric Institute.

The week's output rose 353,000,000 kwh. above that of the previous week. It increased 910,000,000 kwh. or 9.1% above the comparable 1955 week and 2,293,000,000 kwh. over the like week in 1954.

Car Loadings Fall 8.8% In Memorial Day Week

Loadings of revenue freight for the week ended June 2, 1956, which included the Memorial Day holiday, decreased 69,088 cars or 8.8% below the preceding week the Association of American Railroads reports.

Loadings for the week ended June 2, 1956, totaled 719,209 cars, an increase of 9,858 cars, or 1.4% above the corresponding 1955 week, and an increase of 106,895 cars, or 17.5% above the corresponding week in 1954.

U. S. Automotive Output Turned Upward As Most Producers Resumed A Five-Day Week

Automotive output for the latest week ended June 8, 1956, according to "Ward' Automotive Reports," increased as most producers resumed the five-day work week.

Last week the industry assembled an estimated 106,210 cars, compared with 77,451 (revised) in the previous week. The past week's production total of cars and trucks amounted to 128,335 units, an increase of 33,418 units above the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 28,759 cars, while truck output rose the past week by 4,659 vehicles. In the corresponding week last year 134,673 cars and 25,023 trucks were assembled.

Last week the agency reported there were 22,125 trucks made in the United States. This compared with 17,466 in the previous week and 25,023 a year ago.

Canadian output last week was placed at 10,899 cars and 2,506 trucks. In the previous week Dominion plants built 10,937 cars and 2,416 trucks, and for the comparable 1955 week, 10,643 cars and 2,455 trucks.

Business Failures Edged Slightly Higher the Past Week

Commercial and industrial failures rose to 257 in the week ended June 7 from 238 in the preceding week, according to Dun & Bradstreet, Inc. The toll was higher than the 230 a year ago and the 206 in the comparable week of 1954. However, failures remained 8% below the pre-war level of 279 in the similar 1939 week.

All of the increases occurred among failures involving liabilities of $5,000 or more, which climbed to 220 from the 188 of the previous week and the 183 of last year. A decline among small failures with liabilities under $5,000, brought their toll down to 37 from the 50 a week ago and the 47 in 1955. Sixteen concerns failed with liabilities in excess of $100,000 as against 13 in the preceding week.

Manufacturing, retailing and commercial service accounted for the week's rise. However, wholesaling and construction failures dipped mildly. Tolls exceeded last year's level in retail trade, construction and service. Failures in wholesaling held steady, while in manufacturing they dipped below a year ago.

Five regions reported higher failures during the week. The total in the Middle Atlantic rose to 80 from 70, in the East North Central to 45 from 26 and slight increases occurred in the West North Central, East South Central and Mountain States. Failures in the Pacific States were unchanged at 58, while slight declines occurred in the three other areas. Tolls equalled or exceeded the 1955 levels in all regions except New England.

Wholesale Food Price Index Hits New Peak For Year

A rather general uptrend in foodstuffs last week lifted the Dun & Bradstreet wholesale food price index for June 5 to $6.18, from $6.11 the week before. This represented a new peak for the year and the highest since Sept. 27, 1955, when it stood at $6.28. The current figure is still 3.3% below the comparable 1955 level of $6.39.

Moving upward in price the past week were flour, wheat, corn, rye, oats, hams, coffee, cottonseed oil, cocoa, beans, eggs, potatoes, steers and lambs. Lower in wholesale cost were barley, lard, sugar, raisins and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Little Changed From Previous Week But Much Above Like Period In 1955

After declining in the first few days of the week, the Dun & Bradstreet Daily wholesale commodity price index turned higher to close at 288.74 on June 5. This showed little change from 288.73 of a week earlier, but it was well above the comparable 1955 level of 271.66.

Grain markets continued unsettled. The trend was mostly lower in early dealings but prices rallied sharply toward the close and both wheat and corn scored fairly good gains for the week.

The main supporting influence was the announcement by the Secretary of Agriculture offering unexpectedly high payments to farmers for putting corn and wheat acreage into the soil bank.

Planting of corn and soybeans has been completed over most of the belt and the crops were reported off to a good start. It was thought in the trade, however, that some reduction in corn acreage and production may be accomplished as a result of the new soil bank plan. Trading in grain and soybean futures on the Chicago Board of Trade was more active. Daily average sales for the holiday week totaled 63,200,000 bushels, against 53,000,000 the previous week and 39,700,000 in the same week last year.

Activity in the domestic flour market last week was at a low ebb. Most buyers of hard wheat bakery flours were content to wait on the sidelines in the belief that expanding harvest operations in the Southwest will be reflected in increased pressure on prices. The export flour market was also quiet with only scattered inquiries reported from Norway and the Netherlands.

Coffee was strong with futures prices reaching new seasonal peaks, aided by higher prices in producing countries on the prospect for an eventual international coffee agreement.

Cocoa prices were generally steady in dull trading with buying for manufacturer account reported at a practical standstill. Warehouse stocks of cocoa reached a new high for the year at 372,275 bags, up from 357,659 bags a week ago and 724,108 bags at this time last year.

The undertone in raw sugar continued weak, as considerable quantities of raws in port exerted a depressing influence.

Lard lacked support and prices continued to work lower. Hog values were down slightly for the week, reflecting fairly large market receipts.

After moving in a narrow range, spot cotton prices developed some firmness toward the close of the week. Strengthening factors included a further advance in the mid-May parity price for cotton, a two-week suspension of the government's cotton export program and a bullish interpretation of the announcement of the Secretary of Agriculture that soil bank payments were possible on the 1956 crop. Tending to hold advances in check were continued favorable weather conditions in the cotton belt and gradual additions to the free supply of cotton as the result of loan redemptions which lessened the possibility of late season supply tightness.

Trade Volume Lifted Slightly In Latest Week

There was a slight rise in retail trade last week with the total dollar volume moderately above that of the similar period a year ago. Warm weather encouraged consumer buying of summer sportswear, lawn furniture and garden implements.

Sales in automobiles were unchanged from the previous week and moderately below the corresponding 1955 level.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 3% to 7% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England and Southwest 0 to +4; East +3 to +7; South and Northwest +5 to +9; Middle West +4 to +8 and Pacific Coast +2 to +6.

Women shoppers increased their purchases of summer apparel with the call for accessories showing noticeable expansion. Although volume in men's lightweight suits expanded noticeably last week, sales were somewhat under those of the similar 1955 period. Increased sales promotions stimulated the buying of men's summer wear.

Frozen juice concentrates, canned fruit and baker goods were in greater demand. Buying of butter was sustained at a high level but the sale in eggs, poultry and cheese was somewhat reduced.

Fall openings stimulated buying activity in the major wholesale centers the past week, with principal gains in women's and children's apparel. Bookings expanded moderately and were somewhat higher than those of the same period last year.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index of the week ended June 2, 1956, increased 7% above those of the like period last year. In the preceding week, May 26, 1956, an increase of 3% was reported. For the four weeks ended June 2, 1956 an increase of 9% was reported. For the period Jan. 1, 1956 to June 2, 1956, a gain of 3% was registered above that of 1955.

Retail trade in New York City the past week showed great strength in sales volume with the gain, according to trade observers, running 13% ahead of the comparable period in 1955.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended June 2, 1956, registered an increase of 6% above those of the like period last year. In the preceding week, May 26, 1956, a decrease of 1% (revised) was recorded. For the four weeks ending June 2, 1956, a gain of 7% was recorded. For the period Jan. 1, 1956 to June 2, 1956 the index recorded a rise of 3% above that of the corresponding period in 1955.

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.

★ **Acoma Uranium & Oil Corp.**
June 4 (letter of notification) 999,900 shares of common stock (par one cent). **Price**—30 cents per share. **Proceeds**—For mining expenses. **Office**—7 East 47th St., New York 17, N. Y. **Underwriter**—None.

Alunite Corp. of Utah
May 17 (letter of notification) 160,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For manufacture and sale of commercial fertilizer. **Office**—373 West 3rd North, Salt Lake City, Utah. **Underwriter**—Cayias, Larson, Glaser, Emery, Inc., Salt Lake City, Utah.

American Frontier Corp., Memphis, Tenn.
Feb. 15 filed 175,000 shares of class A common stock (par $1). **Price** — $10 per share. **Proceeds** — Together with other funds, to purchase 1,000,000 shares of common stock (par $1) of American Frontier Life Insurance Co. **Underwriter**—None.

American 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 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.

★ **American Tar & Turpentine Co., Inc.**
June 5 (letter of notification) $200,000 principal amount, 20½-year 5½% subordinated debentures due May 15, 1976 and 20,000 shares of common stock (no par) to be offered in units of 10 shares of common stock and $100 of debenture. **Price**—$110 per unit. **Proceeds**—For installing a new plant in Winfield, La. **Office**—219 Carondelet St., New Orleans, La. **Underwriters** — Scharff & Jones, Inc., and Nusloch, Baudean & Smith, Inc., both of New Orleans, La.

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.

★ **Arkansas Motor Freight Lines, Inc.**
April 25 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$15 per share. **Proceeds** — For working capital and surplus. **Office**—401 South 11th St., Fort Smith, Ark. **Underwriter**—None.

● **Armstrong Rubber Co. (6/27)**
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.

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 approved merger on May 24. Statement effective April 20.

★ **Atlas Credit Corp., Philadelphia, Pa.**
June 11 filed $600,000 of 6% convertible subordinated debentures due June 15, 1968. **Price**—100% of principal amount. **Proceeds**—To retire indebtedness of the company to its affiliates for money borrowed for working capital. **Underwriter**—Name to be supplied by amendment. George A. Searight, New York, underwrote stock offering in December, 1954.

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.

★ **British Columbia (Province of) (6/27)**
June 7 filed an aggregate of $40,000,000 debentures, viz: $20,000,000 of sinking fund debentures, series K, due 1986 of British Columbia Power Commission; $10,000,000 of sinking fund debentures, series B, due 1981 of Pacific Great Eastern Ry. Co.; and $10,000,000 of sinking fund debentures, series B, 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.

★ **Brown Mineral Research, Inc.**
June 1 (letter of notification) 95,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—U. S. National Bank Bldg., 1740 Broadway, Denver, Colo. **Underwriter**—None.

★ **Canada Dry Ginger Ale, Inc. (6/27)**
June 7 filed $12,000,000 20-year sinking fund debentures due June 1, 1956. **Price**—To be supplied by amendment. **Proceeds**—To prepay $4,000,000 of 2⅞% promissory notes and $1,836,000 of 3⅞% promissory notes; for machinery and equipment and other general corporate purposes. **Underwriters** — Union Securities Corp. and Hornblower & Weeks, both of New York.

Capital Airlines, Inc. (6/26)
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. (6/27)**
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.

★ **Central Publications Service Inc.**
June 5 (letter of notification) 750 shares of common stock (no par). **Price**—$100 per share. **Proceeds**—For working capital. **Business** — To furnish teletypesetter service by wire. **Office**—c/o Charles Bauer, President, 1263 Astor Ave., Bronx, New York City. **Underwriter**—None.

● **Chain Belt Co.**
May 18 filed 76,543 shares of common stock (par $10) being 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**—$58 per share. **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.

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.

★ **Commodity Holding Corp.**
June 6 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—To trade in commodities. **Office**—15 Exchange Place, Jersey City, N. J. **Underwriter** — Southeastern Securities Corp., New York.

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 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.
May 16 filed 71,132 shares of common stock (par $25) being 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**—$37.50 per share. **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.

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.

★ Dean & Co., San Antonio, Texas
May 21 (letter of notification) 20,000 shares of 6% preferred stock, series A. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Underwriter**—The First Trust Co. of Lincoln, Neb.

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.
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.

★ Dixie Aluminum Corp., Rome, Ga.
May 21 (letter of notification) 2,600 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For selling stockholder. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

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.

● Dryer Co. of America, Inc. (6/20)
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. (6/19)
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.

Elizabethtown 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.

Continued on page 62

NEW ISSUE CALENDAR

June 14 (Thursday)

Northern Pacific Ry.________________Equip. Trust Ctfs.
(Bids noon EDT) $7,725,000

June 15 (Friday)

Harrison (D. L.) Corp.____________________Common
(Garrett & Co.) $250,000

National Consolidated Mining Co.________Common
(Pummill Enterprises) $261,000

Securities Investment Co. of St. Louis__Debentures
(Merrill Lynch, Pierce, Fenner & Beane) $7,500,000

June 18 (Monday)

Commonwealth Telephone Co._______________Common
(Eastman, Dillon & Co.) 100,000 shares

Mercast Corp. _____________________________Common
(Offering to stockholders—no underwriting) 187,850 shares

Pacific Gas & Electric Co.________________Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc.) 812,971 shares

June 19 (Tuesday)

Anderson Electric Corp.__________________Preferred
(Cruttenden & Co.) $350,000

Anderson Electric Corp.______Common and Class B
(Cruttenden & Co.) $451,872

Boston & Maine RR.________________Equip. Trust Ctfs.
(Bids 1 p.m. EDT) $4,200,000

Donnelley (R. R.) & Sons Co._______________Common
(Harriman Ripley & Co. Inc.) 573,575 shares

Dubl-Chek Corp.____________Preferred & Common
(Talmage & Co.) $299,370

Giannini (G. M.) & Co., Inc.______________Preferred
(G. H. Walker & Co.) $1,000,000

Lay (H. W.) & Co., Inc.__________Class A Common
(Johnson, Lane, Space & Co., Inc.) $1,150,000

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.

Southeastern Fund _______________________Debentures
(Shearson, Hammill & Co. and Homer O'Connell & Co., Inc.) $1,000,000

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 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

Dryer Co. of America, Inc._______________Common
(Floyd D. Cerf, Jr. Co., Inc.) $242,500

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

June 21 (Thursday)

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 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)

Kay Lab. _________________________________Class A
(Shearson, Hammill & Co.) 364,280 shares

Southern Nevada Power Co.________________Common
(William R. Staats & Co. and Hornblower & Weeks) 175,000 shares

United States Shoe Corp.__________________Common
(Merrill Lynch, Pierce, Fenner & Beane) 170,000 shares

June 26 (Tuesday)

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

Montreal Transportation Commission____Debentures
(Shields & Co.; Halsey, Stuart & Co. Inc.; and Savard & Hart) $11,500,000

June 27 (Wednesday)

American Machine & Foundry Co. Debentures
(Offering to stockholders—to be underwritten by Union Securities Corp.) $10,897,000

Armstrong Rubber Co._____________________Debentures
(Reynolds & Co., Inc.) $9,250,000

British Columbia (Province of)___________Debentures
(Morgan Stanley & Co.; Harris & Partners Limited, Inc.; and Burns Bros. & Denton, Inc.) $40,000,000

Canada Dry Ginger Ale, Inc._____________Debentures
(Union Securities Corp. and Hornblower & Weeks) $12,000,000

Cary Chemicals, Inc.______________Bonds & Common
(Lee Higginson Corp. and P. W. Brooks & Co., Inc.) $2,300,000 bonds and 230,000 common shares

Nucleonics, Chemistry & Electronics Shares, Inc._________________________Common
(Lee Higginson Corp.) 300,000 shares

Popular Merchandise Co., Inc._____________Common
(Shields & Co.) 259,473 shares

Republic Cement Corp.___________________Common
(Vickers Brothers) $9,650,000

June 28 (Thursday)

Lake Ontario Portland Cement Co., Ltd. _____________________Debentures & Stock
(Kidder, Peabody & Co. and Nesbitt, Thomson & Co.; Ltd.) $6,497,400 Debentures; 232,050 preferred shares; and 696,150 common shares

July 9 (Monday)

Yale & Towne Manufacturing Co.__________Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) about 270,000 shares

July 10 (Tuesday)

American Telephone & Telegraph Co.___Debentures
(Bids to be invited) $250,000,000

July 11 (Wednesday)

Atlanta Gas Light Co._____________________Common
(Offering to stockholders—to be underwritten by The First Boston Corp.) 88,280 shares

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 17 (Thursday)

Atlantic Gas Light Co.______________________Bonds
(Bids to be invited) $5,000,000

August 21 (Tuesday)

Pacific Telephone & Telegraph Co.____Debentures
(Bids 8:30 a.m. PDT) $78,000,000

August 28 (Tuesday)

Consolidated Natural Gas Co.__________Debentures
(Bids to be invited) $30,000,000

September 11 (Tuesday)

Carolina Power & Light Co.__________________Bonds
(Bids to be invited) $15,000,000

September 25 (Tuesday)

Virginia Electric & Power Co.________________Bonds
(Bids to be invited) $20,000,000

October 1 (Monday)

Tampa Electric Co.__________________________Bonds
(Bids to be invited) $10,000,000

October 2 (Tuesday)

Columbia Gas System, Inc._______________Debentures
(Bids to be invited) $30,000,000

Continued from page 61

★ Florida Power Corp. (7/11)
June 8 filed $20,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for new construction. **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.

Florida Sun Life Insurance Co.
March 16 filed 32,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To expand company's business. **Office**—Fort Lauderdale, Fla. **Underwriter**—None. Offering will be made through James C. Dean, President of company.

Fort Pitt Packaging International, Inc.
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. **Price**—$3 per share. **Proceeds**—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. **Office** — Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Gas Hills Mining and Oil, Inc.
Jan. 4 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price** — 25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Kemmerer, Wyo. **Underwriter**—Philip Gordon & Co., Inc., New York 6, N. Y.

General Uranium Corp. (N. J.), New York
Jan. 18 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For plant facilities, survey of property and underground development. **Underwriter**—None. Maurice Schack, Middletown, N. Y., is President. Statement effective March 11.

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. 29 (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.

★ Holly Sugar Corp.
May 28 (letter of notification) 4,000 shares of common stock (par $10). **Price**—$19 per share, subject to change each month. **Proceeds**—For working capital. **Office**—Holly Sugar Bldg., Colorado Springs, Colo. **Underwriter**—None.

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.

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.

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.

"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.

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.

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.

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. (6/25)
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.

★ Lake Ontario Portland Cement Co., Ltd. (6/28)
June 7 filed $6,497,400 (Canadian) 5½% debentures due June 30, 1971; 232,050 shares of 5% convertible preferred stock (par $10-Canadian); and 696,150 shares of common stock (par $1-Canadian) to be offered in units of $700 of debentures, 25 shares of preferred stock and 75 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to acquire limestone and clay lands, for construction program and for working capital. **Underwriters**—Kidder, Peabody & Co., New York; and Nesbitt, Thomson & Co., Ltd., Montreal, Canada.

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. (6/19-20)
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. Registration statement expected to become effective June 19.

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.

Long Island Lighting Co.
April 5 filed 120,000 shares of cumulative preferred stock, series G (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co., all of New York. **Offering** — Postponed because of present unsatisfactory market conditions.

Los Angeles Airways, Inc., Los Angeles, Calif.
April 23 (letter of notification) 645 shares of common stock (par $10). **Price** — $54 per share. **Proceeds** — To Clarence M. Belinn, the selling stockholder. **Office**—5901 West Imperial Highway, Los Angeles 49, Calif. **Underwriter**—Dean Witter & Co., Los Angeles, Calif.

Lost Canyon Uranium & Oil Co.
Oct. 6 (letter of notification) 3,000,000 shares of non-assessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

Lumberman's Investment & Mortgage Co.
May 2 filed 50,000 shares of common stock (par $10). **Price**—$12 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — Denver, Colo. **Underwriter**—None.

● **M. & D. 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.
May 17 filed 30,000 shares of capital stock (par $10) being 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**—$21.50 per share. **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.

★ **McGraw Electric Co., Elgin, Ill.**
June 11 filed $600,000 of participations in the company's Profit Sharing Plan for Employees, together with 57,392 shares of common stock which may be purchased under the plan.

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 (6/18)**
May 18 filed 187,850 shares of capital stock (par 10 cents) to be offered for subscription by stockholders of record June 15, 1956 on the basis of one new share for each two shares held; rights to expire on July 3. **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.

★ **Mica & Minerals Corp. of America**
June 13 filed 570,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To repayment of loans, to exercise option to purchase property now under lease, for construction of a plant, and for further exploration, working capital and other general corporate purposes. **Office**—Wilmington, Del. **Underwriter** — Peter Morgan & Co., New York.

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."

Mission Appliance Corp. of Mississippi
April 23 (letter of notification) 7,475 shares of preferred stock (par $20) and 29,900 shares of common stock (par $5) to be offered in units of one preferred and four common shares. **Price**—$40 per unit. **Proceeds** — For purchase of machinery and equipment. **Office**—New Albany, Miss. **Underwriter**—Lewis & Co., Jackson, Miss.

Mohawk Silica Co., Cincinnati, Ohio
March 23 (letter of notification) 3,000 shares of 8% cumulative convertible preferred stock (par $50) and 3,000 shares of common stock (no par) to be offered in units of one share of preferred and one share of common. **Price** — $60 per unit. **Proceeds** — For mining expenses and processing silica. **Office**—2508 Auburn Ave., Cincinnati, Ohio. **Underwriter**—None.

★ **Monitor Exploration Co.**
June 11 (letter of notification) 278,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—622 First National Bank Bldg., Denver, Colo. **Underwriter** — Wilder - Ramsey, Washington, D. C.

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.
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. (6/15)**
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.**
May 22 filed 417,403 shares of common stock (par $1) being 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**—$47 per share. **Proceeds**—To finance development of a gypsum deposit discovered and now held under option to the company. **Underwriters**—W. E. Hutton & Co., Cincinnati, O. and New York City; and Blyth & Co., Inc., New York.

National Lithium Corp., Denver, Colo.
Dec. 27 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office** — 556 Denver Club Bldg., Denver, Colo. **Underwriter** — Investment Service Co., same city.

National Metallizing Corp.
March 5 (letter of notification) 24,000 shares of Class A stock (par $1) and 40,000 shares of Class B stock (par $1) to be offered for subscription by Class A and Class B stockholders of record Feb. 1, 1956 on a 1-for-4 basis. **Price**—$2 per share. **Proceeds**—For vacuum metallizing, conditioning, slitting and inspection machinery. **Office**—1145-19th St., N. W., Washington, D. C. **Underwriter**—None.

National Old Line Insurance Co.
Nov. 15 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office** — Little Rock, Ark. **Underwriter**—Equitable Securities Corp., Nashville, Tenn., and New York, N. Y. **Offering**—Indefinitely postponed.

Natural Power Corp. of America, Waco, Texas
May 1 (letter of notification) 64,000 shares of common stock (par one cent). **Price**—$3.25 per share. **Proceeds**—For mining expenses. **Address**—P. O. Box 2299, Waco, Tex. **Underwriter**—Western Bond & Share Co., Tulsa, Okla.

Niagara Uranium Corp., Salt Lake City, Utah
April 3 (letter of notification) 2,400,000 shares of common stock (par 3⅓ cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — 345 South State St., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Nicholson (W. H.) & Co., Wilkes-Barre, Pa.
Jan. 16 filed 20,000 shares of common stock (par $5). **Price**—$25 per share. **Proceeds** — For working capital. **Underwriter**—None. A. E. Nicholson Jr. of Kingston, Pa. is President.

● **Nucleonics, Chemistry & Electronics Shares, Inc. (6/27)**
Feb. 17 filed 300,000 shares of capital stock (par $1). **Price**—$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**—$45 per share. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

★ **Pacific Power & Light Co. (7/11)**
June 7 filed 341,550 shares of common stock (par $6.50) to be offered for subscription by common stockholders of record July 11, 1956 at the rate of one additional share for each 10 shares then held; rights to expire on Aug. 2, 1956. **Price**—To be set by board of directors. **Proceeds**—For construction program. **Underwriter**—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**—Tentatively expected to be received up to 11 a.m. (EDT) on July 11.

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.

★ **Pawnee Oil Co.**
May 28 (letter of notification) 100,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For gas and oil operations. **Office**—8237 Fountain Ave., Los Angeles 46, Calif. **Underwriter**—William M. Matthews, Los Angeles, Calif.

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.

★ **Perfect-Line Manufacturing Co.**
June 4 (letter of notification) 161,250 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital. **Business**—Ventilating equipment. **Office**—Old Country Road and Railroad Ave., Hicksville, L. I., N. Y. **Underwriter**—None.

★ **Perforating Guns Atlas Corp.**
June 4 (letter of notification) 12,500 shares of common stock (par $1). **Price**—$24 per share. **Proceeds**—To go to six selling stockholders. **Office**—Scott St. and Holmes Road, Houston, Tex. **Underwriter**—Rotan, Mosle & Co., Houston, Tex.

Pinellas Industries, Inc., St. Petersburg, Fla.
Feb. 16 (letter of notification) 8,000 shares of class A common stock (par $1). **Price**—At the market (maximum $6). **Proceeds**—For working capital. **Office**—34th St. & 22nd Ave., North, St. Petersburg, Fla. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

★ **Popular Merchandise Co., Inc., Fairlawn, N. J. (6/27-28)**
June 8 filed 259,473 shares of common stock (par $1), of which 200,000 shares are to be sold for account of the company and 59,473 shares for account of two selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—Shields & Co., New York.

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.

★ **Pub of Greater Miami, Inc.**
June 5 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For restaurant building, purchase of equipment, working capital, etc. **Office**—Venetian Causeway, Miami, Fla. **Underwriter**—None.

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**—To be received up to 11 a.m. (EDT) on June 19, at Room 160, Parker House, Boston, Mass.

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.

Continued on page 64

Continued from page 61

★ **Florida Power Corp. (7/11)**
June 8 filed $20,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for new construction. **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.

Florida Sun Life Insurance Co.
March 16 filed 32,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To expand company's business. **Office**—Fort Lauderdale, Fla. **Underwriter**—None. Offering will be made through James C. Dean, President of company.

Fort Pitt Packaging International, Inc.
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. **Price**—$3 per share. **Proceeds**—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. **Office** — Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Gas Hills Mining and Oil, Inc.
Jan. 4 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price** — 25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Kemmerer, Wyo. **Underwriter**—Philip Gordon & Co., Inc., New York 6, N. Y.

General Uranium Corp. (N. J.), New York
Jan. 18 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For plant facilities, survey of property and underground development. **Underwriter**—None. Maurice Schack, Middletown, N. Y., is President. Statement effective March 11.

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.

★ **Holly Sugar Corp.**
May 28 (letter of notification) 4,000 shares of common stock (par $10). **Price**—$19 per share, subject to change each month. **Proceeds**—For working capital. **Office**—Holly Sugar Bldg., Colorado Springs, Colo. **Underwriter**—None.

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.

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.

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.

"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.

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.

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.

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. (6/25)**
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.

★ **Lake Ontario Portland Cement Co., Ltd. (6/28)**
June 7 filed $6,497,400 (Canadian) 5½% debentures due June 30, 1971; 232,050 shares of 5% convertible preferred stock (par $10-Canadian); and 696,150 shares of common stock (par $1-Canadian) to be offered in units of $700 of debentures, 25 shares of preferred stock and 75 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to acquire limestone and clay lands, for construction program and for working capital. **Underwriters**—Kidder, Peabody & Co., New York; and Nesbitt, Thomson & Co., Ltd., Montreal, Canada.

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. (6/19-20)**
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. Registration statement expected to become effective June 19.

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.

Long Island Lighting Co.
April 5 filed 120,000 shares of cumulative preferred stock, series G (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co., all of New York. **Offering** — Postponed because of present unsatisfactory market conditions.

Los Angeles Airways, Inc., Los Angeles, Calif.
April 23 (letter of notification) 645 shares of common stock (par $10). **Price** — $54 per share. **Proceeds** — To Clarence M. Belinn, the selling stockholder. **Office**—5901 West Imperial Highway, Los Angeles 49, Calif. **Underwriter**—Dean Witter & Co., Los Angeles, Calif.

Lost Canyon Uranium & Oil Co.
Oct. 6 (letter of notification) 3,000,000 shares of non-assessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

Lumberman's Investment & Mortgage Co.
May 2 filed 50,000 shares of common stock (par $10). **Price**—$12 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — Denver, Colo. **Underwriter**—None.

M. & D. 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.
May 17 filed 30,000 shares of capital stock (par $10) being 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**—$21.50 per share. **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.

★ **McGraw Electric Co., Elgin, Ill.**
June 11 filed $600,000 of participations in the company's Profit Sharing Plan for Employees, together with 57,392 shares of common stock which may be purchased under the plan.

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 (6/18)**
May 18 filed 187,850 shares of capital stock (par 10 cents) to be offered for subscription by stockholders of record June 15, 1956 on the basis of one new share for each two shares held; rights to expire on July 3. **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.

★ **Mica & Minerals Corp. of America**
June 13 filed 570,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To repayment of loans, to exercise option to purchase property now under lease, for construction of a plant, and for further exploration, working capital and other general corporate purposes. **Office**—Wilmington, Del. **Underwriter** — Peter Morgan & Co., New York.

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."

Mission Appliance Corp. of Mississippi
April 23 (letter of notification) 7,475 shares of preferred stock (par $20) and 29,900 shares of common stock (par $5) to be offered in units of one preferred and four common shares. **Price**—$40 per unit. **Proceeds** — For purchase of machinery and equipment. **Office**—New Albany, Miss. **Underwriter**—Lewis & Co., Jackson, Miss.

Mohawk Silica Co., Cincinnati, Ohio
March 23 (letter of notification) 3,000 shares of 8% cumulative convertible preferred stock (par $50) and 3,000 shares of common stock (no par) to be offered in units of one share of preferred and one share of common. **Price** — $60 per unit. **Proceeds** — For mining expenses and processing silica. **Office**—2508 Auburn Ave., Cincinnati, Ohio. **Underwriter**—None.

★ **Monitor Exploration Co.**
June 11 (letter of notification) 278,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—622 First National Bank Bldg., Denver, Colo. **Underwriter** — Wilder - Ramsey, Washington, D. C.

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.
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. (6/15)**
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.**
May 22 filed 417,403 shares of common stock (par $1) being 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**—$47 per share. **Proceeds**—To finance development of a gypsum deposit discovered and now held under option to the company. **Underwriters**—W. E. Hutton & Co., Cincinnati, O. and New York City; and Blyth & Co., Inc., New York.

National Lithium Corp., Denver, Colo.
Dec. 27 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office** — 556 Denver Club Bldg., Denver, Colo. **Underwriter** — Investment Service Co., same city.

National Metallizing Corp.
March 5 (letter of notification) 24,000 shares of Class A stock (par $1) and 40,000 shares of Class B stock (par $1) to be offered for subscription by Class A and Class B stockholders of record Feb. 1, 1956 on a 1-for-4 basis. **Price**—$2 per share. **Proceeds**—For vacuum metallizing, conditioning, slitting and inspection machinery. **Office**—1145-19th St., N. W., Washington, D. C. **Underwriter**—None.

National Old Line Insurance Co.
Nov. 15 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office** — Little Rock, Ark. **Underwriter**—Equitable Securities Corp., Nashville, Tenn., and New York, N. Y. **Offering**—Indefinitely postponed.

Natural Power Corp. of America, Waco, Texas
May 1 (letter of notification) 64,000 shares of common stock (par one cent). **Price**—$3.25 per share. **Proceeds**—For mining expenses. **Address**—P. O. Box 2299, Waco, Tex. **Underwriter**—Western Bond & Share Co., Tulsa, Okla.

Niagara Uranium Corp., Salt Lake City, Utah
April 3 (letter of notification) 2,400,000 shares of common stock (par 3⅓ cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — 345 South State St., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Nicholson (W. H.) & Co., Wilkes-Barre, Pa.
Jan. 16 filed 20,000 shares of common stock (par $5). **Price**—$25 per share. **Proceeds** — For working capital. **Underwriter**—None. A. E. Nicholson Jr. of Kingston, Pa. is President.

● **Nucleonics, Chemistry & Electronics Shares, Inc. (6/27)**
Feb. 17 filed 300,000 shares of capital stock (par $1). **Price**—$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**—$45 per share. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

★ **Pacific Power & Light Co. (7/11)**
June 7 filed 341,550 shares of common stock (par $6.50) to be offered for subscription by common stockholders of record July 11, 1956 at the rate of one additional share for each 10 shares then held; rights to expire on Aug. 2, 1956. **Price**—To be set by board of directors. **Proceeds**—For construction program. **Underwriter**—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**—Tentatively expected to be received up to 11 a.m. (EDT) on July 11.

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.

★ **Pawnee Oil Co.**
May 28 (letter of notification) 100,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For gas and oil operations. **Office**—8237 Fountain Ave., Los Angeles 46, Calif. **Underwriter**—William M. Matthews, Los Angeles, Calif.

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.

★ **Perfect-Line Manufacturing Co.**
June 4 (letter of notification) 161,250 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital. **Business**—Ventilating equipment. **Office**—Old Country Road and Railroad Ave., Hicksville, L. I., N. Y. **Underwriter**—None.

★ **Perforating Guns Atlas Corp.**
June 4 (letter of notification) 12,500 shares of common stock (par $1). **Price**—$24 per share. **Proceeds**—To go to six selling stockholders. **Office**—Scott St. and Holmes Road, Houston, Tex. **Underwriter**—Rotan, Mosle & Co., Houston, Tex.

Pinellas Industries, Inc., St. Petersburg, Fla.
Feb. 16 (letter of notification) 8,000 shares of class A common stock (par $1). **Price**—At the market (maximum $6). **Proceeds**—For working capital. **Office**—34th St. & 22nd Ave., North, St. Petersburg, Fla. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

★ **Popular Merchandise Co., Inc., Fairlawn, N. J. (6/27-28)**
June 8 filed 259,473 shares of common stock (par $1), of which 200,000 shares are to be sold for account of the company and 59,473 shares for account of two selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—Shields & Co., New York.

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.

★ **Pub of Greater Miami, Inc.**
June 5 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For restaurant building, purchase of equipment, working capital, etc. **Office**—Venetian Causeway, Miami, Fla. **Underwriter**—None.

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**—To be received up to 11 a.m. (EDT) on June 19, at Room 160, Parker House, Boston, Mass.

R. and P. Minerals, Inc., Reno, Nev.
Feb. 14 (letter of notification) 500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—575 Mill St., Reno, Nev. **Underwriter**—Utility Investments, Inc., Reno, Nev.

Rainbow Uranium Co., Denver, Colo.
May 8 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—316 Symes Bldg., Denver, Colo. **Underwriter**—Carroll & Co., Denver, Colo.

Continued on page 64

Continued from page 63

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.

Roadway Express, Inc., Akron, Ohio
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. **Offering**—Expected today (June 14).

★ 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.

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 (6/15-18)
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.

★ Sessions Clock Co., Forestville, Conn.
June 11 (letter of notification) 299,950 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For working capital. **Underwriter** — Gearhart & Otis, Inc., New York.

★ Shelter Island Light & Power Co., Inc.
June 6 (letter of notification) 300 shares of common stock to be offered for subscription by stockholders of record June 30, 1956 on the basis of one new share for each two shares held; rights to expire on Aug. 25. **Price**—At par ($50 per share). **Proceeds**—To reduce outstanding obligations or to increase working capital. **Office**—Shelter Island, N. Y. **Underwriter**—None.

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.

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. (6/19)
May 25 filed $1,000,000 of 6% convertible subordinated debentures due 1971. **Price**—100% and accrued interest. **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.

★ Southwestern Resources, Inc., Santa Fe, N. M.
June 8 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—To exercise options, purchase additional properties and for general corporate purposes. **Underwriter**—Southwestern Securities Co., Dallas, Texas.

★ Springfield City Water Co.
May 7 (letter of notification) 88,888 shares of common stock (par $10). **Price**—$13 per share. **Proceeds**—For outstanding loans, plant additions and working capital. **Office**—701 Boonville Ave., Springfield, Mo. **Underwriter**—Moody Investment Co., Springfield, Mo.

Strategic Metals, Inc., Tungstonia, Nevada
Jan. 4 (letter of notification) 1,200,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Underwriter**—R. Reynolds & Co., Salt Lake City, Utah.

Suburban Land Developers, Inc., Spokane, Wash.
Feb. 2 (letter of notification) 920 shares of 6% cumulative non-voting preferred stock ($100 per share) and 2,160 shares of common stock (par $10). **Price**—Of preferred, $100 per share; and of common, $15 per share. **Proceeds**—For improvements and working capital. **Office**—909 West Sprague Ave., Spokane, Wash. **Underwriter**—W. T. Anderson & Co., Inc., Spokane, Wash.

Sun Oil Co., Philadelphia, Pa.
April 18 filed 229,300 shares of common stock. **Price**—At the market. **Proceeds**—To selling stockholders. **Underwriter**—None.

Sweet Corp. (Utah)
May 7 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For mining expenses. **Office**—Continental Bank Bldg., Salt Lake City, Utah. **Underwriter** — Coltharp Investment Inc., Salt Lake City, Utah.

Target Uranium Corp., Spokane, Wash.
March 1 (letter of notification) 1,000,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office** — 422 Paulsen Bldg., Spokane, Wash. **Underwriters**—Percy Dale Lanphere and Kenneth Miller Howser, both of Spokane, Wash.

★ Teton Oil & Minerals Co.
May 29 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining and drilling expenses. **Office**—750 Equitable Bldg., Denver, Colo. **Underwriter**—Columbia Securities Co., Denver, Colo.

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.
May 28 filed 64,932 shares of capital stock (par $1) to be offered for subscription by common stockholders of record 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. **Offering**—Expected today (June 14).

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.

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.

★ United Funds Canada Ltd., Toronto, Canada
June 7 filed (by amendment) 1,000,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Toronto, Canada.

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 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; subscription warrants will expire at 3:30 p.m. (EDT) on July 9, 1956. 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 amendement. **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.

★ U. S. Oil & Mining Corp.
June 4 (letter of notification) 3,000,000 shares of common stock (par four cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—711 South Navajo St., Denver, Colo. **Underwriter**—None.

• United States Shoe Corp. (6/25-26)
June 6 filed 170,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Office**—Cincinnati, Ohio. **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.

★ **Warren Christmas Trees, Inc.**
May 22 (letter of notification) 110,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For manufacturing expenses and sales of artificial Christmas trees. **Office**—261 West Base Line, San Bernardino, Calif. **Underwriter**—None.

West Jersey Title & Guaranty Co.
Jan. 23 (letter of notification) 10,000 shares of common stock (par $10) of which 8,000 shares are first to be offered for a period of 30 days in exchange for outstanding preferred stock on a 2-for-1 basis; any shares remaining will be offered to common stockholders. **Price**—$25 per share. **Office**—Third and Market Sts., Camden, N. J. **Underwriter**—None.

Western 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.

★ **Wheeler Yacht Co., Inc.**
June 1 (letter of notification) 147,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For working capital. **Office** — Classon Point, Bronx, N. Y. City. **Business**—Boat building. **Underwriter**—None.

● **Wheland Co., Chattanooga, Tenn. (6/19)**
May 23 filed $2,000,000 of convertible subordinated debentures due June 1, 1976, and 136,000 shares of common stock (par $5). Of the latter, 75,000 are to be offered for the company's account and 61,000 shares for a selling stockholder. **Price** — To be supplied by amendment. **Proceeds**—Together with proceeds from private sale of $1,500,000 4¾% first mortgage bonds and $900,000 of 3-year unsecured 4½% notes to a group of banks, will be used to retire outstanding series A and series B 5% first mortgage bonds, and for expansion program. **Underwriters**—Hemphill, Noyes & Co., New York; Courts & Co., Atlanta, Ga.; and Equitable Securities Corp., Nashville, Tenn.

White Sage Uranium Corp.
Feb. 13 (letter of notification) 15,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—547 East 21st South St., Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., Salt Lake City, Utah.

Williamson Co., Cincinnati, Ohio
Feb. 20 (letter of notification) 20,666 shares of class B common stock (par $1) to be offered for subscription by class B common stockholders on a 1-for-7 basis. **Price**—$6.84 per share. **Proceeds**—For working capital. **Office**—3500 Maison Road, Cincinnati, Ohio. **Underwriter**—None.

Wilmington Country Club, Inc., Wilmington, Del.
April 2 filed $1,500,000 of non-interest bearing debentures, due 1991, to be offered to the members of the Club. **Price**—At par ($1,000 per debentures). **Proceeds**—For construction of a golf house and other improvements. **Underwriter**—None.

Woods Oil & Gas Co., New Orleans, La.
Aug. 29 filed 400,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To retire outstanding obligations. **Underwriters**—Woolfolk & Shober and Howard, Weil, Labouisse, Fredricks & Co., both of New Orleans, La. **Offering**—Tentatively deferred. Statement effective Feb. 28.

WPFH Broadcasting Co.
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.

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.

● **Youngstown Sheet & Tube Co. (6/25-29)**
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.
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

★ **Aero Supply Manufacturing Co., Inc.**
June 8 it was announced company plans to offer to its stockholders of record June 20, 1956, the right to subscribe on or before July 16, 1956 for approximately 136,-300 additional shares of capital stock (par $1) on the basis of one new share for each 3⅓ shares held. **Price**—$2 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—Corry, Pa. **Underwriter**—If underwritten, may be A. G. Becker & Co., Inc., Chicago, Ill.

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.

★ **Atlanta Gas Light Co. (7/17)**
June 7 it was reported company plans to issue and sell $5,000,000 of 25-year first mortgage bonds. **Proceeds**—To reduce bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co.; The First Boston Corp.; Dean Witter & Co. and Lazard Freres & Co. (jointly). **Bids**—Expected to be received on July 17. **Registration**—Planned for June 15.

★ **Atlanta Gas Light Co. (7/11)**
June 7 it was reported company plans to offer to its common shockholders of record about July 10, 1956, the right to subscribe on or before July 31, 1956, for 88,280 additional shares of common stock at the rate of one new share for each 10 shares held. **Proceeds**—To reduce bank loans and for new construction. **Underwriter**—The First Boston Corp., New York. **Registration**—Expected on or about June 15.

Blackstone Valley Gas & Electric Co.
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. **Bids**—Expected to be received sometime in July.

★ **Boston & Maine RR. (6/19)**
Bids will be received by the company up to 1 p.m. (EDT) on June 19, in Boston, Mass., for the purchase from it of $4,200,000 equipment trust certificates, series I, to mature in 15 equal annual instalments from March 1, 1957 to 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Braniff Airways, Inc.
April 11 company authorized an offering to stockholders 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). On May 24, the company announced the number of shares to be offered is expected to be reduced and the offering date extended. **Proceeds**—For general corporate purposes. **Underwriter**—F. Eberstadt & Co., New York.

California Electric Power Co.
May 14 it was announced company plans an offering of first mortgage bonds late in 1956, if market and other conditions are then favorable. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; White, Weld & Co.

Carolina Power & Light Co. (9/11)
March 22 it was announced company plans to issue and sell $15,000,000 of first mortgage bonds due 1986. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Equitable Securities Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Scheduled for Sept. 11.

Carpenter Paper Co.
May 10 it was reported company is understood to be planning the sale of some additional common stock. **Underwriter**—Kidder, Peabody & Co., New York.

Central Illinois Light Co.
May 14 it was reported company plans to issue and sell $18,000,000 first mortgage bonds in 1957. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Union Securities Corp.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

Central Illinois Light Co.
May 14 it was reported company plans to issue and sell about 80,000 shares of cumulative preferred stock (par $100) later this year. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—May be Union Securities Corp., New York.

★ **Central Illinois Public Service Co.**
May 16, M. S. Luthringer, President, said the new money required to finance the company's 1956 construction program is estimated at about $5,000,000 and will be obtained from the sale of securities in the second half of this year. The class of security to be sold and the exact timing of the transaction have not been determined. It is also possible, if favorable money conditions prevail at the time, that some portion of the 1957 requirements for new money may be obtained in the second half of this year. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Salomon Bros. & Hutzler; Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair & Co. Incorporated; Equitable Securities Corp. (2) For preferred stock—Lehman Brothers and Bear, Stearns & Co. (jointly); Blyth & Co., Inc. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and Union Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane. (3) For common stock—Blyth & Co., Inc., Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co.; The First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly). Common stock will probably be offered first for subscription by stockholders.

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 Diesel Electric Corp.**
June 11 it was reported company plans to issue and sell around 300,000 to 350,000 shares of its common stock. **Underwriter**—Van Alstyne, Noel & Co., New York.

Continued on page 66

Continued from page 65

● Consolidated Natural Gas Co. (8/28)
June 12 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 up to 11 a.m. (EDT) on Aug. 28. **Registration**—Now planned for July 16.

● Consolidated Water Co.
Jan. 16, Frank A. O'Neill, President, announced that the company will probably do some additional financing. **Proceeds**—For expansion. **Underwriters**—The Milwaukee Co.; Harley Haydon & Co., Inc.; and Indianapolis Bond & Share Corp. **Registration** — Expected about June 19. **Offering**—Planned for early July. Debentures may be sold privately.

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. (7/23-27)
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. **Offering** — Expected last week in July. **Registration**—Planned for latter part of June.

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.

★ Fairchild Camera & Instrument Corp.
June 11, John H. Clough, President, announced that working capital financing will be required in the near future. **Underwriter**—Glore, Forgan & Co., New York.

● First Pennsylvania Banking & Trust Co.
June 8 the Bank offered 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.

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.

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.
June 12 it was announced company plans to issue and sell this Summer $25,000,000 of first mortgage bonds due 1976. **Proceeds**—For expansion program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Blyth & Co., Inc.

Minneapolis Gas Co.
April 16 stockholders approved an increase in the authorized common stock (par $1) from 1,700,000 shares to 2,500,000 shares. Previous offer to stockholders was underwritten by Kalman & Co., St. Paul, Minn.

National Steel Corp.
March 12 the company announced that it is estimated that total construction expenditures planned to start in the current year and to be completed in mid-1959 will amount to a minimum of $200,000,000. **Underwriters**—Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.; and The First Boston Corp.

Natural Gas Pipe Line Co. of America
Feb. 20 it was reported company plans to issue and sell late this Spring $35,000,000 of first mortgage bonds due 1976. **Underwriter**—If determined by competitive bidding, the following may bid: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly).

New England Electric System
Jan. 3 it was announced company plans to merge its subsidiaries, Essex County Electric Co., Lowell Electric Light Corp., Lawrence Electric Co., Haverhill Electric Co. and Amesbury Electric Light Co., into one company during 1956. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, the name of which has not as yet been determined. **Underwriter** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New England Power Co.
Jan. 3 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds during October of 1956. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New York Central RR.
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.

★ North American Aviation, Inc.
June 8, it was announced company plans to offer to its stockholders rights to subscribe for additional capital stock (following proposed 2-for-1 split up to be voted upon Aug 3). **Underwriter**—Blair & Co. Incorporated, New York.

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. (6/14)**
Bids will be received by the company up to noon (EDT) on June 14, at 14 Wall St., New York, N. Y., for the purchase from it of $7,725,000 equipment trust certificates, second series of 1956, dated July 12, 1956, and maturing $515,000 each on July 12, 1957 to 1971, inclusive. 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.

★ **Norwalk Truck Lines, Inc.**
June 5 it was announced company has applied to the ICC for authority to issue and sell $2,000,000 10-year 5% convertible debentures (to be convertible into class B common stock, par $1, beginning June 15, 1957). **Proceeds**—About $1,000,000 for working capital and the remainder to be advanced to Shirks Motor Express Corp., Lancaster, Pa. **Underwriter** — The Ohio Company, Columbus, Ohio.

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 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.

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.

Spencer Telefilm Corp., Beaumont, Texas
Jan. 16 it was announced company plans to offer publicly to Texas residents 75,000 shares of capital stock. **Price**—$1.50 per share. **Business**—To produce, sell and distribute syndicated films for television. **Underwriter**—Porter-Stacy Co., Houston, Tex.

Sperry Rand Corp.
May 23, H. F. Vickers, President, said the company is considering plans to offer to its common stockholders within the next few months the right to subscribe to one additional share of common stock for each 10 shares held on the record date. At March 31, 1956, there were outstanding 25,496,132 common shares. **Price** — To be determined by the directors shortly before the subscription offer is made. **Proceeds**—For expansion of manufacturing facilities. **Underwriters** — Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Stevens (J. P.) & Co., Inc.
May 28 it was announced company plans to offer publicly sometime this summer $30,000,000 of debentures. **Proceeds**—To repay short-term bank loans and for general corporate purposes. **Underwriter**—Goldman, Sachs & Co., New York.

Super-Crete, Ltd., Boniface, Manitoba, Canada
May 14 it was reported company plans sale of 255,000 shares of common stock late in June. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.
sell some additional stock (probably at the end of May),

Tampa Electric Co. (10/1)
Feb. 18 it was reported company may issue and sell around Oct. 1, $10,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined at competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Goldman. Sachs & Co.; Kidder, Peabody & Co.

Tennessee Gas Transmission Co.
May 10, Gardiner Symonds, President, announced that company plans to sell about $30,000,000 of debentures in July, and about $50,000,000 of mortgage bonds late in the third quarter or early in the fourth quarter of 1956. **Proceeds** — For expansion program. **Underwriters**—Stone & Webster Securities Corp., White, Weld & Co. and Halsey, Stuart & Co. Inc.

Transcontinental Gas Pipe Line Corp.
April 17, Tom P. Walker, President, announced that negotiations had been completed for the sale of $40,000,000 first mortgage pipe line bonds in May and $20,000,000 of debentures in November. May be placed privately. **Proceeds**—To retire presently outstanding $60,000,000 bank loan.

U-Kan Minerals, Inc. (Kansas)
May 28 it was reported company plans issue and sale of 600,000 shares of common stock. **Proceeds**—For oil and mineral development. **Underwriter** — E. R. Bell Co., Kansas City, Mo.

Union Electric Co. (Missouri)
April 23 it was announced company plans to issue and sell prior to Sept. 14, 1956, $35,000,000 to $40,000,000 first mortgage and collateral trust bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Blyth & Co., Inc. and Union Securities Corp. (jointly); The First Boston Corp.: White, Weld & Co. and Shields & Co. (jointly). **Bids**—Expected in July.

United 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.

★ **Yale & Towne Manufacturing Co. (7/9)**
June 14 (today) the company expects to file a registration statement covering a proposed offering to its stockholders of record July 6, 1956 of approximately 270,000 shares of capital stock on the basis of one new share for each seven shares held; rights to expire on July 23. **Price**—To be determined later. **Proceeds**—For expansion. **Underwriter**—Morgan Stanley & Co., New York.

Mutual Funds

By ROBERT R. RICH

Industrial Production to Ease Moderately in Summer Months

Industrial production in this country is expected to ease off moderately during the summer months, influenced largely by developments in the steel and automobile industries, A. Moyer Kulp, Vice President and Chairman of the Investment Committee of Wellington Fund stated.

A. Moyer Kulp

Mr. Kulp, in a periodic review of business conditions said the automobile industry reduced production sharply below current sales to move inventories, but a pick up is expected in the fourth quarter when new models go into production.

The pattern in the steel industry depends largely on whether a wage agreement can be reached without a strike. The large inventories of steel accumulated by fabricators as a protective measure would run off quickly if a strike develops.

If there is no strike, the steel industry would probably operate around 80-85% for some time. This, however, would still provide good profits, since profit margins are better when operations are below capacity, he stated.

Residential building has stabilized at a satisfactory level, moderately below last year's peak, while over-all construction—commercial, industrial, state and local—continues around peak levels, he said.

Consumer goods generally have been sluggish, but retail trade in soft goods lines is above last year. Money market uncertainties and tapering off of the rise in consumers' buying have resulted in some soft spots, as evidenced in consumer durable goods lines—particularly automobiles and appliances. So far this has been balanced by the very strong support of high and rising business spending for plant and equipment.

Mr. Kulp said it appears that the Federal Reserve policy of credit restraint designed to prevent the boom developing into an inflationary credit boom has worked. The rapid rate of consumer credit repayment should begin to free a large body of consumers for resumption of spending this fall, in line with the current income level.

Looking ahead, there are indications that government spending may begin to move up. It is also reasonable to expect that monetary and credit restrictions will be eased in recognition of the fact that the boom has quieted down.

Furthermore, with the Federal budget running a surplus, it would be entirely in order to consider some reduction in excise taxes or individual income taxes, if the consumer sector needed some relief. It also appears that the decline in farm income may be leveling off with the aid of the Administration's new program.

Business to Remain Active

Business still promises to continue active, probably until the end of 1956, a top Wall Street economist reports.

Dr. Joseph B. Hubbard cautioned, however, that the national economy is operating at a very high level, and careful attention should be paid to developments which might have a bearing—favorable or unfavorable—in the longer run.

The economist reported on prospects to Tri-Continental Corporation and associated mutual funds.

Large basic areas in the economy which may be of special importance in the future, Dr. Hubbard said, now reflect high activity, in general, along with some of the stresses and strains that develop in a period of business boom.

Signs of change, he added, may lie in the recent irregularity in commodity prices, as well as in some easing in the monetary policy and less rapid inventory accumulation, although these have not gone far.

For production, the economist declared, the possibility of a steel strike is temporarily most important and, if it occurs, will tend to obscure the short-term outlook. Aside from this, he said, the gradual decline in seasonally adjusted production may continue for some months longer, although general recession is not indicated by the available data.

Open-End Sales, Cash-Ins Stable

Sales and redemptions of mutual fund shares in May maintained approximately the same levels as in April for the 126 open-end members of the National Association of Investment Companies.

During May, investors purchased $104,207,000 in new shares while April sales to investors were $107,539,000.

May redemptions by investors were $40,593,000, slightly below April redemptions of $40,810,000.

Net assets of the 126 member companies declined during May from $8,615,458,000 to $8,337,526,000, reflecting, in part, the general decline in securities prices in that month.

The popularity of accumulation plans remained high, with 14,387 new plans opened by investors in May compared with 14,716 in April. Total plans opened for the first five months of this year were 70,096, compared to 44,714 for the same period in 1955.

Cash U. S. Government securities and short-term corporate obligations held by the 126 mutual funds totalled $443,822,000 at the end of May, as against $435,021,000 at the end of April.

OPEN-END COMPANY STATISTICS — MAY, 1956
126 Open-End Funds
(In 000's of $)

	May 31, '56	Apr. 30, '56	May 31, '55
Total Net Assets	$8,337,526	$8,615,458	$6,789,619
	Month of		
	May 1956	April 1956	May 1955
Sales of Shares	$104,207	$107,539	$79,537
Redemptions	40,593	40,810	34,947

Holdings of Cash, U. S. Governments and Short-Term Bonds

May 31, 1956	$443,822	Dec. 31, 1955	$437,966
Apr. 30, 1956	435,021	May 31, 1955	384,166

ACCUMULATION PLANS	Month of May 1956	April 1956	May 1955
No. of New Accumulation Plans Opened in Period (87 Funds Reporting)	14,387	14,716	9,253

Incorporated Income Assets Grow to $40 Million

Growth of net assets of Incorporated Income Fund from $19,932,793 to $40,204,648 during the 12 months ending April 30 is shown in the quarterly report to shareholders by President Charles Devens and Chairman William A. Parker.

Increase in net asset value per share from $8.59 to $9.77 and of shares outstanding from 2,321,447 to 4,116,208 is also reported.

Distributions to shareholders during the 12 months totaled 78 cents per share, 51 cents from income and 27 cents in capital gains.

Securities of the fund, diversified in 20 different industries, are selected with as liberal a yield as possible consistent with investment quality.

Bullock Fund At $30 Million

Net assets of Bullock Fund, Ltd., a mutual fund managed by Calvin Bullock, passed the $30,000,000 mark during the last three months, according to the quarterly report for the period ended April 30. Total net assets then were $30,697,067, a rise of 12% over net assets of $27,296,785 for Jan. 31, 1956.

Investment policy continues to stress corporations appearing to have unusual growth potential, including both large and small companies in such recently developed fields as guided missiles, electronics, and automation. Largest investments were in petroleum, chemicals, and steels, in that order. The five largest investments of the fund have a market value on April 30 of $4,851,243, which was $1,416,326 above cost.

Important purchases during the last quarter included 2,000 shares of Hazeltine Corporation, 10,000 shares of Glenn L. Martin, 5,000 shares of Mead Johnson, 4,000 shares of Parke Davis, 4,000 shares of Southern Production Company, 7,800 shares of Sunray Mid-Continent Oil, and 1,000 shares of Royal Dutch Petroleum. Eliminations included stocks of Aluminium Limited, Canadian Superior Oil of California, Monsanto, Puget Sound Power and Light, Seaboard Airline Railroad, Southern Pacific, and A. E. Stanley Manufacturing.

F. A. F. Adds Corporate Bonds

The number of corporate bond holdings in group securities fully administered fund has been substantially expanded during the past few weeks.

The shift into these issues from short-term governments has enabled the fund to take advantage of the attractive yields available and thereby to improve income from a choice list of good senior securities.

A further comparison of the April 16 holdings with those of Sept. 30, 1955 shows that, among other issues, Freuheuf Trailer, Fairbanks-Morse and Anaconda have been sold in the interim. In each case the average sales price was said to be nearly double the average cost. The fund's current portfolio is now 71% invested in common stocks, with the oil, tobacco and merchandising stocks representing the largest holdings. Twenty-nine percent of the fund is now invested in bonds and cash. (During the past five years, the common stock proportion has been as high as 77%, as low as 40%.)

U. S. May Make First Atom Plane

The United States appears to be getting closer to the development of the world's first atomic-powered airplane as this nation steps up its airpower race with the Russians, according to the May issue of "Keeping Up," published by Television Shares Management Corporation.

Two steps pointing toward the realization of atomic-powered flights, it says, are the reported receipt of an Air Force contract by the Convair Division of General Dynamics Corp. for an airframe for a nuclear-powered plane, and Lockheed Aircraft Corporation plans to build and operate a large test facility for nuclear planes for the Air Force. "The two announcements," it is said, "give substance to persistent rumors that the United States would put strong emphasis on nuclear flight in its airpower race with Russia."

Group Dividends

Group Securities will distribute $1,030,727 in dividends from net investment income for the second quarter, ending May 31, of the current fiscal year, a total of such payments to $2,074,604 for the first half of 1956.

Manhattan Bond Makes Report

The latest six-months report of Manhattan Bond Fund, Inc., which covers a period of declining bond prices, 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. Total net assets on April 30, 1956 amounted to $25,236,911.

Due largely to calls, redemptions and exchanges, investment changes during the period were numerous.

Holdings of Chicago Rock Island & Pacific R.R. Co. Income Debenture 4½s, 1995, Pacific Finance Corporation Capital Debenture 4½s, 1967 and Tennessee Gas Transmission Co. Debenture 4½s, 1974 were reduced by partial calls. Completion of the reorganization of the Missouri Pacific Railroad system resulted in the exchange of three issues of the New Orleans, Texas and Mexico Railway Co. for Missouri Pacific Railroad Co. Collateral Trust 4¼s at 1976 which were subsequently sold.

Colonial Fund, has announced in the new quarterly report for the six months ended April 30, 1956 that net assets available for investment were $32,937,775 as compared with $26,030,114 on Oct. 31, 1955, the end of the last fiscal year. Fund's asset value per share was $21.69 on April 30, which compares with $18.73 at the beginning of the fiscal year. If allowance is made for the distribution of realized gains of 10c made Feb. 1, 1956, the net asset value increased $3.06 or over 16% during the six months period.

Included in the new additions to portfolio are shares of common stock of American Natural Gas Co., Community Public Service Co., Federal-Mogul-Bower Bearings, Inc., Pullman, Inc. San Diego Gas & Electric Co., Sheller Manufacturing Corp., United Carbon Co., and United Shoe Machinery Corp.

Males Gain

Men have enlarged their lead over women as shareholders of National Investors Corporation, a new survey of the fund discloses. Male holders increased from 4,624 in 1955 to 4,847 and they owned 34.7% of the total shares. The number of women holders rose from 4,615 to 4,726 and they held 32.1% of the total shares. Total holders numbered 13,675—a 6.5% increase over a year earlier.

Parker Sales Gain

Incorporated Investors and Incorporated Income Fund sales for May were the largest of any month in their 31-year history. Combined May sales set a record of $4,125,248, an increase of 280% from the $1,474,963 total for May last year.

First Investors Sales

First Investors Corporation reports May 1956 sales of $11,622,248, up $4,744,928 from the $6,877,320 reported for the same month in 1955, an increase of 68%. Total sales for the first five months of 1956 amounted to $53,771,210 an increase of 44% over the $37,263,425 for the first five months of 1955.

Wellington Sales Up

The largest sales for any five months in its 27-year history were recorded for Wellington Fund in the first five months of 1956 when volume topped the like five months of 1955 by a substantial 75%. New investments totaled a record $46,753,000, up from sales of $26,723,000 for the same period last year.

Personal Progress

Wes Fesler, noted sports celebrity, has become associated with the sales organization of Investors Diversified Services, Inc. His headquarters will be in Minneapolis. IDS, now in its 62nd year, manages assets in excess of $2 billion and ranks among the top 25 financial institutions in the United States.

Until Fesler left sports to enter business in recent years, he was rated among the top football coaches in the country and a former player of national renown. Born in Youngstown, Ohio, he attended Ohio State University, Columbus, where he earned nine varsity letters, three each in football, basketball and baseball. In 1930, he won the Chicago "Tribune's" "Most Valuable Player Award." Recently, he was elected to the National Football Hall of Fame for being selected on "All American" teams for three consecutive years, playing end position for Ohio State.

The board of directors of Colonial Fund announce the appointment of Louis W. Cabot as an Advisory Board Member. Mr. Cabot is a director, Vice-President and Treasurer of Godfrey L. Cabot, Inc. and subsidiary companies. He is also a trustee of Norwich University, Northeastern University, Boston Museum of Science and Suffolk Savings Bank; a director of Merchants National Bank of Boston, Arthur D. Little, Inc., Boston Manufacturers Mutual Insurance Company; Vice-President and director of Texas Butadiene and Chemical Corporation. The board of directors also anounces the election of Julian Crocker and Theodore W. Noon, Jr., as Vice-Presidents of the fund.

Scudder, Stevens & Clark Fund, Inc., reports total net assets of $56,501,483 on June 6, 1956, equal to $36.89 per share on 1,531,538 shares outstanding on that date. This compares with total net assets of $52,072,562 a year ago, equal to $36.10 per share on 1,442,445 shares then outstanding.

Scudder, Stevens & Clark Common Stock Fund, Inc., reports total net assets of $12,404,743 on June 6, 1956, compared with $9,647,110 a year ago. Per share net asset value is $23.53 on 527,187 outstanding shares, compared with $21.99 per share on 438,786 shares outstanding at that time.

Templeton Growth Fund of Canada, Ltd., reports net assets of $7,107,430 on April 30, equal to $24.17 per share. This compares with $20.89 a share on April 30, 1955 and $22.99 at the end of the third quarter, Jan. 31, 1956. The fund had 77% of its assets in common stocks, 14% in preferreds, 5% in convertible preferreds and bonds, and 4% in Canadian and foreign obligations.

Closed-End News

The consolidated statements of The Equity Corporation and its wholly-owned subsidiary, Equity General Corporation, for the three months ended March 31, 1956 show net assets at that date equivalent to $241.53 per share of $2 convertible preferred stock (preference in liquidation $50 per share and accumulated dividends), and $5.28 per share of common stock. Comparable figures for Dec. 31, 1955 were $237.80 per $2 convertible preferred share and $5.18 per share of common stock.

With Pac. Coast Secs.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Thelma P. Furey, Robert W. Nees and Paul J. Nicolette, Jr., are now with Pacific Coast Securities Company, 253 North Canon Drive. Miss Furey was formerly with Dempsey-Tegeler & Co.

Securities Salesman's Corner

By JOHN DUTTON

Save Time — Do It Right

Every week has only a limited number of hours in it that you can use for constructive sales work. When you spend time correcting errors that could have been avoided if the proper procedure had been followed in the first place, you are wasting valuable time. Here are some things you can do to save time and effort:

Obtain Proper Transfer Instructions. When you obtain an order ask your customer for proper transfer instructions. If they don't understand joint tenancy with right to survivorship explain the advantages and disadvantages. If they wish stock, or bonds confirmed to themselves obtain the proper transfer instructions and confirm accordingly. If they desire confirmation or transfer into the name of another obtain the correct spelling of their name of the person or persons indicated. This will obviate a second set of cancellation confirmations being sent to the customer, and a reconfirmation, extra work for you and for your bookkeeping department. Be specific, impress your customer with the accuracy of your work, and educate your customers to understand that they must give you proper transfer and confirmation instructions when they give you the order.

Ascertain the X Dates on Stocks Before You Sell Them for a Customer. Sometimes clients would like to obtain a dividend and if you check the "X dates" you will be able to save yourself explanations and time wasted trying to collect dividends that are not due your client but belong to the buyer because the stock was sold before the X date. When sales are made within a few days of the X date most investors would rather wait until after the stock sells X, even if there is often a decline in the stock amounting to the value of the dividend.

Keep Accurate Records. Your secretary should have a list of all your customers and their addresses. When you wish information, letters, or any data sent by mail, all you should have to do is to give the names of your customers or prospects (without addresses) to your secretary, and she should follow through. She should have a rubber stamp with your name and address and telephone number on it, also brief note paper for short messages that she can include with your mailings. I'd rather send ten pertinent reports on stocks, or situations, to a select group of people with a short personal note, and then follow this up, than any other type of promotional mailing. Very seldom are long messages effective. "Joe, this looks interesting to me, I'll phone you in a few days after you have read this," is better than two pages of abacadabra.

Keep Cross Records of All Situations in Your File. Have a card record on situations, listing all clients who own same, date bought, and price. If news is to be sent to clients, bond calls, stock rights, or "Switches" suggested you can save time by referring to your situation card. All holders are represented there and you can go right down the list. Keep this file up to date just the same as your customer card, holding files.

Keep a Record of Customer Inquiries. Have a handy record of people who have called you and have asked for quotations on bank stocks, local issues, new issues, or any special type of security. Have a record of those who have made special requests of any kind that cannot be filled at the time the request was made. A good way to do this is to use a simple ring binder and divide it into sections, such as Bank Stock inquiries, local stocks, prospects referred from others, and any other unique classifications. Then when something comes up that you can call to their attention and possibly make a trade or a new customer, you have it all in one handy reference book.

Keep a Daily Record of Your Commissions Earned. List transaction, purchaser, date, and commission earned. When your statement comes along at the end of the month all you have to do is to check it against your list and you can come up with a final check as to its accuracy. Any mistakes are easily determined and time is saved. Keep bookkeeping to a minimum by doing this every day. You make money selling, not keeping books, running down errors, calling customers to correct something that should have been done right in the first place, and your efficiency as a salesman will improve as you improve your own housekeeping.

Write Clearly and Legibly and White Short Notes and Letters. The less you say, the less you write, the better you will sell.

It is not the talker that does business but the man who knows when to talk, and what to say.

Don't waste time in office gossip—be cheerful—be cooperative with all office personnel—don't worry — work intelligently — and don't pay any attention at all to what other firms are doing, what other salesmen are earning, what the boss is making, or what may happen in 1957—it's the job you do today that counts.

Joins Mason Brothers

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Alfred A. Baer has been added to the staff of Mason Brothers, 155 Montgomery Street.

Now With Reynolds Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—George O. Clark, Jr. is now affiliated with Reynolds & Co., 425 Montgomery Street. He was formerly with Hannaford & Talbot and Schwabacher & Co.

Shuman, Agnew Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—James A. Coles is now connected with Shuman, Agnew & Co., 155 Sansome Street, members of the New York and San Francisco Stock Exchanges.

Walston Adds to Staff

(Special to The Financial Chronicle)

STOCKTON, Calif. — Earl K. McCray, Sr. is now affiliated with Walston & Co., Inc., 137 East Weber Avenue.

York Co. Adds Two

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Robert R. Kwong and William R. Romero are now connected with York & Co., members of the San Francisco Stock Exchange.

Continued from page 4

Observations . . .

some, and not all, the forces working in the economy. Some of the indicators now are characteristically acting in an equivocal manner. For example business failures show considerable deterioration since 1954, but on the other hand this year's March and April manifest sharp improvement, but with the larger firms having the maximum failures.

Also, it may be asked what the stock market series, which is used, is believed to indicate—other than mere seismographic soundings of crowd psychology? And may it perhaps be asked whether psychological imponderables may not also render the validity of some of the other series dubious?

In any event, Research Director Fabricant and Chairman Harry Scherman are to be congratulated on their integrity in cautioning about the caveats which should accompany use of the numerous data so thoroughly brought forth by their associates as well as economists universally.

* * *

Confirmation from Another Quarter

Gaps in the data available for forecasting are likewise revealed through the release of another major study this week. Factors influencing consumer behavior, including data on individual and family spending habits, have been most thoroughly amassed in 18 volumes by the Bureau of Labor Statistics of the U. S. Department of Labor in cooperation with the Wharton School of the University of Pennsylvania, the latter's participation aided by a half-million dollar grant from the Ford Foundation.

Perusal and discussion of this monumental result highlights the weakness of economic research in the area of savings along with its strength in consumption data; and, for example, in the field of securities (in line with the Brookings Institute studies), the gaps in information regarding the dollar amount of transactions by upper income groups.

* * *

"How's the Market?"

With 13 ups accompanying 13 downs and one no-change, the 27 major stock groups, compiled by Harold Clayton of Hemphill Noyes & Co. in the three-week interval, May 25 to the end of last week, assuredly attained the very peak of divergence. This remarkable breakdown follows (the whole market rose by .39%):

Groups—	% Up
	% Up
Autos	3.82
Elec. Equip.	2.58
Air Lines	1.77
Papers	1.44
Pub. Util—Hold. Cos.	1.03
Aluminums	.99
Agric. Mach.	.94
Mach. & Tools	.64
Bldg. Materials	.57
Chemicals	.41
Oils	.30
Public Utilities	.19
Aircrafts	.18
Total—13.	
	% Down
Coppers	—4.22
Rubbers	—2.94
Inv. Tr.—Hold Cos.	—2.31
Household Appliances	—2.22
Rails	—1.94
RR. Equip.	—1.90
Movies	—1.30
Radio, Television	—1.11
Textiles	— .72
Cigarettes	— .53
Steels	— .36
Tel. & Tel.	— .27
Auto Parts	— .14
Total—13.	

Natural Gas—Unchanged

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 17	§96.6	*96.7	95.3	96.0
Equivalent to—					
Steel ingots and castings (net tons)	June 17	§2,378,000	*2,380,000	2,345,000	2,316,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 1	7,037,050	7,070,800	7,084,433	6,591,950
Crude runs to stills—daily average (bbls.)	June 1	¶8,072,000	7,797,000	7,664,000	7,565,000
Gasoline output (bbls.)	June 1	27,218,000	25,649,000	24,725,000	24,973,000
Kerosene output (bbls.)	June 1	1,978,000	1,762,000	2,276,000	2,159,000
Distillate fuel oil output (bbls.)	June 1	12,580,000	12,121,000	11,979,000	11,838,000
Residual fuel oil output (bbls.)	June 1	8,319,000	*8,042,000	8,135,000	7,894,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 1	184,870,000	183,510,000	189,220,000	168,985,000
Kerosene (bbls.) at	June 1	21,879,000	20,699,000	18,349,000	26,344,000
Distillate fuel oil (bbls.) at	June 1	77,399,000	72,027,000	63,990,000	84,345,000
Residual fuel oil (bbls.) at	June 1	35,836,000	34,787,000	33,216,000	44,359,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 2	719,209	788,297	770,558	709,351
Revenue freight received from connections (no. of cars)	June 2	636,111	664,762	679,138	626,938
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 7	$250,213,000	$562,586,000	$557,690,000	$378,269,000
Private construction	June 7	116,022,000	390,820,000	370,489,000	193,339,000
Public construction	June 7	134,191,000	171,766,000	187,201,000	184,930,000
State and municipal	June 7	105,466,000	133,136,000	130,510,000	151,785,000
Federal	June 7	28,725,000	38,630,000	56,691,000	33,145,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 2	8,850,000	10,120,000	9,990,000	8,669,000
Pennsylvania anthracite (tons)	June 2	398,000	404,000	519,000	436,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 2	109	117	125	102
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 9	10,951,000	10,598,000	10,837,000	10,041,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 7	257	238	258	230
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 5	5.179c	5.179c	5.179c	4.797c
Pig iron (per gross ton)	June 5	$60.29	$60.29	$60.29	$56.59
Scrap steel (per gross ton)	June 5	$45.83	$47.50	$53.17	$34.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 6	44.500c	45.400c	45.525c	35.700c
Export refinery at	June 6	41.550c	42.175c	43.375c	35.825c
Straits tin (New York) at	June 6	94.125c	94.500c	97.500c	91.750c
Lead (New York) at	June 6	16.000c	16.000c	16.000c	15.000c
Lead (St. Louis) at	June 6	15.800c	15.800c	15.800c	14.800c
Zinc (East St. Louis) at	June 6	13.500c	13.500c	13.500c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 12	95.32	95.17	94.11	96.70
Average corporate	June 12	104.83	104.83	105.00	108.88
Aaa	June 12	108.34	108.16	108.16	112.37
Aa	June 12	106.74	106.92	107.09	110.34
A	June 12	104.31	104.48	104.83	109.06
Baa	June 12	100.00	100.00	100.32	103.97
Railroad Group	June 12	103.13	103.13	103.97	107.44
Public Utilities Group	June 12	105.17	105.17	105.17	109.42
Industrials Group	June 12	106.04	106.04	105.86	109.97
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 12	2.86	2.87	2.95	2.74
Average corporate	June 12	3.46	3.46	3.45	3.23
Aaa	June 12	3.26	3.27	3.27	3.04
Aa	June 12	3.35	3.34	3.33	3.15
A	June 12	3.49	3.48	3.46	3.22
Baa	June 12	3.75	3.75	3.73	3.51
Railroad Group	June 12	3.56	3.56	3.51	3.31
Public Utilities Group	June 12	3.44	3.44	3.44	3.20
Industrials Group	June 12	3.39	3.39	3.40	3.17
MOODY'S COMMODITY INDEX	June 12	415.6	412.8	420.4	402.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 2	344,224	239,176	387,268	376,979
Production (tons)	June 2	272,725	285,603	289,465	263,148
Percentage of activity	June 2	91	99	99	90
Unfilled orders (tons) at end of period	June 2	557,881	490,043	633,043	621,016
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	June 8	108.70	108.72	109.12	106.76
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 19	1,271,103	1,451,531	1,420,324	1,054,685
Dollar value	May 19	$66,962,066	$76,312,009	$78,327,849	$53,075,203
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 19	1,012,969	1,158,592	1,094,719	937,188
Customers' short sales	May 19	4,009	4,235	5,649	7,171
Customers' other sales	May 19	1,008,960	1,154,357	1,089,070	930,017
Dollar value	May 19	$52,224,287	$59,600,057	$55,561,855	$45,306,462
Round-lot sales by dealers—					
Number of shares—Total sales	May 19	245,680	290,780	251,210	233,010
Short sales	May 19	------	------	------	------
Other sales	May 19	245,680	290,780	251,210	233,010
Round-lot purchases by dealers—					
Number of shares	May 19	534,490	550,260	593,630	406,470
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 19	445,400	560,780	500,160	481,520
Other sales	May 19	11,309,940	12,823,970	11,567,580	10,858,620
Total sales	May 19	11,755,340	13,384,750	12,067,740	11,340,140
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	May 19	1,584,860	1,712,550	1,466,530	1,370,930
Short sales	May 19	277,520	350,340	290,220	271,420
Other sales	May 19	1,297,320	1,355,130	1,249,540	1,165,720
Total sales	May 19	1,574,840	1,705,470	1,539,760	1,437,140
Other transactions initiated on the floor—					
Total purchases	May 19	302,120	354,410	268,430	254,710
Short sales	May 19	24,450	23,400	27,700	33,760
Other sales	May 19	328,390	367,300	290,460	256,600
Total sales	May 19	352,840	390,700	318,160	290,360
Other transactions initiated off the floor—					
Total purchases	May 19	650,685	653,390	608,443	525,405
Short sales	May 19	68,990	89,090	63,310	65,000
Other sales	May 19	612,253	695,550	746,185	566,019
Total sales	May 19	681,243	784,640	809,495	631,019
Total round-lot transactions for account of members—					
Total purchases	May 19	2,537,665	2,720,350	2,343,403	2,151,045
Short sales	May 19	370,960	462,830	381,230	370,180
Other sales	May 19	2,237,963	2,417,980	2,286,185	1,988,339
Total sales	May 19	2,608,923	2,880,810	2,667,415	2,358,519
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	June 5	114.2	*114.3	113.9	110.0
Farm products	June 5	90.8	90.7	88.8	90.8
Processed foods	June 5	102.2	102.6	100.8	104.0
Meats	June 5	82.9	83.2	76.8	87.8
All commodities other than farm and foods	June 5	121.5	*121.6	121.8	115.5

*Revised figure. ¶Includes 909,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,000 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,319 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of April:			
Total gas (M therms)	6,678,181	7,811,721	5,861,760
Natural gas sales (M therms)	6,307,662	7,395,846	5,529,661
Manufactured gas sales (M therms)	29,078	44,209	47,154
Mixed gas sales (M therms)	341,441	371,666	284,945
AMERICAN ZINC INSTITUTE, INC.—Month of May:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	81,238	88,664	86,177
Shipments (tons of 2,000 pounds)	6 ,568	a80,7 5	97,572
Stocks at end of period (tons)	59,577	47,907	63,184
Unfilled orders at end of period (tons)	34,003	46,106	70,084
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE — Month of April (000's omitted)	$707,000	$1,607,000	$669,000
COAL OUTPUT (BUREAU OF MINES)—Month of May:			
Bituminous coal and lignite (net tons)	44,770,000	40,580,000	*38,336,000
Pennsylvania anthracite (net tons)	1,997,000	2,233,000	1,997,000
COKE (BUREAU OF MINES)—Month of April:			
Production (net tons)	6,633,363	*6,896,593	6,130,916
Oven coke (net tons)	6,379,919	*6,625,374	6,013,542
Beehive coke (net tons)	253,444	*271,219	117,374
Oven coke stock at end of month (net tons)	1,742,772	*1,673,648	2,485,179
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of April:			
Cotton Seed—			
Received at mills (tons)	15,863	38,263	12,780
Crushed (tons)	387,296	496,535	318,041
Stocks (tons) April 30	523,106	894,539	705,100
Crude Oil—			
Stocks (pounds) April 30	123,785,000	155,007,000	106,593,000
Produced (pounds)	136,275,000	170,524,000	110,834,000
Shipped (pounds)	159,085,000	193,507,000	125,217,000
Refined Oil—			
Stocks (pounds) April 30	416,113,000	396,811,000	562,020,000
Produced (pounds)	148,190,000	180,538,000	117,110,000
Consumption (pounds)	116,480,000	148,382,000	119,302,000
Cake and Meal—			
Stocks (tons) April 30	258,381	250,690	273,098
Produced (tons)	179,398	229,954	154,119
Shipped (tons)	171,707	199,479	159,930
Hulls—			
Stocks (tons) April 30	138,171	140,675	56,039
Produced (tons)	89,292	113,352	70,582
Shipped (tons)	91,796	111,642	81,977
Linters (running bales)—			
Stocks April 30	197,793	208,617	285,687
Produced	111,065	149,181	101,903
Shipped	121,889	140,983	133,514
Hull Fiber (1,000-lb. bales)—			
Stocks April 30	687	745	442
Produced	599	832	178
Shipped	657	673	185
Motes, Grabbots, etc. (1,000 pounds)—			
Stock April 30	4,713	5,115	3,983
Produced	856	1,263	988
Shipped	1,258	1,370	1,341
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM — 1947-49 Average=100—Month of May:			
Adjusted for seasonal variations	123	122	117
Without seasonal adjustment	121	113	116
METAL OUTPUT (BUREAU OF MINES)—Month of March:			
Mine production of recoverable metals in the United States:			
Zinc (in short tons)	46,878	*42,671	45,216
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of May:			
Copper (per pound)—			
Domestic refinery	45.531c	46.161c	35.700c
Export refinery	43.118c	46.964c	36.187c
Lead—			
Common, New York (per pound)	16.000c	16.000c	15.000c
Common, East St. Louis (per pound)	15.800c	15.800c	14.800c
‡‡Prompt, London (per long ton)	£111,545	£115,713	£103,173
††Three months, London (per long ton)	£109,847	£114,938	£103,000
Zinc (per pound)—East St. Louis	13.500c	13.500c	12.000c
††Zinc, London, prompt (per long ton)	£94,818	£98,241	£89,685
††Zinc, London, three months (per long ton)	£92.881	£96.806	£83.250
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.750c	90.875c	88.928c
Silver, London (pence per ounce)	78.892d	78.781d	77.214d
Sterling Exchange (check)	$2.80758	$2.80772	$2.79588
Tin, New York Straits	97.038c	99.310c	91.380c
§§Tin—New York, 99%	96.038c	98.310c	90.380c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$265.231	$266.560	$302.920
¶Antimony, New York boxed	36.470c	36.470c	31.970c
Antimony (per pound) bulk, Laredo	33.000c	33.000c	28.500c
Antimony (per pound) boxed, Laredo	33.500c	33.500c	29.000c
Platinum, refined (per ounce)	$104.154	$103.000	$78.500
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97	$2.60000	$2.60000	$2.60000
Aluminum, 99% plus ingot (per pound)	25.900c	25.900c	23.200c
Magnesium ingot (per pound)	33.750c	33.300c	28.500c
**Nickel c	64.500c	64.500c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
NEW CAPITAL ISSUES IN GREAT BRITAIN-MIDLAND BANK LTD.—Month of May	£21,128,000	£25,390,000	£27,122,000
ZINC OXIDE (BUREAU OF MINES) — Month of April:			
Production (short tons)	13,750	15,281	14,303
Shipments (short tons)	11,760	11,596	15,440
Stocks at end of month (short tons)	18,921	16,931	14,823

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colburne, U.S. duty included. ‡‡Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c. (a) Corrected figure.

Our Reporter's Report

Investment demand reveals little sign of quickening judging from the reports of those who are charged with the task of distributing new corporate securities.

The major outlets for such securities, the life insurance companies, still do not appear to be in any rush to come into the market. Quite to the contrary, they seem to be leaning in the other direction as they have been for some months now.

Presumably these huge institutional investment organizations are finding steady outlets for their funds in taking down commitments made as long ago as three to six months.

Meanwhile, the secondary bond market continues to give the appearance of underlying firmness. But it doesn't get anywhere. Interest is light and dealers report portions of issues brought out in the last several weeks are still available to buyers.

Consensus seems to be that the rank and file are disposed to sit back and wait for the Treasury to give some indication of how it intends to go about handling the huge refinancing which it faces late this summer.

Most people are of the belief that the Government agency cannot wait much longer before revealing at least some inkling of what it has in mind to offer holders of the $12.5 to $15 billion of maturities due at that time.

Big ATT Issue Ahead

Although still the better part of a month ahead, it may be that American Telephone & Telegraph Co.'s projected huge issue is beginning to influence the market.

Normally with an issue such as this, $250 million, in the offing, investors are inclined to go slow pending an insight into the effect of such a large undertaking on the general market.

Telephone's big one, which will provide funds for betterments and improvements in the Bell System, will be dated July 1 next and will mature in 34 years. The company has set July 10 as the tentative date for opening of bids.

Fair Calendar

Next week promises a fair amount of activity, helped along by the fact that the majority of issues of any size will be coming to market through negotiated deals rather than competitive bidding.

And the Calendar assures a rather marked degree of diversification. Monday will bring out Capital Airlines' offering of $12 million of debentures. On the same day Pacific Gas & Electric will open books on its offering of 812,791 shares of stock which must be made first to shareholders. Bankers, however, will stand by to take up any unsubscribed portion.

On Tuesday, Public Service Co. of New Hampshire will open bids for $8 million of bonds while on Wednesday a banking group will market $25 million bonds of the Commonwealth of Australia and another syndicate will offer $15 million of convertible debentures for Combustion Engineering, Inc.

Could Be a Hint

There was a tendency in some quarters to look upon Federal Reserve Board Chairman William McC. Martin's references to member bank reserve requirements as perhaps a "straw-in-the-wind."

Reports current for a fortnight that the Federal might be expected to act to ease things moneywise have gained credence since its open market operations in that period have been definitely in that direction.

But Mr. Martin's expressed belief that member bank reserve requirements "may be too high" should serve as added confirmation. Any lowering of such requirements as hinted, would naturally add to the supply of available funds and influence interest rates accordingly, it was observed.

Reynolds Group Offers Two Secondaries

An underwriting group managed by Reynolds & Co., Inc. and Dillon Read & Co. Inc. is offering publicly today (June 14) 67,595 shares of Reynolds Metals Co. common stock at $70.50 per share and 193,500 shares of United States Foil Co. class B non-voting common stock at $48 per share.

None of the proceeds of these issues will accrue to either Reynolds Metals or United States Foil since all shares currently offered are presently outstanding. In both offerings the sellers are the Estate of R. S. Reynolds, which is obtaining funds to meet tax obligations and other administrative expenses, and Mrs. Julia Louise Reynolds, widow of R. S. Reynolds.

Reynolds Metals Co. is the second largest American producer of primary aluminum and is engaged in aluminum fabrication. The company has reduction, alumina and fabrication plants in many parts of the country and substantial deposits of bauxite in Arkansas, Jamaica, Haiti and British Guiana.

Net sales of Reynolds Metals Co. were $384,887,793 for 1955 and $105,578,452 for the three months ended March 31, 1956. Net income for 1955 was $34,306,521, and net income for the first three months of this year after preferred dividends was $12,621,405.

United States Foil Co., with a subsidiary, owns a majority of the common stock of Reynolds Metals Co., along with other investments. The market value of Reynolds Metals common stock held by U. S. Foil was approximately $328,000,000, based on recent New York Stock Exchange quotations.

Total revenues of United States Foil in 1955 were $2,650,149, of which $2,396,677 represented dividends received from Reynolds Metals, and net income was $2,302,615. For the three months ended March 31, 1956, revenues were $603,397, including $599,367 in Reynolds Metals dividends and net income was $533,323.

Among the other underwriters are: Blyth & Co., Inc.; Eastman, Dillon & Co.; Goldman, Sachs & Co.; Harriman Ripley & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Union Securities Corp.; White, Weld & Co.; Drexel & Co.; Hemphill, Noyes & Co.; Hornblower & Weeks; Paine, Webber, Jackson & Curtis; Bache & Co.; Clark, Dodge & Co.; Dominick & Dominick; and Laurence M. Marks & Co.

With Hutchins, Parkinson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Paul S. Vaitses, Jr. has joined the staff of Hutchins & Parkinson, 27 State Street, members of the New York and Boston Stock Exchanges. Mr. Vaitses was formerly with Minot, Kendall & Co., Inc.

Jackson & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Ernest J. Mooney is now with Jackson & Company, Inc., 31 Milk Street.

COMING EVENTS

In Investment Field

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 (New Jersey)
Bond Club of New Jersey spring outing at Echo Lake Country Club, Westfield, N. J.

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 (Atlanta, Ga.)
Georgia Security Dealers Association 20th annual summer outing at the Capital City Country Club (Brookhaven).

June 22, 1956 (New York City)
Municipal Bond Women's Club of New York annual outing at Morris County Golf Club, Convent Station, N. J.

June 22, 1956 (New York City)
"Syndicats" annual outing at Echo Lake Country Club, Westfield, N. J.

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 23, 1956 (Chicago, Ill.)
Bond Traders Club of Chicago 30th annual field day at Nordic Hills Country Club.

June 29, 1956 (New York City)
Investment Association of New York annual outing at the Sleepy Hollow Country Club, Scarborough, N. Y.

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.

Bankers Trust Group Awarded $50 Million California Bonds

An investment banking group headed jointly by Bankers Trust Company, The First National Bank of Chicago, and Halsey, Stuart & Co., Inc., was awarded on June 13 an issue of $50,000,000 State of California veterans' loan bonds, series H, maturing Feb. 1, 1958-1977. The group's bid named a net interest cost of 2.29555% for coupons of 5, 2 and 2¼%.

The Bankers Trust Company is offering the issue (Moody's—Aa, Standard & Poor's—A1+) publicly at prices scaled to yield from 1.80% to 2.35%. The 1973-1977 maturities may be redeemed on or after Feb. 1, 1972 at the principal amount plus accrued interest.

The veterans issue will assist California war veterans in the purchase of farms or homes, the cost of which must be repaid to the state on an amortized purchase plan. The bonds are general obligations of the State of California under the Veterans' Bond Act of 1954 and are payable out of the general funds of the state.

Among the other underwriters are:

Guaranty Trust Company of New York; J. P. Morgan & Co., Incorporated; Lehman Brothers; Drexel & Co.; Chemical Corn Exchange Bank; The Northern Trust Company; Continental Illinois National Bank and Trust Company of Chicago; Kidder, Peabody & Co.; Blair & Co., Incorporated.

The First National Bank of Boston; The Philadelphia National Bank; Eastman, Dillon & Co.; Stone & Webster Securities Corporation; Phelps, Fenn & Co.; White, Weld & Co.; Salomon Bros. & Hutzler; Paine, Webber, Jackson & Curtis; Mercantile Trust Company, St. Louis; American Securities Corporation.

Alex. Brown & Sons; Dominick & Dominick; First of Michigan Corporation; Hallgarten & Co.; Laidlaw & Co.; Lee Higginson Corporation; F. S. Moseley & Co.; L. F. Rothschild & Co.; Schoellkopf, Hutton & Pomeroy, Inc.; Stroud & Company, Incorporated.

First Boston Group Offers Boston Edison 4.25% Preferred Stk.

The First Boston Corp. and associates are offering 180,000 shares of Boston Edison Co. 4.25% cumulative preferred stock (par $100) at $101.62½ per share. This is the first time that Boston Edison has offered preferred stock in the 70 years of its existence.

The proceeds from the sale of these shares of preferred stock are to be applied to the payment of short-term bank debt incurred for construction.

Boston Edison supplies electricity in the cities of Boston, (except the Charlestown district), Somerville, Newton, Chelsea, Waltham and Woburn, in the towns of Brookline, Arlington, Watertown, Framingham, and in 30 other smaller towns in eastern Massachusetts, covering an area of about 590 square miles within 30 miles of Boston with a population of approximately 1,444,427. The company also supplies electricity in bulk to 10 electric companies and municipalities.

For the 12 months ended April 30, 1956, total revenues of the company amounted to $94,911,431 and net income to $9,235,982 compared with revenues of $91,486,164 and income of $9,232,282 for the calendar year 1955.

Washington ... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Come, you little kiddies of the investment world, and let's go visit Santa's workshop. Let's see all the new toys which the bearded gentleman is fashioning for the current season.

Santa wants you to know about these things. Santa wants you to like them. For if you of the investment world do not like the new toys Santa is making for you to play with, then Santa can't do all the thousandfold good things he is dedicated to doing. For most of these things involve money; in fact they involve loans. Santa wants you to see what these toys are so you can use them.

And you wouldn't want to disappoint Santa, for he works 30 hours a day (the extra six hours he puts in doing good things for the foreign poor).

There is that new housing program, for instance, with so many new loan gadgets. This has passed the Senate, will be before the House when the leadership gets to it, and one way or another, most of this will be in the final bill.

Elderly Housing

One of the newest gadgets is a new FHA program for insuring loans to house elderly persons. It has two parts. One is insurance of sales housing. The other is insurance of rental housing. It is a whole brand new FHA title, and don't forget that just because new spendlend schemes come off the Washington assembly line faster than cars out of the motor factories at Detroit.

This sales housing is something. It permits loans to 100% of value, and the loans can run for 40 years. The elderly couple of 65, monthly social security check in hand, need put only $200 down, and this can go toward insurance, real estate taxes, and closing charges as far as it will.

Since nobody who lives in a house for which some one else has put up all the money, owns a dime's worth of true equity in it until he has occupied it several years, this would seem to mean that the government is forecasting a new lengthening in the average life span of the elderly. It may be doubted, however, that the government sincerely expects the average couple to live from age 65 to age 110 in order to carry the payments on that 40-year loan to maturity.

Rental Housing

For the FHA insurance of rental housing, there are two types. One is insurance through some non-profit organization (if any can be found) to 100% of value for 40 years of repayment. Now if some one just should be smart enough to figure out an economical way to build rentable housing cheap enough and attractive enough to house the elderly and make a profit on it, then FHA will insure up to only 90% of the cost. The profit motive is vicious, and the government seeks to discourage it in this respect, whilst praising the private enterprise system publicly.

The investment world, however, will have to be keenly alert if it ever expects to get its hands on any of this choice paper for either rental or sales housing for the elderly, and stash it away in its portfolios.

Creates Public Housing

That is because Congress thoughtfully created a "revolving fund" of $50 million under which the Federal National Mortgage Association, which is the same Santa in a different suit, can "support," i.e., buy these mortgages, i.e., put up the money for them himself.

In other words, the whole new title is a patent sham. This becomes to all practical purpose, through a tortuous hocus-pocus similar to that with military housing, for getting around the budget. In substantive economics, it is public housing through a not opaque disguise. The investment world will have to content itself with buying the government securities which makes this hocus-pocus possible.

This FNMA Kitty

Congress just loves this FNMA kitty and so does the Administration, if a little less amorously. With respect to cooperative housing, it put in a similar "revolving fund" and so phrased it that the amount of money only goes in, doesn't have to revolve out before going back in. The practical fact is that the Treasury must provide all the money through the FNMA shell act, for any cooperative housing that cannot borrow from an insurance company or other institution.

The new Senate bill creates another unlimited FNMA commitment for another new program, by a seemingly technical error in the FNMA "support" provision. The new program is for FHA Title II housing for civilian personnel deemed essential for employment at military and atomic energy installations. The government again is going to build houses for these people, and again with the FHA gadget to get around the budget.

Tricks Numerous

It would take a young book to describe even briefly all the new gadgets Santa, at the moment in the guise of the Senate, has worked into that Chamber's version of the new housing bill.

The way the Congress, with the blessing for the most part of this Administration, is chipping away at the freedom of private institutional lenders, is simply breath-taking. Much of the funds people have saved in insurance, pension funds, and banks, is to be disbursed for governmental purposes, on terms set by the government, and with a return limited to that which the government in its generosity will pay.

What amazes the comparatively few observers who see this fast game going on, is that so few people in private finance have observed it or, if they have, have not raised any really thunderous objection. In effect, the persons who have saved their money or, as through pension funds have had it saved for them, are deprived to some considerable degree of the control over their money. The institutions to which they have entrusted these funds are likewise being each day deprived of an increasing margin of discretion in its investment.

The government has been raising Ned about the looting of pension funds by racketeers. Yet unless all these softer and softer mortgage loans miraculously pay off, the government itself will be an eventual substantial looter of funds—from the outside.

Admits Purpose

A remarkably frank admission of the purpose of getting around the budget has come to light. It is from R. B. McLeaish, Administrator of the Farmers Home Administration.

(This is the agency which insures, so-called, mortgage and other loans. The government approves the loan, handles the collateral, collects the payment, even writes out the note. All the private institution does is disburse the proceeds, and the loan in turn is government-guaranteed. The government even contracts to take a 40-year mortgage loan it "insures" off the hands of the private institution any time after five years the latter requests it.)

"We have strongly felt that by tapping the funds that are available from local banks, insurance companies, pension funds, and similar sources, we could increase the amount available for real estate loans and at the same time decrease the demands on the Federal Treasury," Mr. McLeaish said in a speech in May to the Federation of National Farm Loan Associations.

Gets More Power

Farmers Home, incidentally, appears to be on the way to getting from Congress still more power to insure more loans to tap further the savings of the country.

The House Committee on Agriculture approved a Farmers Home bill permitting the agency to insure mortgage loans for refinancing other (and presumably private) debt, to an initial limit of $50 million a year for each of the next three years. Obviously no such temporary authorization, once inacted, remains temporary in fact. Such is the nature of government.

Part-Time Farmers Eligible

One of the real coups of the Farmers Home, however, will be the getting of power to make loans to part-time farmers. Heretofore, the House committee has opposed this request of Agriculture Secretary Benson, on the theory it would make it easier for city persons to go into part-time farming and add to the creation of farm surpluses.

Such opposition has not been apparent in the Senate Committee on Agriculture. Since the House capitulated to this demand, it is likely to be enacted. Thus Farmers Home may both make direct government loans and insure institutional mortgage loans on the real estate of part-time farmers.

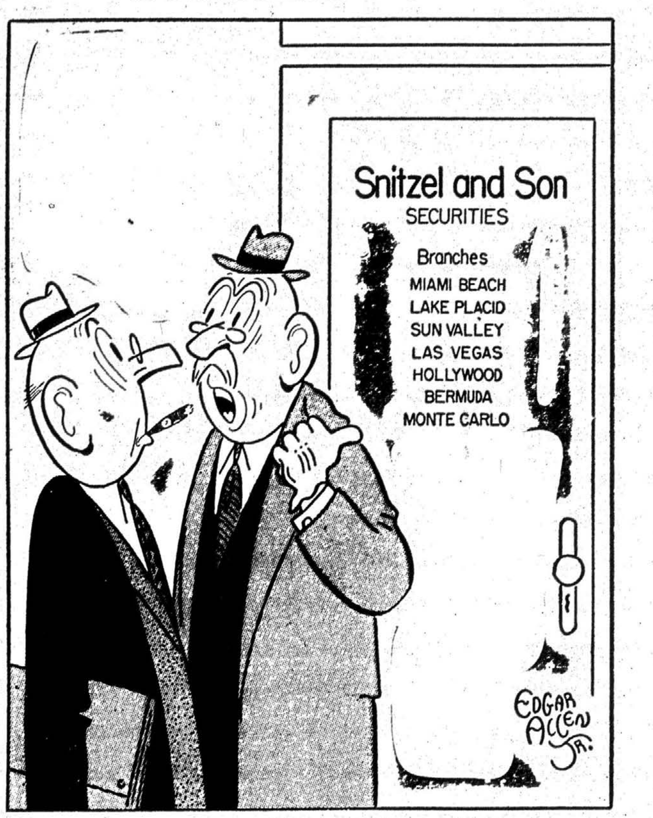
This is part of the current Administration's kit of tools for raising by the bootstraps, the income of the "low income farmers." Farmers Home provides as paternalistic a care of its wards as the Resettlement Administration launched by Rexford Guy Tugwell under Roosevelt. The farmer submits to the "advice" of Farmers Home officials on how to develop his farm.

$65 Million For Free-Wheeling

This same House committee approved a bill which boosted from $15 to $65 million the direct Treasury funds Farmers Home may lend for almost any purpose any where with virtually no statutory restriction on its use. These are termed "special emergency loans," and are in addition to two other types of emergency loan funds, such as those to help the victims of droughts, floods, or tornadoes.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"I HAD to locate in those areas—only way I could get my lounge-lizard son to inspect the branches!"