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EDITORIAL

As We See It

Whether the Kremlin is "winning the cold war," as political opponents of the Administration and as other critics would have us believe, we do not profess to know. The situation in which the world finds itself today is confused and uncertain. It may be years or even decades before anyone may know with certainty what the net of all the cross currents is to be. It is quite certain, however, that we are not doing particularly well and have not done well for a decade or more in our dealings with the remainder of the world. Those who have in past years insisted that our role should be that of a power devoted to the enforcement of a sort of Pax Americana analogous to the Pax Britainnica which Britain is supposed to have imposed upon the world for a long period of years may have been right—assuming the requisite wisdom on our part—but there is nothing in our recent record to suggest that we could play such a role with success.

As things now stand we do not stand well with many nations of the earth, and we are uncertain in our own minds what to do next. We have been generous to a fault with our treasure and our blood, yet few seem particularly grateful. All too often we have appeared to be trying to buy the friendship of various peoples who have proved to be willing enough to accept our dollars, but who seemed to feel no obligation to follow our lead. We have warned of imperialist designs by other countries only to have the world—or im-

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Observations on Economic Trends in U.S. and Abroad

By ROY L. REIERSON*
Vice-President and Economist,
Bankers Trust Company, New York

Prominent bank economist maintains that although the international economic picture is more encouraging than at any time since the Nineteen Twenties, it is clouded by some troublesome new problems, as shortages of industrial raw materials, plant capacity and social capital. Doubts theory that cyclical fluctuations have been entirely displaced by smooth succession of rolling readjustments. For future, questions whether rapid investment expansion can be maintained, and the world has acquired permanent immunity against the business cycle. Hence, urges policies based on assumption that fluctuations ahead will be greater than during past decade

The international economic picture in general appears more encouraging than at any time since the end of World War II or for that matter, since the onset of the Great Depression. Business activity, employment and output have expanded around the world; standards of living are advancing; world trade continues to grow and, bit by bit, restrictions on trade are being liberalized. Monetary reserves are increasing; progress has been achieved in the fiscal field and, in many important countries, credit policy has again become free to contribute to economic stability. Thus, although not all countries have shared equally in the economic expansion of recent years — especially in some of the underdeveloped parts of the world— standards of living are still abysmally low and there is little evidence of improvement. Yet the major industrial nations in the past few years have made real and notable progress. This


Roy L. Reierson

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*An address by Dr. Reierson before the Ninth International Banking Summer School, Rutgers University, New Jersey, July 12, 1956.

Unions Lower Wages

By NEIL CAROTHERS
Dean Emeritus, School of Business Administration,
Lehigh University

Dr. Carothers maintains economic forces, not unions, determine general wage level; raising wages of one group does not help all other groups; and terms it an erroneous notion that employers set wages at lowest level possible. Avers increased productivity is wholly due to improvement in machinery, contrary to propaganda that attributes it to workers themselves. Says if unions were essential to obtain wage increases, unorganized two-thirds of workers would have been on subsistence levels for 100 years. Holds chief aim of unions is to increase members' wages to levels they could not earn in competition with unorganized majority of workers who suffer thereby. Contends low income groups would enjoy a higher standard of living if there had never been a labor union.

It is an unhappy fact that a large proportion of the human race will believe any statement that is repeatedly made by supposed authority, however false the statement may be. For thousands of years people believed that the world was flat. Authority said so.

In all the range of human affairs it is in the area of economics that people are most fooled by subsidy hunters, special interest lobbyists, demagogues, and ignoramuses in high place. Economics is a science. But, admittedly, it is an inexact science. The reason for this is the complexity of the industrial system. In America there are about four million separate enterprises, interlocked in a gigantic productive process governed by forces of prices, credit, and investment of incredible complexity. In this almost impenetrable maze of forces, the first effect of an


Neil Carothers

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 32.

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.)

LEON LEVY
Partner: Oppenheimer & Co., New York City
Members New York Stock Exchange

Roosevelt Field, Inc.

Over the past six months the search for capital gains opportunities has intensified. The listed securities market appears to have been picked—over again and again. With security prices generally reflecting predictions of an extremely favorable long-term economic outlook, only those more subtle investment opportunities, which defy casual analysis, have escaped a great deal of investor attention.


Leon Levy

Roosevelt Field, with its common stock currently trading at 15 on the American Stock Exchange, appears to be such a relatively unnoticed company. Since 1950, when Webb & Knapp acquired working control interest from Avco Mfg., the corporation has been in its development stage. Today, however, it is evident that the foresight and amazing real estate sense of Webb & Knapp's Zeckendorf have, in this six year span, turned an unprofitable 360 acre Mineola airport into an extremely valuable piece of developed property.

When completed the field will be divided into three separate units: (1) An industrial area which will include two million square feet of factory space occupied by such prime tenants as Sperry Rand, American Bosch, Reeves Instruments, Pepsi-Cola Bottling Co. of Long Island and many others: (2) A development of commercial office buildings; (3) The nation's largest shopping center. This transformation from airport to complete suburban business unit has involved tremendous rezoning problems, the construction of highways—including the Meadowbrook Parkway with its traffic-tieup easing cloverleaf in the center of Roosevelt Field, and a complete store construction and long-term rental program for prime shopping center tenants.

The casual investor would note that Roosevelt Field has lost money for the last several years, at the end of 1955 had a total profit and loss deficit of over $1 million, and that the book value per share of common stock is less than $1.50. With the opening of the shopping center on Aug. 22, however, substantial income improvement is expected and the past unimpressive profit picture should brighten.

Also, the rapid population and commercial growth of Nassau County, location of Roosevelt Field, has brought about sharp increases in the area's land values. In fact, at the present time, real estate values for property adjacent to Roosevelt Field approximate $50,000 an acre. On this basis, Roosevelt Field's 300 net acres, subtracting that land which has been utilized for roadways, are worth in the vicinity of $15 million, or $17 plus per common share. It must be realized, however, that the value of land in the shopping center itself should be substantially greater than that of the surrounding area.

Thus, from the above it can be seen that the worth of an operation like Roosevelt Field, Inc. must be expressed in real estate terms rather than in conventional stock market terms, and we find the reason for the lack of investor attention: the operation is not easily understood.

Near-term market interest should center about the shopping center opening. Because of the desirability of a Roosevelt Field location, leading stores have been willing to give considerably higher percentages of their gross sales as rent to the company than has been their custom in other shopping centers. At the present time long-term leases have been signed with such stores and chains as Macy's, Woolworth, Food Fair, Wallachs, Kresges, Thom McAnn, etc. An additional note of interest: management has not rented the entire center, feeling that even more favorable leases can be negotiated once it is in operation.

Annual minimum shopping center rentals should amount to about $2 million. Giving effect to percentage of sales agreements it could reach $3 million a year. When these rental figures materialize, Roosevelt Field's equity in the shopping center alone, based on current markets for real estate, could easily approximate the present total market price for the company's stock—$12,960,000. Thus, in effect the industrial area with its two million square feet of long-term leased space and the yet to be constructed commercial area are not even reflected in Roosevelt Field's current market quotation.

But that is not the whole story. Roosevelt Field also acquired some years ago an airport in Camden, N. J. — a few minutes from downtown Philadelphia. This land, proposed to be used for another shopping center, is worth substantially more than its acquisition cost. As another venture in developing large blocks of land, the company purchased Camp Ono — 700 acres in California's rapidly expanding San Bernardino Valley area.

Webb & Knapp, having added considerably to its initial purchase of Roosevelt Field stock by acquiring several thousand shares in the open market over a period of years, now owns approximately two-thirds of the entire equity. Mr. Zeckerendorf's past policies and public statements regarding Roosevelt Field would indicate that once fully developed, the corporation's properties could well be sold to other investors while Roosevelt Field would be used as a vehicle to again invest in and develop land which offers Webb & Knapp bright capital gains opportunities.

So, after five long years Roosevelt Field has finally reached the point where considerable earnings are imminent and results of the tremendous developmental effort can be reflected in actual operations. Increased investor interest, following the ballyhoo surrounding the August grand opening, could easily give the corporation's common stock a market value which far more favorably reflects its large underlying values.

DONALD STILLWELL WARMAN
Analyst, Granbery, Marache & Co., New York City
Members New York Stock Exchange, American Stock Exchange and Midwest Stock Exchange

Climax Molybdenum Company

In my opinion, Climax Molybdenum at current market prices has threefold attraction. It has splendid prospects for future growth of revenues and earnings; provides a good yield from its well protected current dividend rate; and by reason of its unusually abundant ore reserves, affords a large measure of defense against further inflation.


Donald S. Warman

The beginning of the full realization of the potentialities of the company's vast molybdenum reserves has had to await an increase in the demand for that metal. And secondly, Climax's output of, and profit margins on, molybdenum have been subject to the "leverage" created by the supply of molybdenum produced by the copper companies. Because such molybdenum is a by-product of copper mining, it is produced at such a low cost that its assured sales volume is limited only by the level of the demand for molybdenum. Hence, the amount of molybdenum that Climax can market depends upon the amount by which demand for molybdenum exceeds the supply of the by-product metal. Obviously, this situation is in turn reflected in the market price of molybdenum and the profit margins of Climax.

The key to the solution of the problem posed for Climax by the above factors has been provided by the growth of demand for molybdenum. As molybdenum demand has increased, the proportion of it that is supplied by the copper companies has decreased. As a result, the influence of by-product molybdenum upon Climax's operations and earnings has been diminishing.

The basic pattern of our present day economy is the technological progress which industry is continually recording. And in the course of this progress, industry is constantly being confronted with the need for new metal alloys — ones possessing properties which render them superior as to strength, to hardness, to corrosion resistance, and to relative immunity to the adverse effects of high temperatures. That molybdenum has already contributed greatly to the synthesis of metal alloys which meet these requirements, is shown by the record. That it will continue to do so to an increasing extent in the future seems clearly indicated. And in addition, there are the promising prospects for the further growth of non-metallurgical demand for molybdenum in such applications as lubricant additives, catalysts,

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Federal Reserve Policies Reflect Economic Trends

By WOODLIEF THOMAS*
Economic Advisor, Board of Governors of Federal Reserve System

In explaining Federal Reserve essential aims, limitations and results, the Board's advisor reviews recent economic and credit developments, and foresees the economy maintaining a high equilibrium level for the next six months, with less excessive credit expansion danger in meeting seasonal and growth credit demands. Mr. Thomas points out: (1) "There has at no time been a contraction in the total volume of bank credit" since the 1951 accord; (2) banks supply but a fraction of total credit, yet they exercise a strategic role due to new-money creation capacity; (3) principal argument for selective credit control; (4) importance of liquidity without dependence upon Federal Reserve; and (5) reserves are supplied to banks by extending Federal Reserve credit and not by using member bank deposits to purchase government securities. Shows credit structure includes other aspects than cost or quantity of money.

Monetary policy is — or should be — more a reflection of economic trends than the determinant of those trends, as is sometimes implied. Recently there has been much discussion of monetary restraint and "tight money" and some expressions of fear that the tightness of money might bring on a downturn in the economy. These fears do not adequately recognize that, under appropriate monetary policy, tight money is an evidence of prosperity, and occurs only when the resources of the economy are being fully utilized to meet current demands for consumption and investment and businesses and individuals are endeavoring to borrow to augment their incomes for additional expenditures. At such a time, demands for credit exceed the available supply of savings and consequently demands for goods exceed current output. Easy money correspondingly occurs when there exists a serious slack between total demand and total productive capacity. I shall endeavor to explain this relationship more fully and illustrate it by reference to recent economic developments.


Woodlief Thomas

Role of Monetary Policy

Principal aims and results of monetary policies, as exercised in this country by our regional Federal Reserve System and in other countries by central banks with varying powers, are to regulate the supply of primary reserves on the basis of which bank credit and bank deposits are expanded. This is an essential task, but is also a heavy responsibility because it can be used to foster inflation or to force deflation. The guides and instruments of monetary policy are not precise and they require a high degree of judgment in their application. Nor are they infallible in obtaining desired results. Policies and actions in other fields are always important and may be determining. Yet appropriate monetary policies are indispensable for sustained economic growth and prosperity.

In considering the role of Federal Reserve policy and of bank credit in the economic developments, it should be recognized that banks supply or channel only a fraction of the total credit needs of the economy. Department of Commerce estimates indicate that in 1955 the total of all debt—public and private, long-term and short-term — in this country showed a net increase of about \$50 billion, the largest growth for any peace-time year. Total loans and investments of commercial banks in the same year increased by less than \$5 billion. While there is some duplication and overlapping in the aggregate figure for all debt, it is evident that most of the credit needs are supplied from business and personal savings either directly or through the channel of various investment institutions. To this figure of debt investment, there should be added investment in equities—corporate stocks, business property, farms, and homes—not covered by debt.

Economic growth and fluctuations are determined or made possible by the flows of funds through various channels and into many uses. Bank credit plays a strategic role of greater importance than is indicated by the relative figures of quantity because the banking system has the capacity for creating new money that can be added to the income stream. It is essential that this creation of new money be kept in line with the productive capacity of the economy and with the desires of the community to hold cash balances in the form of deposits and currency. If the amount of money created is in excess of such needs, then the spending of the excess will have the effect of bidding up prices — the ultimate expression of inflation. An insufficiency of money creation can have the opposite effect, because the public will withhold savings

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*An address by Mr. Thomas before the Wisconsin Bankers Association Convention, Milwaukee, June 20, 1956.

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Meeting the Recession Challenge And Preserving Our Heritage

By ROGER M. KYES*

Vice-President, General Motors Corporation

In receiving the R.O.A.'s Distinguished Service Citation, General Motors Vice-President called for greatly increased efforts to surpass "the technological offensive that Soviet Russia and Communism are waging against America and the free world." Mr. Kyes makes 10 recommendations on building an even greater nation than we now possess and offers such observations as: (1) the two-dimensional "technological challenge of our times," to advance living standards and to meet successfully Russia's technological offensive; (2) increasing trained number of engineers and scientists; (3) our governments drift away from the people and their local and state governments; (4) the entry of Socialism during the last depression, and the faith developed in the "golden goose" said to reside in the U. S. Treasury; and (5) extent of economic illiteracy by teachers and students.

I should like to make some observations with respect to the civil elements of our society which are the foundations upon which military security rests.

...ger M. Kyes

Let us begin with the basic philosophy upon which our country was founded. Also let us examine the extent of our departure from these basic principles, as well as what may be considered the consequences of such action. Once these points have been established I should like to make some recommendations for the future benefit of our society and our country.

The settlers who established themselves on the shores of New England possessed in proportion to their numbers a greater mass of intelligence than was to be found in any European nation of their time.

They had received good educations, and many of them were known in Europe for their talents and accomplishments.

They brought with them a high sense of morality. But what most especially distinguished them was the aim of their undertaking.

*An address by Mr. Kyes before the Reserve Officers Association of the United States Convention, New Orleans, La., June 22, 1956.

They were not obliged to leave their country; the call that summoned them from the comforts of their homes was intellectual: and in facing the inevitable sufferings of exile their object was the triumph of an idea.

Puritanism was not merely a religious doctrine. It corresponded in many respects with the purest of democratic and republican theories. In fact, it was scarcely less a political than a religious doctrine.

Launching a More Perfect Democracy

It was the Puritans' first care to create an organized society by passing the Mayflower Pact. By this action the men and women who founded New England launched a democracy more perfect than any which antiquity had dreamed of.

In Europe political experience commenced in the superior classes and was gradually and imperfectly communicated to the other members of the social body.

In America there was a different concept. It may be said that the township was organized before the county, the county before the state, the state before the Union. Beginning with the people, each step of government was given only such powers as were relinquished by the elements of government closest to the people. Thus, authority and restraint were bounded by the people. It was they who achieved, in the laws which they promulgated in the first era of the American Republic, that fine balance between the rights and obligations of individuals which is an essential ingredient of a democratic system.

Our ancestors knew beyond a doubt that the elements of restraint and responsibility were vital to freedom, even though they were conscious that it was a human temptation to seek the fruits of freedom while shirking the responsibility of their culture. Then, too, they truly understood freedom.

To enjoy and preserve it, they knew it required solid character. That is why such emphasis was placed upon religion. They knew also that freedom is nourished only by the people aggressively exercising their rights of sovereignty. Every citizen and every class was dedicated to the sovereignty of the people above all else, including their own interests. Because every citizen valued and exercised his rights in colonial days, he refrained from attacking the rights of others.

Property Rights Were Defended

Our New England forebearers also recognized that judgment founded on knowledge was a keystone of freedom. The immediate attention the New England fathers paid to public education places the clearest light upon their original concept that in order to have a good democracy good citizens are essential. The kind of citizen they sought can be found in the preamble of the Massachusetts School Law of 1647. Its essence is in these words: "In America religion is the road to knowledge, and the observance of the divine laws leads man to civil freedom."

Because of the generative forces which sprang from the men and women of Colonial days, complaints against property rights, such as those which were so frequent in Europe, were unheard of in New England. Paupers were rare or non-existent. Everyone had property of his own to defend, and everyone recognized the principle upon which he held it.

Our forefathers did not believe in communal property. Also the tragedy of the first Virginia colony, which was founded upon communism, was deeply engraved in their minds.

Thus, we have from New England, the "cradle of America," a spirit and a philosophy of living which provided a firm foundation for a great nation.

As we delve into the history of the world, we find a record of the struggle between the individual and the state. Progress has been made when the individual has freed himself from the yoke of the state, and retrogression has taken place when the individual has faltered under its burden.

The Faults of "Isms"

The "isms" of history are the yokes borne by the individual. No matter what may be their design or type, two characteristics are common to all:

(1) They are parasitical as distinguished from productive.

(2) State ownership or control of the means of productive effort is their prerequisite.

Their parasitic nature is demonstrated by the fact that not one of them has ever been the basis for starting a successful economy.

Whenever the resistance of a society is lowered, the ideological buzzards descend from the sky intent upon the destruction of the sovereignty of the people as well as their individual freedom. We had just such an experience during the depression of 1932.

The United States emerged from World War I as a World Power. Because we were not prepared as a nation, particularly from the point of view of our economy, to assume the responsibilities thrust upon us, our American enterprise degenerated into a devastating depression. Our financial system

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The State of Trade and Industry

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

A noticeable decline in over-all industrial production for the nation as a whole occurred in the period ended on Wednesday of last week. It was also sharply below that of the similar week in 1955.

Plant closings for summer vacations considerably reduced the output of coal, automobiles, paperboard and food products during the week.

With respect to the steel strike, representatives of steel producers and the steel union after conferring with Federal mediators, agreed to resume contract negotiations at the close of the week. As the steel strike entered its third week, layoffs among railroad and trucking workers serving the steel mills rose sharply. Freight carloadings were at the lowest level since the beginning of 1954. Automotive producers reported adequate steel inventories for 30 days, but warehouse supplies of structural shapes and steel plates were limited.

The condition of employment in the week ended July 7, according to the United States Department of Labor showed that initial claims for unemployment insurance benefits rose to 316,700 from 215,400 the week before. The agency attributed little of the increase in claims by newly laid-off workers to the steel strike.

Strikers, the department noted, are not eligible for benefits. Part of the increase resulted from secondary effects of the steel strike in New York, Pennsylvania and New Jersey, it continued, but the main influence was filing by workers at plants closed for vacation. Claims normally rise the first week of July as workers ineligible for vacation pay file to determine their rights to insurance benefits.

Seasonal layoffs in apparel, textiles and food processing also contributed to increased new claims, the report revealed. Another factor was filing by workers who became eligible when the new quarter's wage credits became available July 1.

Insured unemployment declined by 74,800 to 1,091,300 during the week ended June 30, the department added. Figures cover workers eligible under state unemployment insurance laws and the unemployment insurance program for Federal civilian workers.

The dip in insured unemployment from 1,166,100 to 1,091,300 workers was the fourth straight weekly decline, the department pointed out. The total compares with 1,080,700 during the comparable week last year.

Seasonal hiring was a major factor in the decline, the department said.

Ominous overtones of the steel strike deadlock are jolting industry and government out of their pre-strike complacency. By end of this week, production losses will approach 7,000,000 ingot tons, with no sign of an early settlement, states "The Iron Age," national metal working weekly, this week.

Close observers are amazed at statements from so-called experts that the strike will not hurt the economy. Dave McDonald, steel union leader, has contributed to this illusion by telling strikers not to worry about lost wages; that they would have been laid off later anyway because there was too much steel in inventory. Some steel consumers are beginning to wonder where these inventories are hiding, this trade weekly declares.

The fact is that the strike has already begun to hurt the economy. Shortages of plate and structurals, apparent before the walkout, are hitting construction, freight car building and other dependent industries. Now bar and rod users are beating the bushes for what they can dig up.

What looked like comfortable inventories at the start of the steel strike will take on the outlines of an ant hill before the week is out. Hard pressed consumers are bombarding operating mills and warehouses with pleas for help. They are looking into foreign steel, too, this trade paper further notes.

There is not much help in either direction, or at least not as much as had been expected. The government has stepped in to earmark defense-vital steel shapes and alloys in both mills and warehouses. Foreign producers are up against it themselves and have little to offer United States consumers.

Administration leaders are taking an official hands-off attitude. But privately, they are greatly worried. Behind-the-scenes

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Observations . . .

By A. WILFRED MAY

THAT 28 BILLION DOLLAR QUESTION— FROM THE PSYCHOLOGICAL APPROACHES

With so much of the public discussion of our consumer finance situation continuingly reflecting special pleading and other bias, an article, *"INSTALMENT CREDIT—the $28 Billion Question,"* by Sidney E. Rolfe, in the July-August *"Harvard Business Review,"* is epochal. With complete reorientation of approach, Dr. Rolfe takes a new and thoroughly objective look at "an issue which divides economists, frightens financial analysts, challenges consumer motivation experts, and affects every businessman deeply." Quite newly affiliated with a leading instalment finance company (C. I. T. Financial Corporation) as economist, Dr. Rolfe rather wears his cap of holder of a Ph. D., former associate of the Economic Stabilization Administration, and lecturer in economics at Princeton and Columbia.

A. Wilfred May

As a matter of fact, Dr. Rolfe devotes major consideration to the impact of bias and other emotional facets on the question under discussion. In so doing he aptly makes an analogy between the practitioners of consumer credit and Kafaka's character in *The Trial*, who faces specifications and charges that are always shifting, usually for crimes to be committed in the future. Of our popularly raging battle about consumer financing which he feels is being fought beneath the level of consciousness, he says, "There is constant need to bring to the surface those unstated beliefs, assumptions, and preferences which color our questions and interpretations in consumer credit and indeed in every area of economic thought."

Facts and Biases—Pro and Con

Reminding us that from the same body of statistics about consumer credit reasonable men have drawn divergent conclusions, the author logically concludes that it is not the statistics themselves but the interpretation of the statistics which elicits the divergent opinions. Such difference he ascribes mainly to biases stemming from unconsciously and deeply held attitudes; and to differences or lack of clarity with respect to social objectives—that is, how credit fits into the concept of what is good and bad for society.

The bias against debt itself is traced back to the ancient Judaic law, which forbade lending; to the Catholic-medieval concepts of usury; to the Elizabethan drama with its pound of flesh; and to the recurrent Polonius-like strictures "neither a borrower nor a lender be." More in the economic area, he maintains that the anti-consumer debt bias in our own time may well be a holdover from very rational beliefs held since the late eighteenth century, when low-level consumption and high-level savings were necessary for growth of capital, whereas consumption was fastened with the sin of indulgence.

The prevalence of general anti-credit bias is cited, embodying the perennial fear that credit will create new problems in the future; also the bias of the "Happy Few" who fear other men's ability to administer their lives properly; and who see foolishness in their fellow man's debts; and the "bias of heights," that credit outstandings are too high, but with no ready answer to the question of how high "high" is.

The author emphasizes that it is usually someone *else's* debt that makes one anxious; the puritanical anxiety focusing on the ability of the debtor to run his life properly; with mistrust of the individual consumer's judgment about his consumption and credit use. In the psychiatric realm, Dr. Rolfe reasons that because it could be deemed patronizing to express such biases overtly, they are deftly *rationalized* in terms of national economic health, or one of its sectors as automobile or durable goods output, or the aggregate level of consumer debt.

To the author's great credit, he also lists *pro*-credit biases; as by those preoccupied with short-run sales, with "keeping the wheels turning," and with complacency about the future quality of credit based on past performance.

Factual Conclusions

Cutting through the various prejudices to the factual data, Dr. Rolfe cites the figures showing that during the five-year period from 1950 through July 1955, the percentage of accounts delinquent in the highest category—indirect loans for automobile purchases—has never exceeded 2.20% and has been as low as 1.24%; that automobile debt financed by direct loans from banks has the even better delinquency record ranging from a high of 1.48% to a low of 0.75% of accounts outstanding; that losses of sales finance companies have been less than ½ of 1% of receivables outstanding, and over the 20-year span of depressions, war, and prosperity, have never reached the 1% level; and that even the 1929 boom-and-depression entailed credit losses and related expenses on the part of the major units aggregating less than ⅔ of 1%. Discussing the consumer's debt behavior, he cites findings of the Survey Research Center of the University of Michigan, as supported by the Federal Reserve Board, showing that as many as 57% of American families have no consumer debt at all, that consumer debt is concentrated among the middle-income family group, that they refrain from "buying sprees" and, to the contrary, possess a backing of assets, including liquid assets, in excess of the debt outstanding, saved for a "rainy day."

Blind Spots

In the treatment of consumer behavior, Dr. Rolfe again exhibits unique intellectual honesty in adding the reservation that so little is really known about the consumer in our consumption

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Hudson and Manhattan Railroad—Sick Transit

By IRA U. COBLEIGH

Enterprise Economist

A review of this troubled transporter of commuters, with some conjecture about its possible reorganization.

The title for today's piece loses little in the translation. In Latin "sic transit" means so, or thus, passes. Well that's exactly what has happened to Hudson and Manhattan Railroad Company. It has passed the interest on its first and refunding mortgage bonds; it has passed the interest on its adjustment bonds for years; it has passed its preferred dividend for 23 years; and years have passed since the line showed a semblance of profit. So you'll pardon we trust, the opening quip "Sick Transit," since it merely describes a series of sad financial facts.

Ira U. Cobleigh

Well now, if this line is in such a sorry shape, what's to be done? Should its railway tunnel under the Hudson be abandoned, and given over to growing mushrooms or aging cheeses? (Caves and tunnels are wonderful for that!) Should the whole line be discontinued (this would require consent of I.C.C.), leaving a horde of Jersey commuters dependent on slow and sometimes fog-bound railway ferries, or bus trips through vehicular tunnels? Is there any solution? Let's take a look.

Hudson and Manhattan has a split personality. It is both a real estate company and a commuters' railroad. The real estate part is good—two big office buildings at 30 and 50 Church Street, New York, which have been doing progressively better since the war; and provide annual operating income, after depreciation, of around $1.2 million. This real estate is valuable; and, in addition to having kept the company alive, it could be sold today for perhaps $20 million. So much for the real estate. What about the railroad part?

In 1945 HXR carried 73 million passengers; last year around 40 million. For the first five months of 1956, net loss (railway deficit, combined with real estate income) was $655,865 versus a loss of $437,595 in the similar 1955 period; so no current financial progress is visible. The tunnel is theoretically a worthwhile thing. It stands in the books around $6 million, yet it could not be replaced today for $35 million. Still, it is not a very functional tunnel. It is too small (14 ft. diameter) to accommodate a standard railway freight car; and too narrow to be easily converted to vehicular use. It's curvy, and its present passenger cars are midget and vintage items, strangely out of place in our streamlined and rocket-minded age. There is a plan afoot to buy 50 new cars for $5 million. (The Pennsylvania RR., which jointly operates the part of the service from Jersey City to Newark, would buy 30, and H & M, 20). But this plan awaits the results of a pleading by the Trustee in Bankruptcy for granting of tax reductions by New York and New Jersey authorities.

There you have the general picture, all but the capitalization which follows: $942,000 first mortgage 4½s due 1957, $28.5 million of 1st and ref. 5s due also 1957 (market, 45); $16.8 in adjustment income 5s (with interest arrears of $732.50 on the back of each $1,000 bond) selling at 25; 52,429 shares of $5 preferred selling at 9½, and 399,954 of common quoted at 2½. Just where the value lies in these equities under present conditions is hard to calculate. But these are the appraisals in the market place of H & M. Multiply the prices out, and total them up, and you'll have to add millions in an asset to the balance sheet, called "optimism."

When you look back, at the sorry plight of certain receivership railway bonds and shares a decade ago you may, however, scratch your head and say, "Maybe this one can pull out of the red, too." Which leads us up to the conjecture or reverie phase of this piece. From here on blame only the author; for this is his pipe dream projection.

Let us assume we view this whole deal icily. The real estate is good, and it pays; so we'll keep it. The railroad is a money-losing turkey so we'll lay it off. We'll say to the I.C.C. and other public authorities, "We simply can't afford to run this road. We're going to abandon it!" (We'll create two separate corporations, the real estate one to keep, and the rail way one to lose or lay off.) Then comes the howl, "This is a public service. Thousands of daily commuters depend on H & M, and you can't abandon it." O. K. we say, "if this is so vital a public service that it requires to be run at a loss, do for it, what you did for New York City Subways, what you did for the (losing) Rockaway branch of the Long Island. Take it over under a public authority, possibly a new Interstate Transit Authority; operate it, and absorb the loss, on the grounds of public convenience and necessity." There's nothing new about such a proposal. There's no reason in the world why a private corporation should perennially subsidize a section of the public, without hope of recompense. So let the railroad section be taken over by a public operating authority which will deliver bonds to H & M in payment for tunnel, rolling stocks, fixed property, trackage franchises, etc. The amount of the bonds (tax exempt, of course) delivered would of course be subject to negotiation.

Another thought, and this as a practical suggestion to the new operators. The main trouble with H & M is that it has too short hauls. If it could only carry passengers 20 or 30 miles, maybe it could break even — or do even better. So why not negotiate a series of trackage deals with the railroads in New Jersey? Each week-day morning and evening, run some through trains between Raritan, N. J., and Hudson Terminal (or 34th St.) on the Central RR. of N. J.; Morristown and New York on the D. L. & W.; Suffern and New York over the Erie; and Rahway and New York over the Penn. The reduction or elimination of costly ferry service, in the case of each road (except the Penn), the running of fewer money-losing commuter trains, and the receipts from trackage rentals by each of the line-haul roads, would be most welcome. In fact such an arrangement, implemented by new stream-lined air-conditioned coaches on the H. & M., might woo thousands of commuters back from bus and private car travel; and create some significant earning power for this tottering transit line. Switching tracks on to the Penn are already in existence; feed lines into the Erie or D. L. & W. would be easy; and Central RR. (which has only a ferry line to N. Y. now) could be connected to H & M by a spur, not a mile and a half long, running from just west of Jersey City, south over the meadows to its main line.

If the foregoing seems to you too imaginative and fanciful a solution to the problems besetting H & M, then toss the whole thing off as an economic pipe dream. But if you pick it up point by point there is nothing especially illogical being advanced here. This line has a far brighter future as a potential earner than the new Rockaway subway division in New York, or the densely trafficked (snow in winter and sunshine in summer) main line of the New York, Ontario and Western! There is some residual value in almost everything. Even a stopped clock is right twice a day! Perhaps a way can be found to make H & M stop losing money. Tax reductions, modernization, and longer hauls may be the answer.

John C. Parker Opens

NATCHITOCHES, La.—John C. Parker is engaging in a securities business from offices at 126 St. Dennis Street.

With Columbia Secs. of Fla.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Abe Aranoff, Jack J. Hart and Gerald A. McDonnell have joined the staff of Columbia Securities Co. Inc. of Florida, 3898 Biscayne Boulevard.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Lewis F. Harder and John W. Ronnloff, Jr. have become connected with King Merritt & Co., Inc., Chamber of Commerce Building.

Walter Desser Adds

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla. — Joseph V. Miller and Leroy D. Roland have joined the staff of Walter Desser & Co., Broward National Bank Building.

With Roger Johnson

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Robert B. Stowman is now connected with Roger G. Johnson & Co., Professional Boulevard.

The Banker's Responsibility in Today's Unprecedented Economy

By DON H. WAGEMAN*

Chairman of the Executive Committee, Seattle-First National Bank, Seattle, Washington

Seattle banker proffers over and above the bankers' traditional responsibility to depositors and stockholders a greater economic responsibility to support a sound economy and to refrain from making "safe" and "money good" loans when it would conflict with a sound area or national economy. Mr. Wageman discusses such loan volume guidance criteria as loan ratio to deposits, and capital ratio to risk assets; defines "loanable funds," and compares the usefulness of secondary reserves with a spare tire. Advises bankers not to "oversell our inventory," consisting of money merchandise, and to be selective in order to maintain high business level and the delicate balance of our economy.

First, let us take a good look at "where we are" and "how we got this way." Let's go back to 1945 at the end of World War II when, as a result of war expediency, deficit spending, currency devaluation, and other economic maladjustments there was a very large credit base and reservoir of money in the banking system which was not being used by commerce, industry, and individuals. We have come a long way since then!

Don H. Wageman

Our Gross National Product (which is the total of goods sold and services rendered) has a little less than doubled, and private debt has considerably more than doubled, since 1945. As a result, we have reached a very high level of business activity in this country. We have put to work the idle funds which were in the banking system in 1945. The use of these funds, plus those created by their use, has increased loan totals until we now find the banks in a very tight money position—every dollar is working and at a rapid velocity.

The rate of growth or expansion of our economy has been more rapid then the growth of the money supply—in other words, we have been using up our excess. It would, therefore, seem reasonable to expect a leveling off period—a slackening in the pace of our expansion—a consolidation of our position.

This unprecedented high level of activity is very delicately balanced as has been evidenced recently by its sensitivity to some relatively minor happenings. It is extremely important that this delicate balance be maintained, and that is where our responsibility lies.

Bankers' Economic Responsibility

Banking, as you well know, is more than just lending money and getting it back. Of course, we have a duty to our depositors and stockholders to operate the bank safely and profitably; but over and above these commonly accepted responsibilities, there is another, even greater. That is our economic responsibility to use the funds entrusted to us in a manner which will amply support a sound economy and, equally, at the same time (and at the possible sacrifice of earnings) to refrain from making certain "safe" and "money good" loans when the purpose for which the loan is to be used conflicts with the interest of a sound economy for our own area, or for the nation. I say this is a greater responsibility, and it is, because if we, collectively, fail in this, then success in our other responsibilities will be shortlived and less effective than it should be.

Loan Policies

What kind of a loan policy can we adopt that will support our changing economy and maintain this delicate balance? Well, the answer is simple—but not easy. There are certain loans that should be made and others that should not, and there are many which are neither "black" or "white." Decisions are difficult and at times embarrassing. It is easy to say, "We must not make this or that certain loan because its use is inflationary"; but it takes real courage to say that kind of a "no" to a very valued customer; and it takes intestinal fortitude to sacrifice the profit which we would make from an otherwise acceptable loan. Nevertheless, what we, as bankers, of the nation do collectively is only a reflection, and an accumulation, of what we do individually; therefore, our seemingly minor day-to-day decisions are important; and together we do exercise a decided influence on the economic soundness of our state and the nation. We certainly are all in this together.

Let us not dwell overly long talking about loans which should not be made. Let us think about those that should be granted. In order to support the very high level which business has attained and to maintain the delicate balance of our economy, it is just as important to make those loans which are needed by our solvent customers in the pursuit of their usual and normal business as it is to refrain from making those which add fuel to the fires of inflation, or those which use for fixed investment funds that should remain available for day-to-day business.

Where to draw the line? That's the $64-billion question. Banking is not an exact science. It depends on human judgment—your judgment. If you accept this economic responsibility, you will sometimes say "no" to an application when possibly you said "yes" to a similar one a year ago. But I hear somebody say that this is a "vacillating loan policy, and nothing hurts a bank's customer relations more than a hot-and-cold loan policy." No, I say, this isn't a hot-and-cold loan policy, even though the uninformed might think so and, no doubt, do; but, as the old saying goes, "Things are not quite what they seem to be."

There is an unchanging loan policy which will operate within the framework of this greater economic responsibility. I think most banks, either consciously or unconsciously, adhere to it; and I think they should. Let me state it for you in a few words: "To supply all of the sound credit needed by our solvent customers in connection with their usual and normal business requirements." You can tear this to pieces, front and back; but it still is a loan policy which doesn't need to change—in fact, doesn't change. Conditions do change. The financial, management, or personal conditions of the borrower change, or the trend of his sector of the industry changes, or the economic climate changes. What was "sound" a few months ago may not be sound today. What was "usual" and "normal" a year ago may not be "usual" and "normal" today. In other words, a correct answer may be "yes" or "no" to the same question, but according to changed or changing circumstances.

Loan Volume

We hear a great deal about the very high level of loans which are being carried by the banking industry, and they are high — higher than ever before—so the question naturally arises, "How many loans should the banking industry extend?" Well, the obvious answer is "Enough to support a sound economy and no more!" But that makes the answer too simple. How many can we carry? Of one thing I am sure, "We can't carry enough to provide everyone with everything he wants — houses, automobiles, appliances, vacations, etc., with nothing down and forever to pay." Again, I remind you, the collective result is the cumulative total of individual decisions, so we must bring this question right down to ourselves. How many loans can your bank carry?

I realize that many of you have not yet attained a position of a policy-making level, so therefore, such a question is somewhat academic to you. Nevertheless, it is a question which is always before management; and you bankers of tomorrow will need to draw on the lessons of today just as we of today are drawing on the experiences of yesterday, making allowances as best we can for changed circumstances. Therefore, it is not inappropriate for you to be observing and studying policies and practices being advocated and used to meet the needs of this very interesting and stimulating era through which banking and our economy are passing today.

So, back to our question, "How many loans can your bank carry?"

The earlier practice was to relate loans to deposits and to say a bank was 40% loaned when its loans amounted to 40% of its deposits. Later, with the increase of public and banking holding of government bonds and the government guaranty of certain types of loans, it became a more accepted plan to describe an investment in, or loan secured by, such assets to be classed as a "riskless asset"; and for analysis purposes they may be deducted from total loans and investments. The remaining total of risk assets was then related to capital funds, resulting in what is called the "ratio of capital to risk assets."

These methods are valuable and good measuring sticks for the purpose intended, but we are now talking about the supply of money available. For this purpose I like to use another formula which rests on the primary premise that not all of our deposits are "loanable funds." I would suggest that "loanable funds" be determined in this manner: Take the aggregate of fixed investments, till cash, legal reserves, necessary balances in correspondent banks, and investment in bonds pledged to secure public funds; and deduct this sum from total assets. I choose to call the result by the name of "gross loanable funds." From this should be again deducted such an amount as each bank determines is appropriate for an investment account and/or a secondary reserve. The remainder I choose to call "net loanable funds." Now, let us relate our "loan total" to "net loanable funds" and see how much more we can comfortably allow our loans to increase. Let us not overlook the old-fashioned idea of a secondary reserve to take care of the outstanding loan commitments to our customers which are not now in use and the unforeseen credit needs of business or the decline of deposits in our bank or our area. We all carry a spare tire in our car; let's be sure we carry one in our business.

Economic Cycles

I am not one of those who believe that the business or economic cycle has been eliminated from our economy. I recognize the so-called stabilizers which have been built into our economy in recent years and admit that we have more knowledge and better weapons to combat economic instability than ever before, but I am not convinced that we have reached the utopia of an economy that will witness year after year of new all-time records of activity without some adjustments from time to time. Even though these adjustments shall be minimized, yet any such declines in business will result in errors of judgment, involuntary accumulation of inventories of both raw materials and finished goods, as well as a slowdown in the collection of receiveables at the manufacturing, wholesale, and retail levels. When this occurs, our customers will need more credit to tide them over the difficult period. Many of them will need assistance who have not been on our books as borrowers for years. We must maintain ourselves in a position to provide the additional credit they will then require.

We might compare ourselves to a merchant. We have an inventory of merchandise—money. We have our regular customers whose needs we must supply. We have only a certain amount of merchandise—we must not over-sell our inventory.

As an example of what can happen, let us take a look at the real estate mortgage money market. I don't need to tell you folks how tight that situation is. What happened? When the rate of savings dropped off and the supply of new funds declined, many mortgage lenders found themselves overloaned or overcommitted; and they were forced to cut back to such an extent that I am sure it was embarrassing to them, and of them found it necessary to decline loans that were perfectly in order and should have been granted. What caused this shortage of funds? Several things (including government action); but one factor was that lending practices in the mortgage field, generally, were somewhat less conservative than were conducive to a sound economy; therefore, the demand outran the supply — they oversold their inventory, they borrowed from tomorrow's market, and the spare tire was something less than sufficient to take care of the situation. As commercial bankers, let's not oversell our inventory.

Selectivity

What does this all add up to? It is being freely predicted that during the coming months loans will maintain their present high levels and there will continue to be a brisk demand for credit. We will probably have the opportunity to make all the loans we want and maybe more than those for which we have "loanable funds." Therefore, we must be selective. It is most important that we maintain ourselves in a position to grant those loans which need to be made to support our present high level of business and maintain the delicate balance of our economy. It is equally important that we decline to make those that freeze our deposits in long term unproductive loans or those which are inconsistent with efforts to control inflationary pressures.

Our problem resolves itself largely into the question of which type of loans to make and which to decline. I'm speaking now as a commercial banker. Our first responsibility is to support the day-to-day short term credit requirements of commerce, industry, and individuals. These must be met first. After this we can then decide how much, if any, we have left to provide the "investment" type of credit. By this I mean longer term loans for capital or fixed assets, expansion of facilities, real estate mortgages, and unproductive loans of all types. Loans for speculative purposes, of course, come way down toward the bottom of the list no matter how well secured they may be.

Right now, the demand for credit to finance expansion, acquisitions, buildings, heavy equipment, and other capital purposes is very great. The supply of funds available from investment sources which usually provide such credits cannot meet the demands.

Where is the money coming from? Applicants are turning to the banks. We, then, must determine how far we can go without impairing our ability to service properly the usual and normal needs of business.

Proper selectivity in the granting of credits today is of prime importance. Of course, quality selectivity is always necessary; but today selectivity as to use of proceeds is of equal importance. Our inventory must be "earmarked" or "classified" and distributed accordingly.

"Banking is more than just lending money and getting it back"—there is a greater responsibility to the economy of our community and the nation. Credit practices must be adjusted from time to time so that a basic unchanging loan policy is adequately and properly applied to changed or changing economic conditions.

*An address by Mr. Wageman before the Credits C[illegible] nual Convention of the American Institute of Banking, Dallas, Tex.

NYSE Study Analyzes Stock Transactions

Sharp increase in share volume by those under age 40; greater use of the Exchange by women; and evidence of wider small town and cities investment activity, is presented in the sixth of a continuing study-series conducted by the New York Stock Exchange. Study is said to refute "mistaken notion that margin transactions are synonymous with trading transactions."

Keith Funston, President of the New York Stock Exchange, said July 10, the Exchange's latest Public Transaction Study disclosed a sharp increase in the volume of business executed on the Exchange for people under 40, and for women, and signs of wider investment activity in smaller towns and cities.

G. Keith Funston

The Study, sixth in a continuing series, represents a photograph of the market on March 14 and 21 — some 86,000 transactions on the Stock Exchange were analyzed in detail.

"There appear to be two fundamental reasons," Mr. Funston declared, "for the substantial increase in the volume of business done by people under 40 years old. Younger people are evidently taking a greater interest in personal financial planning. In addition, surveys by the Exchange indicate that younger people are becoming more disposed to include stock ownership in their plans for the future."

The Exchange's President pointed out that share volume by people under 40 on the two day studied jumped to 16% of all volume by public individuals. In previous Studies the percentage for this group stayed close to 13% with no trend apparent. The number of shares bought and sold by the under 40 group was projected to 1,343,000 on March 14-21, considerably larger than in any previous Study and almost triple the first Study in September, 1952.

"The increased use of the Exchange's marketplace by women," Mr. Funston commented, "is not surprising in view of the preliminary findings of the Exchange's 1956 Census of Shareowners now nearing completion. For the first time women shareowners outnumber men — 52% against 48%."

Women bought and sold 1,989,000 shares on March 14 and 21, more than double their volume in the first Study in September, 1952. They accounted for 23.7% of all volume by public individuals.

"Grass-Roots" Capitalism

"Only two of ten major cities," Mr. Funston said, "showed percentage increases in volume by public individuals and institutions in March, 1956, as compared to June, 1955. Seven cities showed declines and one was unchanged. The decline in the relative amount of business originating in large metropolitan centers may indicate an increasing investment interest among people in small towns and cities.

"While the facts we have at hand thus far are not conclusive, the figures we do have could be interpreted as reflecting a further growth of a real grass-roots capitalism."

The Study, Mr. Funston stated, also has re-emphasized that the Exchange's market is used primarily by the public for investment purposes and that the use of credit in the market is conservative as measured by historical standards.

Study's Highlights

Highlights of the Study include:

(1) Public individuals again accounted for about 60% of total share vo'ume on the Exchange.

(2) The volume of shares bought and sold by and through institutions and intermediaries (such as banks, insurance companies, investment companies, educational institutions, pension funds, personal holding companies and estates) has increased in each successive Study.

On a percentage basis, this "institutional" business done on the Exchange March 14-21 was 16.4% of total volume, more than recorded in the two preceding Studies made in June, 1955, and December, 1954. It was 19.2% in March, 1954 and 20% in September, 1952, both periods when the daily reported volume averaged less than 2,000,000 shares. The most active of all institutional investors were commercial banks and trust companies, followed by mutual funds. Banks and trust companies accounted for 41.7% of institutional and intermediary volume, and mutual funds for 13.4%. Less than 30% of all "institutional" volume originated in New York City.

(3) The proportion of business from all sources outside the United States and Canada has risen steadily from about 3% of all public business, when first measured in 1953 and 1954, to 3.5% in June, 1955, and 4.1 in March, 1956.

Share of Major Cities Declines

(4) Of ten major cities, (New York, Chicago, Philadelphia, Los Angeles, Detroit, Cleveland, Boston, San Francisco, Pittsburgh and ewark), only San Francisco and troit showed percentage in ases in public volume as com ed to June, 1955. New York y declined to 29.6% from %, Philadelphia to 2.2 from 2.8, Pittsburgh to 1.1 from 1.7, Boston to 2.8 from 3.2, Chicago to 5.2 from 5.3. San Francisco increased to 1.8% from 1.7 and Detroit to 1.7 from 1.5.

(5) Texas, for the first time in any Study, accounted for more than 2% of public business, moving up to 2.1% from 1.7. Gains were also reported from New Jersey, Florida, Michigan, Virginia and California, among other states.

(6) Exactly 87% of share volume by public individuals represented short- and long-term investment transactions—about 60% represented long-term investment.

(Under the terms of the Study, a short-term investment is a transaction which has been or probably will be closed out between 30 days and six months. A long-term transaction is one which has been or probably will be closed out in not less than six months. A trading transaction is one which has been or probably will be closed out within a 30-day period, plus all reported short sales and purchases to close out short sales.)

(7) People with incomes of between $10,000 and $25,000 a year have steadily increased their proportionate participation in the market.

(8) Margin transactions by public individuals represented 21.7% of total share volume. About 80% of these margin transactions were for investment purposes, either short- or long-term. The remaining one-fifth represented trading transactions.

"These findings," Mr. Funston said, "should refute once and for all the mistaken notion that margin transactions are synonymous with trading transactions."

From Washington Ahead of the News

By CARLISLE BARGERON

The Republicans' main worry over the outcome of this year's elections — the farm problem — seems to be lifting with a steady increase in farm prices. They have gone up 11% in the past six months.

Carlisle Bargeron

They have never been seriously worried about Mr. Eisenhower carrying the farm states but farm unrest did threaten the loss of Congressmen and Senators. With the farm situation looking up, their predictions of recapturing control of Congress have more substance. Ezra Benson, the conscientious Secretary of Agriculture, is coming to be looked on with more respect.

He is undoubtedly one of the most unusual men ever to hold that office. It should have seemed clear to anyone who knew anything about agriculture that the road that was being followed when he took over was ruinous. It was leading inevitably to a situation whereby the Federal Government would be rationing poverty on the farms. But, notwithstanding Benson had the support of the more representative of the farm organizations, the Farm Bureau, he had an awful time turning this trend around.

Unlike his predecessors who wanted all the power they could gather, Benson would like to get the Federal Government entirely out of the farmer's affairs. He realizes that state will never be attained in this complicated world but it is an ideal he likes to keep before him.

As it is, he has won scarcely more than the battle of principle. That is to say, he won his fight for flexible price supports by which so-called parity will be moved up or down within a range of 75 to 90%, in accordance with supply and demand. But he has had to fix this year's supports pretty close to the 90% figure in order to win the principle. And there is little doubt that if the Republicans suffer severe losses in the farm areas this November there will be an almost irresistible movement to restore the high rigid supports. In that case the farmer will be right back in the position of having his acreage reduced year after year until it would seem the time would come when the farmer had little acreage left.

That is what has already happened among the burley tobacco growers. In order for a person to go into tobacco growing now he must purchase a quota from an existing grower. The majority of burley tobacco growers are held down to slightly more than half an acre on which he makes, however, under price supports, $5 or $600 a year. This seems satisfactory to the tobacco growers, though, because they vote for the system year after year.

A Farm Bureau economist has prepared a study of what would happen to other commodities if the tobacco formula were applied to them. It makes an appalling picture, yet that is the direction in which all agriculture was moving.

In spite of this, however, Republican Congressional candidates are still debating among themselves as to whether they want Benson to come into their districts during the camgaign or not.

One who has no worries of this kind is Senator Homer Capehart of Indiana. While his colleagues are wondering whether to tie their fortunes to Benson's kite, he has fashioned a kite of his own. He has his own solution to the farm problem. It would be to set up a "crash" research program to develop new uses for agricultural products. The Department of Agriculture has had a research agency ever since it was established, back, I believe, in Lincoln's Administration. But its emphasis has been on greater production.

Capehart would put the emphasis on developing new uses. His plan has caught on widely among the agricultural experts and the scientists generally. He got started too late at this session but if he is reelected, and the chances are he will be, his plan will be among the first orders of business in January.

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. 19) with comments on competitive atomic power, boron, lithium, nuclear weapons program, etc.—Atomic Development Mutual Fund, Inc., Dept. C, 1033 Thirtieth Street, N. W., Washington 7, D. C.

Banks and Trust Companies—Quarterly comparison of leading banks and trust companies of the United States—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Business Situation — Study — Tri-Continental Corporation, 65 Broadway, New York 6, N. Y.

Chilean Nitrate Industry—Discussion in July issue of "American Investor"—American Stock Exchange Investor, 86 Trinity Place, New York 6, N. Y.—On subscription $1 per year.

Foreign Letter—Circular—Burnham and Company, 15 Broad Street, New York 5, N. Y.

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

New York City Bank Stocks—Comparison and analysis for second quarter—Laird, Bissell & Meeds, 120 Broadway, 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.

Over the Counter Common Stock Handbook—Pamphlet—M. J. Reiter & Company, 60 Wall Street, New York 5, N. Y.

Over-the-Counter Securities—List, price grouped and industry designated—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Summer Investment Suggestions—List of 50 good quality equities—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y.

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American Home Products Corporation—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

American Marietta Company—Detailed analytical report—A. C. Allyn and Company, Incorporated, 122 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Sundstrand Machine Tool Co.**

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

Beneficial Standard Life Insurance Company—Special study—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is an analysis of **Nationwide Corporation.**

Blaw-Knox — Analysis — Mellott, Thomson, Pitney & Co., 29 Broadway, New York 6, N. Y.

Delhi Taylor Oil Corporation — Analysis — Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

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

Dominion Steel and Coal Corporation, Ltd.—Comprehensive report—Burns Bros. & Denton, Inc., 37 Wall Street, New York 5, N. Y.

Elk Horn Coal—Memorandum—Joseph Mellen & Miller, Inc., Union Commerce Building, Cleveland 14, Ohio.

Federated Publications, Inc.—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich. Also available are memoranda on **Tecumseh Products Co.** and **United Shirt Distributors Inc.**

C. G. Glasscock-Tidelands Oil Company—Report—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif.

Granduc Mines Limited—Analysis—C. M. Oliver & Company Limited, 821 West Hastings Street, Vancouver 1, B. C., Canada.

Harris-Seybold Company—Analysis—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Hilton Hotels Corp. — Analysis — Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Houston Oil Field Materials Company, Inc.—Statistical circular —Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Kelsey-Hayes Wheel—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are data on **Poor & Company,** and **Sutherland Paper,** and an analysis of **General Precision Equipment.**

Mar-Tex Oil & Gas Co.—Analysis—Ferris & Co., First National Bank Building, Dallas 1, Tex.

McGregor-Doniger, Inc.—Analysis—Unlisted Trading Department, Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Michigan Gas & Electric Co.—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Mechanical Handling Systems, Inc.**

Peabody Coal Company—Analysis—Reinholdt & Gardner, 400 Locust Street, St. Louis 2, Mo.

Peninsular Telephone Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a survey of the highway program with particular reference to **Bucyrus Erie, Chain Belt, Chicago Pneumatic Tool, Ingersoll-Rand, Jaeger Machine** and **Thew Shovel.**

Southland Racing Corp.—Report—General Investing Corp., 80 Wall Street, New York 5, N. Y.

Sperry Rand Corporation—Analysis—Winslow, Cohu & Stetson, 26 Broadway, New York 4, N. Y. Also available is an analysis of income rail stocks and a report on **Textron.**

Sylvania Electric Products, Inc. — Memorandum — Walston & Co., Inc., 120 Broadway, New York 5, N. Y. Also available is a memorandum on **Western Pacific Railroad Co.**

Tampa Marine Co.—Memorandum—Louis C. McClure & Co., 617 Madison Street, Tampa 2, Fla.

Thrifty Drug Stores Co., Inc.—Bulletin—DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y.

Trinity Universal Insurance Co. — Memorandum — Sanders & Co., Republic National Bank Building, Dallas 1, Tex.

United Shoe Machinery Corp.—Memorandum—Talmage & Co., 111 Broadway, New York 6, N. Y.

United States Steel Corp.—Memorandum—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Washington Water Power—Data in current issue of "Gleanings" —Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of low labor cost companies.

Westcoast Transmission Corporation — Report — Wisener and Company, 73 King Street, West, Toronto, Ont., Canada.

Whitaker Cable Corp.—Memorandum—Barret, Fitch, North & Co., 1006 Baltimore Avenue, Kansas City 5, Mo.

NSTA Notes

AD LIBBING

We are pleased to report that Col. Oliver J. Troster of Troster, Singer & Co., New York City, has again favored us with a half page advertisement for our Year-Book Convention Supplement of the Financial Chronicle. We are very appreciative, Ollie, and always feel we can count on you.

Oliver J. Troster

Harold B. Smith

Incidentally our good friend and fellow member, Ed Beck of the Chronicle staff, is recuperating very fast after an operation last Monday. Good luck, Ed, we know all your friends are pulling for you.

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

COMING EVENTS

In Investment Field

Aug. 23, 1956 (Omaha, Neb.)
Nebraska Investors Bankers Association annual frolic and field day at the Omaha Country Club. A cocktail party at the Omaha Club will precede the event on Aug. 22.

Sept. 1-21, 1956 (Minneapolis, Minn.)
National Association of Bank Women 34th Convention and annual meeting at the Hotel Radisson.

Sept. 27, 1956 (Rockford, Ill.)
Rockford Securities Dealers Association seventh annual "Fling-Ding" at the Forest Hills Country Club.

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

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

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

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

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

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

With Hill Richards

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leland D. Gordon has been added to the staff of Hill Richards & Co., 621 South Spring Street, members of the Los Angeles and San Francisco Stock Exchanges. Mr. Gordon was previously with R. H. Moulton & Co.

Two With Daniel Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Joseph T. Driscoll and Roscoe C. Williams, Jr. have become associated with Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard. Mr. Williams was formerly with Paine, Webber, Jackson & Curtis.

Join Baker, Simonds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — William A. Bryan, George W. McHugh and Robert E. Murdock have joined the staff of Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

Joins Hall & Hall

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Arthur W. Foster has become affiliated with Hall & Hall, Bank of America Building.

Grover Fillbach Adds

(Special to THE FINANCIAL CHRONICLE)

BURBANK, Calif. — Dorothea M. Marrs has joined the staff of Grover C. Fillbach, 548 San Fernando Boulevard.

Joins Swain & Co.

PHILADELPHIA, Pa.—Charles E. Downs has become associated with Swain & Co., Inc., Land Title Building, in their trading department.

Two With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — James B. Bendure and Paul Tobin have become affiliated with B. C. Morton & Co., Penobscot Building.

Charles A. Parcells Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — John P. Worcester is now with Charles A. Parcells & Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges.

Why Things Look Good Ahead

By ARTHUR R. UPGREN*

Dean and Director of Research, Amos Tuck School of Business Administration, Dartmouth College

Upon the basis of technological advance rate, better business investment planning, and successful handling of three former causes of past depressions, Dean Upgren envisions 10-year economic and income expansion of families and industries, as outlined by Eisenhower and his economic council. Predicts $15 billion GNP increase by 1965 with rising corporate and individual gross national savings to finance soundly new plant investment despite current "rolling adjustment."

A decade of great economic growth lies ahead. The gross national output of the American economy will rise from the annual rate of an even $400,000,000,000 in the second quarter of 1956 to $550,000,000,000 in 1965. In less than 10 years the average family will enjoy an income of $6,760, compared to $5,200 in 1955, and $4,000 in 1946. This upward march in income, which will carry 1,000,000 families across the $5,000 income level each year, is changing the economy of America. It is doing so because it is increasing the amount of "discretionary" or "optional" spending. When families earn only $4,000 a year they spend their income for the necessities of life. But once all the "subsistence needs" are met, a chain reaction breaks out. With their higher incomes, familes are able to buy "durable goods." Bankers discern this new direction of spending and, noting that income expansion permits families adequately to service their "debts," are willing to grant loans to facilitate such purchases. As incomes rise, the ability to finance family needs grows more than apace.

Arthur R. Upgren

Rising Discretionary Spending

The path of discretionary spending also leads the automobile to the golf course and to the ocean resort, and encourages a variety of quasi-educational activities. All these activities greatly enlarge the desires and productive powers of the nation's labor force. In fact wants grow apace, and this is reflected in part by the growth of our labor force. In 1955 not only was our gross labor force estimated to be no less than 75,000,000 but slightly more than one-third of these (a number well above the wartime peak) were women determined to propel their families at a faster pace toward a state of material well-being which in America produces far more welfare than in any "welfare state."

Although there is wide agreement on where we shall thus be in 1965, there are different views on where we shall be in 1956, last half, or 1957 first half. How serious are the obstacles to our progress in the short run?

As the earlier economists used the term we too may ask what is the nature of our "konjunktur" today? By this is meant what kind of economic equilibrium have the complex of forces given us today?

Determined Business Planning

The most remarkable fact in the entire economy today is the planned determination of industry, the petroleum and steel industries for example, to keep abreast of expanding demands for their products. Total outlays planned for new plant have recently been announced by both the Department of Commerce and McGraw-Hill. They are almost 30% higher than these outlays in 1955. The increase in business investment for all new plant facilities is above $7 billion. This is more than can be provided by the present current amounts of savings.

As a result, bank credit has been called into greater use than it was between 1946 and 1955. The use of such bank credit is now being curtailed in order to avoid inflation. The result is being accomplished and, most happily, without a serious "jar" to the economy. Moreover there is good reason to expect total *gross* national savings—corporate and individual—to rise as credit policy tempers the flow of bank credit into the financing of new plant outlays. Consumers this year will save in larger amounts because of their wise administration of their consumer debt. This year, repayments will exceed new debt incurred. Depreciation, too, is still growing, possibly by almost as much as $2½ billion a year. This adds perhaps half to the savings gains being made by consumers. Retained earnings of business or "corporate savings" are being enlarged by the gain in corporate earnings in 1956. Thus the total amount of available saved funds can soundly finance the gain in national business investment in new plant.

Labor's Awareness of Investment

In my view, labor is aware of the great importance of these investment outlays by industry. The telephone industry is an excellent example of the beneficial effects of capital investment for labor. As an industry it has a high plant investment per worker and high levels of earnings per worker.

Thus the worker has as great a stake as had any group in helping to solve our present economic problems. I find workers, too, are appreciative of this very fact and their understanding augurs well for industrial peace during the period of great economic advances that we can expect in the next decade.

We are fortunate indeed to have our "concern" this year lying in the area of maximum plant expansion plans by industry. This tells us that the rate of technological advance is at its very best.

Here is what has made modern man so much more productive than man who lived in the 2,000 years before the "industrial revolution." Tools and equipment in the worker's hands have enlarged his productive power, which is the well-spring of all his gains in income. Thus, despite the "rolling adjustment" represented by declines in the output of automobiles and farm equipment industries, and moderately in home building, business investment will be adding to productivity in a way that will be reflected in higher incomes and greater consumption next year.

The enlargement of consumption is a willing task for American families. The purchase of new homes is another willing task.

Solving Three Depression Casual Factors

Enlarged plant investment by industry is now being achieved with a reasonable stability it has not always possessed in past decades. Here, one of three more important causes of economic instability is being attacked. Another cause of instability in the past and even since the end of World War II has been inventory liquidation. Fortunately, its weight in the scale of the total economy is only about 2 or 3% so that it is endurable for the short periods it may prevail.

This leaves the third cause of past deep economic depressions. It is the repeated failure of the money supply, a failure which on no less than five occasions, possibly six, in the period of only 60 years from 1873 to 1933, brought the American economy to complete economic and business collapse. That cause happily is the most certainly "cured" of all for the *discernible* future to 1966.

The cure has been made possible by the building up of a liquid banking system. Before financial crises in the past, banks possessed a liquidity far below their liquidities today. The entire banking system today is probably (as bankers use the term and measure liquidity) about 50% liquid in contrast to half that level in our past economic history.

Liquid Financial Means

The liquidity is highest, perhaps 60%, in the agricultural West, the region of most severe banking difficulties in the past and it is lowest, perhaps 40%, in the East where there is much greater all around, diversified banking strength.

Thus we have the financial means to manage the 10-year economic and income expansion of families and industry, as outlined by President Eisenhower and his economic advisers.

This is a happy note on which to close. We can leave to future meetings the solution of our later problems when this great decade of economic expansion shall move to the next.

*An address by Dean Upgren before the Aetna Life Insurance Company Regional Conference, Murray Bay, Quebec, July 11, 1956.

Two With FIF Managem't

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George H. Houghton and Harold R. Jones have joined the staff of FIF Management Corporation of Denver.

Franklin Adds Two

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Frank C. Burke and James D. Busby have become affiliated with Samuel B. Franklin & Company, 215 West Seventh Street.

With B. C. Morton Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert L. Thornton is now with B. C. Morton & Co., 1752 West Adams Street.

Now With J. M. Barbour

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Edward Edison is now connected with John M. Barbour & Co., Citizens Bank Building. He was formerly with Pasadena Corporation and J. Logan & Co.

Lamson Brothers Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Henry L. Dersch, Jr. is now associated with Lamson Bros. & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. Mr. Dersch was formerly with Straus & Blosser and H. M. Byllesby and Company, Incorporated.

Pay-As-You-Depreciate Is Superior to Leasing

By W. J. REKSTIS, Jr.*
Assistant Vice-President, C.I.T. Corporation

A pay-as-you-depreciate conditional sales contract is found preferable to production equipment lease financing, by Mr. Rekstis, since the new tax law leaves no tax advantage in leasing, there is no balance sheet gain, and the user owns the machinery after the payments have been made. Delineates different kinds of leasing, and finds: some so-called leases are not even leases at all; cannot lease cheaper than cash purchase; terms and financing are the basic influencing factors; and most long-term financing inquiries result in instalment purchase contracts.

The subject I would like to discuss with you is the leasing of machinery and equipment. There has been a great deal of interest in machinery leasing in recent years and I am afraid a certain amount of confusion and misunderstanding has come about. That is true even among persons who are fairly close to the subject.

W. J. Rekstis, Jr.

First of all, I want to make sure we all are using the same definitions of leasing. There are many variations and fine distinctions in these arrangements. In fact, some so-called leases aren't even leases at all. But, in general, there are four major kinds that we should consider.

Four Kinds of Leases

Probably the most common form is what is called the rental-purchase contract. It contains an agreement to pay a fixed rental, an agreement that the user has an option to purchase and it provides that the sum of the rentals paid, plus the purchase option, shall equal the retail selling price plus the cost of financing. Now, obviously, this is not a lease. It is a conditional sales contract and is so treated by the tax authorities.

However, there is a variation of the rental-purchase type of lease that can cause difficulties for the user because it isn't so obvious and may be misunderstood. This is the lease which has no purchase option. But even without an option to buy, a lease that calls for the full purchase price of the machine probably is treated as a sale by the seller. And the deal has very little chance of being considered a lease no matter how the user—or lessee—treats it on his books. The would-be lessee would be well advised to keep this in mind when considering a rental of machinery.

If a lease allows the user to take title to the equipment at the end of the rental period—even if there is no written option—the transaction probably will be considered a sale—not a lease. The companies that make such arrangements available to machinery users generally treat the deals in their own records as instalment sales. It is true that some users have been able to charge the rentals under such contracts as an expense. I feel that the only reason they have been able to do so is that the tax department just hasn't been able to review every case.

In any event, this kind of deal cannot be called a true lease and should take up no more of our time here.

The second major type of lease is used to cover miscellaneous items generally not kept on the lessee's premises and which are maintained by the lessor. This is the kind of arrangement used for leasing automobiles for salesmen, for example.

Leases of this nature can be very advantageous both to lessor and lessee. In leasing an automobile or truck fleet, the lessee is relieved of costly maintenance and repair which can be done much more efficiently by a lessor who specializes in this field. However, this really isn't the leasing of production machinery. I mention it only to distinguish this kind of arrangement from true machinery leasing.

The third category also falls short of the definition of machinery leasing I want to develop. This is the short-term leasing of special machinery needed and used for only a short time and then returned to the lessor. If the user of the machinery needs it for a relatively short time compared with its depreciable life, it can be advantageous to lease. This relieves the lessee of trying to resell the used equipment in a field with which he is not familiar. This kind of contract usually is made when a machine will not be needed after some particular job and the user has no desire or intention to buy it.

For example, this is the sort of arrangement that would be used by a general contractor who has the contract to construct an office building. He will need power shovels and other earth movers to excavate the foundations. But he will need this expensive equipment for only a few weeks. In this case, it's more economical for him to avoid ownership.

So this, too, is a special kind of arrangement and is outside the realm of this discussion.

And so we come to the fourth category of leasing. This is the true, long-term lease. That means that there is no purchase option, either written or implied. At the end of the lease period, the lessee has no rights whatever to the machinery. It returns to the lessor even though the lessee has paid the full selling price of the equipment.

This is the transaction we want to consider as true machinery leasing.

Leasing Is More Expensive

Now there is a popular illusion that the user of machinery can lease it cheaper than he can buy it. And it is believed that there is something about a lease that makes for a low downpayment. Let's take a moment to examine these statements.

Regardless of how the ultimate user of machinery acquires it, the manufacturer of the machinery must dispose of it at a profit. Regardless of what kind of contract is made to cover the transaction, it must return a profit to the maker.

If the maker of the equipment doesn't sell it for cash, or on an instalment sales contract, he can use a lease contract. If necessary, he can offer additional incentives to the customer such as maintenance of the equipment, insurance, installation service, and the like. Whatever these incentives are, the cost to the lessee must go up to make the end result to the manufacturer the same.

The Downpayment

Once a manufacturer or a distributor has arrived at the amount he must have as a downpayment, it makes no difference to him what kind of document is used to close the transaction. It could be an instalment sales plan or it could be a lease. You can sell equipment with small downpayments on one document as well as you can on another. It may be called advance rentals, deposits, or some such term but it amounts to dollars regardless of how it's identified.

It is important to remember that these leasing programs are just another form of long-term financing. Any manufacturer or distributor who can get the financing necessary to handle a long-term lease, can make the same terms available at the same price on an instalment purchase program. In fact, the actual experience of a number of manufacturers and dealers who have offered lease programs has been that the terms and the financing are the basic factors influencing their customers — not any great desire to lease as opposed to buying. The vast majority of inquiries about these lease programs have resulted in orders to purchase under a long-term instalment payment program. A very small percentage of the prospective users have gone through with a leasing arrangement.

Leasing Questions

Now then, just what are the chief questions prospective users of equipment have about leasing? First, they may believe it is to their advantage to avoid showing the obligation of the equipment on the balance sheet. And second, they may feel that rental payments can be expensed off faster than depreciation can be taken.

There just isn't any general answer to the first consideration. Any decisions on how to make up a balance sheet must be made by the individual, his accountants and his attorneys.

As to whether the user can expense rental payments faster than he can depreciate the same equipment as owner, I think the new, faster depreciation schedules have pretty well taken care of this argument. A rental payment shown in a profit-and-loss statement is no different, in result, from a statement of depreciation expense.

Neither I nor my company, C. I. T. Corporation, would give tax advice and I don't think I should undertake a prolonged discussion of whether a machinery user man realize a tax saving by leasing instead of buying. Let me leave the subject with this statement: I, personally, see no tax advantage in leasing.

As you know, depreciation schedules allowed on capital equipment became much more realistic with the new tax law of 1954. The old schedules, figured at a fixed straight-line write-off each year of the depreciable life, did not recognize the fact that machinery loses value fastest in the early years—the years of its greatest earning capacity.

The new tax law still permits this straight-line depreciation but it now offers several faster, graduated schedules which permit big depreciation in the early years and scaled down deductions as the term progresses. These new schedules now permit depreciation expenses every bit as advantageous as rental expenses charged under lease programs.

Instalment Sales Preferred By Users

I mentioned a moment ago that most inquiries about long-term leases eventually result in instalment purchase contracts. There is a very simple reason for that. After examining the lease and purchase programs available, and studying the arguments on tax and balance sheet advantages, prospective users of machinery generally come down to this one basic consideration: After the payments have been made, they want to own the machine. If they pay enough under a lease to buy a machine, they do not want to return it. They want to continue using it as owned equipment or realize its residual value.

Under a true lease, of course, the lessee has no rights to the machine whatever—and very few machinery users like that arrangement. If they buy the machine under a purchase option, the original lease transaction probably will be ruled a sale anyway and the books have been unnecessarily complicated. Or if they buy the used machinery at the going market price, they probably will end up having paid more than they would have under a straight instalment purchase.

If a manufacturer or processor needs a machine badly enough to enter into a long-term lease, he is going to want to keep it when the lease is completed. And since the new tax law has made ownership and depreciation so attractive, leasing is losing much of its popularity.

I would like to go one step further in this discussion. Leasing is just a form of long-term financing — with the disadvantage that the user has no rights to the machine. Often he is restricted in the use of the equipment during the term of the lease. And after paying the equivalent of the purchase price, he still doesn't own it. So what alternative does he have if he requires or desires long-term financing?

As I said before, if machinery can be financed on long terms as a lease, there is no reason why the same terms cannot be arranged on a conditional sales contract.

Pay-As-You-Depreciate Plan

Shortly after the signing of the 1954 tax law, C. I. T. Corporation developed a new idea in instalment financing designed to let buyers take advantage of the new depreciation schedules. This plan—called the pay-as-you-depreciate plan—gave equipment buyers everything they had been seeking in long-term financing. It offers everything a lease can offer, plus ownership.

Prior to the introduction of this program, instalment plans called for equal monthly payments throughout the life of the contract and terms were relatively short.

The new pay-as-you-depreciate program was designed to take advantage of the new depreciation schedules. So, first, terms were lengthened to more nearly match the depreciable life of equipment financed under the plan. On many kinds of machinery, terms go to 10 years. And, second, payments under the plan are geared to the faster depreciation schedules. That is, they are graduated—decreasing as the term progresses so that they approximate the amounts that can be depreciated each year.

Here is how it works. The payment schedules are worked out so that they parallel the depreciation rate allowed under the sum-of-the-digits method of depreciation. This is the fastest of the new schedules and we have found that it is the one most popular with the taxpayers. Under this schedule, you can write off three-fourths of the depreciable cost of a machine during the first half of its depreciable life.

Say you have a machine that you are going to depreciate in 10 years. You add the actual digits—1, 2, 3 and so on up to 10—and you get a total of 55. Then you invert these digits and the depreciation allowance for the first year is 10/55ths of the depreciable cost of the machine. The next year it is 9/55ths and so on.

That is the way payments under the instalment plan are computed. During the first year of a 10-year contract, the monthly payments total 10/55ths of the cost; the second year, they total 9/55ths and so on through the contract.

Here are all the advantages of leasing. The purchaser expenses depreciation instead of rentals. And incidentally, financing costs are written off, too. The user owns the machine and is not hampered by any agreements with a lessor on how to use the machine, how much to use it, or how little to use it. He has complete freedom of management. And when the contract is paid out, he owns the machine free and clear to continue using it or to realize its scrap or residual value.

That is the important point to the whole discussion — ultimate ownership. The vast majority of machinery users want eventual ownership.

*An address by Mr. Rekstis before the Annual Convention of the National Association of Credit Men, Cincinnati, Ohio.

Eastman, Dillon Adds S. M. Stallard to Staff

(Special to The Financial Chronicle)

CHICAGO, Ill. — Samuel M. Stallard has become associated with Eastman, Dillon & Co., 135 South La Salle Street. He was formerly with Bache & Co. and Dean Witter & Co. Prior thereto he was Assistant Manager of the Chicago office of The White-Phillips Company.

Public Utility Securities

By OWEN ELY

El Paso Natural Gas Company

El Paso Natural Gas was organized in 1928 to build a pipe line from the gas fields of southeastern New Mexico and West Texas to El Paso, Texas. In 1930 the company had revenues of only a little over $1 million, but with continued expansion of operations they now exceed $196 million a year. Net income has grown from $282,000 in 1930 to $22.5 million recently. Thus the company is one of the "super-growth" utilities and with further ambitious construction plans it promises to remain in that class.

The company has benefited by favorable conditions in California—there is no coal economically available in that State and local supplies of oil and gas produced have been declining, while population was growing (in the past decade) about three times as fast as in the nation. The State is one of the oldest gas markets and saturation is very high. Hence it has been necessary to import increasing supplies of gas from Texas and from the San Juan Basin in New Mexico. In 1945 the company contracted to build a pipe line and deliver some 305 million cubic feet of gas a day to subsidiaries of Pacific Lighting in southern California. In 1948 it agreed to deliver 300 million cubic feet a day to Pacific Gas & Electric Company in the northern and central part of the State, which involved the construction of a line from the San Juan Basin in New Mexico to the California border. Deliveries to these California customers have steadily increased until peak day delivery has exceeded 1.4 billion cf. a day. The California utilities serve practically the entire State and El Paso supplies over two-thirds of the gas supplied to their customers.

The demands for gas in that State continue to increase steadily. El Paso has already obtained FPC permission to increase deliveries to California by 350 million cf. and to other customers by 100 million cf. The company has now filed an application with the Commission for an additional 150 million cf. for California and is preparing a second application for another 150 million; contracts have been signed covering these increased amounts. When the program is completed deliveries to California will exceed two billion cf. per day, about equally divided between the southern California companies and Pacific Gas & Electric. The total expansion program is 750 million cf., raising the company's total capacity to 2.8 billion cf., including intra-State and field sales. Construction on the first leg of this expansion program is expected to be finished early next year, with the balance scheduled for completion in 1957-8, permitting full deliveries in 1959.

The program of expanding the load by some 450 million cf. per day will cost an estimated $196 million and the remaining 300 million about $160 million, or a total of $356 million. The first part of the program is being financed by the sale of $162 million bonds to institutions and the proposed sale of $25 million first preferred stock to the public, the latter being scheduled for late July or early August. The remaining $9 million will be supplied by retained earnings and bank loans. The later 150 million cf. expansion will be financed by the sale of bonds and preferred stock and from retained earnings.

Counting the second convertible preferred stock as common, the present equity ratio is 27%. The first preferred stock is only 8% of capital—hence the decision to issue additional preferred. A stockholders' meeting has been called for July 25 to authorize this issue, since the present provisions of the first preferred stock certificate will have to be modified. The company's growth is so rapid that it is necessary to change the statistical tests which were set up in the certificate, in order to avoid the relating of pro forma interest charges to present earnings. A two-thirds vote will be necessary to change the provisions.

The company has been actively engaged in seeking new gas supplies to provide the usual future reserves to guarantee delivery contracts. It has been purchasing reserves, and also exploring widely to build up its own reserves. While in 1950 reserves amounted to only 800 billion cf. the figure has now grown to 5.7 trillion cf. Of the latter amount 1.5 trillion cf. are held under royalty provisions, while 4.2 trillion cf. were acquired as proven reserves and are subject to high overrides. The company is now exploring for gas in various areas from British Alberta to the Gulf of Mexico. It has about 1.6 million acres of wildcat leases in Canada and about 1.8 million acres in Wyoming, Colorado, Utah, New Mexico and Texas. It also has substantial interests in the tidelands area, and some 500,000 acres in the San Juan Basin, including 900 producing wells. In 1955 the company supplied about 11% of its gas requirements and the ratio is expected to increase steadily.

El Paso produces some 25,000 barrels a day of natural gasoline, butane and propane, and to upgrade these products and obtain a better market the company has entered the refining and chemical fields. The market for oil products, motor fuel, jet-fuel and diesel fuel is growing rapidly in the company's area. A butadiene plant is being built at Odessa, Texas, the output of which will be delivered to General Tire and United Carbon.

The company about two years ago organized the Rare Metals Corporation of America to explore and develop uranium, mercury ore and other rare metals. The stock of this company is currently being offered to stockholders of El Paso on a subscription basis at $5 a share.

El Paso's share earnings for the 12 months ended April were $3.72 after setting aside about 38¢ a share for revenues subject to refund. The company is now clearing up its rate problems by compromise methods rather than awaiting the completion of lengthy FPC proceedings. A refund covering 1953 earnings of $3.2 million (with interest) will be made. The second case, involving a rate return of about 6½% compared with the 6% allowed in the first rate case, will now be submitted to compromise proceedings.

President Paul Kaiser in his recent talk before the New York Society of Security Analysts, stated that "the company should show increases in its net roughly corresponding to the increases in its deliveries, as above outlined, for the years 1957, 1958 and 1959. It does not now appear to be necessary to issue any more common stock to help finance this expansion, in which event the per share earnings should increase correspondingly."

With Henry Hartman

(Special to The Financial Chronicle)

SHERMAN OAKS, Calif.—Eva M. Idriss has joined the staff of Henry Hartman, 13531 Ventura Boulevard.

Johnston Bell Adds

(Special to The Financial Chronicle)

BRADENTON, Fla.—Walter A. Fullerton, Jr. has been added to the staff of Johnson E. Bell & Co., 811 Manatee Avenue, West. Mr. Fullerton was previously with Curtis Merkel & Co. and Goodbody & Co.

Joins Leason Staff

(Special to The Financial Chronicle)

CHICAGO, Ill. — James G. Vacha is with Leason & Co., Inc., 39 South La Salle Street. He was formerly with Arthur M. Krensky & Co., Inc.

Man-Made Rubber in Ample Supply For U. S.

Rubber consumption decline in second half of 1956 is anticipated by B. F. Goodrich head, based on estimate made of lower new car and truck production. Increased sufficiency of man-made rubber assures adequate supply for U. S. and permits sizable accumulation of world rubber inventories.

The United States today has sufficient quantities of all types of man-made rubber to supply its own needs for this material, W. S. Richardson, President of the B. F. Goodrich Co., said in Akron, O., July 4.

W. S. Richardson

"Man-made rubber is also providing a larger share of the world's rubber requirements and, at the same time, permitting accumulation of sizable world rubber inventories," he said.

"The increasing availability of man-made rubbers in the past 12 months has brought about a rise in world rubber inventories of about 55,000 tons," Mr. Richardson said. "Further increases in inventories of both crude and man-made rubbers are expected by the end of the year." He pointed out that these expected inventory build-ups are in addition to accumulations over actual rubber consumption that may occur in Russia and China this year.

During the first half of this year the United States consumed approximately 747,000 long tons of new rubber, about 27,000 tons less than during the first six months of 1955, he said.

"Consumption of man-made rubber during the first half of this year increased to 453,000 tons, up 11,000 tons over the comparable period of last year. Consumption of crude rubber declined to 294,000 tons, a decrease of 38,000 tons over January-June 1955.

"Outlook for rubber consumption during the second half of this year indicates a total of 683,000 tons, a decline of about 64,000 tons, with the use of crude rubber declining by 40,000 tons and man-made rubber by about 24,000 tons.

Mr. Richardson said this forecast is based on an estimated decline of about 12% in new car and truck production, and a lower rate of tire production for automotive manufacturers now holding high tire inventories.

"Shipments of replacement tires during the first half of this year are believed to be higher than normal," he said. "This is due to advance buying in anticipation of higher excise taxes effective July 1 as the national highway program gets under way.

"It is now estimated that total rubber consumption in the United States this year will be 1,430,000 tons, down about 100,000 tons from the 1955 record total of 1,530,000 tons," the rubber company executive said.

Harris, Upham Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Joseph G. Thurston is now associated with Harris, Upham & Co., 232 Montgomery Street. Mr. Thurston was previously with York & Co.

Reynolds Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — George Misumi is now connected with Reynolds & Co., 425 Montgomery Street.

H. L. Jamieson Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—John M. Schlemmer is now connected with H. L. Jamieson Co., Inc., Russ Building.

Joins John M. Flynn

(Special to The Financial Chronicle)

SANTA BARBARA, Calif. — David A. Berry has become connected with John M. Flynn & Company, 3680 San Gabriel Lane.

New Methods and Procedures To Improve the Railroad Plant

By RICHARD G. MAY*

Vice-President, Operations and Maintenance Department
Association of American Railroads

Mr. May blames the railroad's continuing loss of inter-city freight traffic in part on inequitable regulations among for-hire carriers, in urging adoption of Cabinet Committee Report's recommendation of amendments permitting greater reliance upon competition in transportation pricing and assuring maintenance of a modernized and financially strong system adequate for expanding economy and defense. Claims these amendments will lower transportation costs, allow that kind of transportation to perform those services which it can do best, and provide returns in keeping with cost of providing incomparable service with a fair return.

It is well that we review what has taken place within the railroad industry during the year 1955, especially as to trends and efficiency. Revenue ton-miles, which measure traffic according to both tonnage handled and distance hauled, aggregated 624 billion in 1955—an increase of 13.5% over 1954 and slightly above the levels of 1952 and 1953. Revenue passenger miles totaled 28.5 billion—2.5% below that of 1954, the smallest volume handled by the railroads since prewar 1940. Operating revenues of Class I railroads for the year 1955 increased $735 million, or 7.8%, over the year 1954. The operating ratio was reduced from 78.80% in 1954 to 75.66% in 1955. However, the rate of return on investment was only 4.21%.

Richard G. May

Upward Capital Expenditures

Capital expenditures for equipment and improvements to roadway and structures in 1955 were about $908 million. The trend in the last half of the year was definitely upward as $524 million were spent as compared to $384 million in the first half. We hope conditions will permit the increased expenditures throughout the year 1956 and raise the level of capital spending above the $1 billion mark which was maintained from 1948 through 1953.

The shift to diesel-electric motive power continued but at a considerably reduced pace as compared to former years. Gross ton-miles hauled by diesel was 85%; by steam, 12.49%. In passenger service 83.51% of the car-miles was hauled by diesel power. The most significant change was in yard service where 91% of the total of locomotive hours was credited to diesel and 8.27% performed by steam power.

The ton-miles per freight train hour again reflected a noticeable improvement. In 1955 the average was 55,662 and shows a steady increase since 1946 when the total miles per freight train hour totaled 37,057. The steady climb is attributed chiefly to the dieselization program which started about 1946.

The average net ton-miles per freight train hour shows a corresponding increase—25,268 in 1955 as compared to 17,173 in 1946.

Rail Freight Not Sharing Growth

While the total revenue ton-miles of 624 billion in 1955 was an improvement over the years of 1952-53-54, it reflected a continuing loss in the percentage of intercity freight traffic transported by rail. It is estimated that railroads carried approximately 50% of the total intercity freight traffic. In other words, we have not shared in the increased production due to the expanding economy and increased population to the same extent as other modes of transportation.

We in the railroad industry believe that we have every right to assume that rail traffic will increase in relationship to increased production and the necessity for increased transportation. However, there are factors which must be evaluated and conditions which must be corrected if we are to retain even the present percentage of the total intercity freight traffic. If service is one of the factors which influences traffic it should be corrected within the industry and perhaps to a large extent by corrective actions of individual railroads.

Corrective Actions to Be Taken

Service not only applies to maintaining dependable freight train schedules but providing an adequate and well-maintained fleet of freight carrying cars to meet shipper requirements. The proper maintenance of motive power and cars so as to provide a satisfactory service is generally accepted as the responsibility of the mechnical officer. The adequacy of the fleet is of economic consideration and involves many factors which must be considered at the Executive level.

The fleet of general service cars has decreased from 1,776,000 in 1953 to 1,700,000 at the end of 1955. The Member Roads of the Association were aware of the seriousness of the situation during the early spring and a special meeting was called in Chicago on June 24, 1955. An average daily shortage of 22,659 cars was reported for the last week in October, at which time loadings reached their highest point for the year. The trend at the present time is upward in ownership of cars and it is gratifying to note that we have now reached the goal of 4% of bad order cars. There are presently 120,000 new cars on order and its was anticipated that deliveries would reach more than 6,000 cars during the month of June.

The increased ownership, together with the reduction in bad order cars which will add considerably to the fleet of serviceable cars, should help alleviate some of the problems as we approach the heavy carloading periods of the early fall of this year. Increased utilization of the present fleet of freight carrying cars is another means by which we can reduce shortages during the peak loading season. Studies have been made by appropriate committees of the Operating-Transportation Division and recommendations made regarding operating practices, modification of demurrage tariffs and other items which they believe will increase the availability of cars. The Bureau of Safety and Service, ICC, has also considered the necessity of increased utilization of freight cars and service orders are now in effect covering the movement of cars by carriers, reduction of free time on export and import unloadings and loadings, and routing of shipments.

Should Be Allowed to Compete More Freely

At the last annual meeting of the Mechanical Division, reference was made to the Cabinet Committee Report. The Report emphasizes that, in conformity with today's availability of a number of alternate forms of transport, Federal policies should be amended (1) to permit greater reliance on competitive forces in transportation pricing, and (2) 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 essential principle underlying the report of the Cabinet Committee is that the public interest will be served best when each kind of transportation is permitted to perform those services which it can do better and more economically than others, and that under these conditions the total cost of transportation will be lower than would otherwise be possible. The enactment of this pending legislation, as recommended in the Cabinet Committee Report, would allow the railroads more equality in the competitive field. Rates would be in keeping with cost of providing service with a fair return, and the maintenance of a modernized and financially strong system of common carrier transportation would be assured.

While we look upon the problems confronting the railroad industry today as without precedent, it is interesting to review the trade journals of nearly 60 years ago. In the "Railway World" for the year 1898 there were featured editorials on the following:

A bill to amend the Interstate Commerce Act.

Delay to cars by failure to load and unload promptly.

Car shortages in the East as a result of Eastern roads not releasing cars at Buffalo, N. Y.

Competition of electric railways in New York, Albany, Buffalo, and Boston.

The economic study of an all steel 50-ton car as compared to the 35-ton wood constructed car.

Adoption of longer rail by welding of joints and was the practice on some street railways.

The single unit steam car with its economy of operation.

The operation of both freight and passenger locomotives from terminal to terminal by changing of crews at division points.

An article by Mr. Chauncey Depew, then President of the New York Central road, on "Railroading As a Profession."

The Safety Appliance Law, the adoption of air brakes and automatic coupler, and settling of railway strikes by arbitration.

Unless reviewed carefully one might think the editorials were dealing with the same problems as confront the industry today. However, conditions have changed as to competition and it is not the question of competition between carriers of the same mode but rather the competition of subsidized and unregulated carriers with which we are dealing today.

Equipment and Plant Greatly Improved

The improvement in equipment and plant has taken place beyond the expectation of the writers of the 1890's. The improvement in equipment has contributed to the more economical and efficient operation which has permitted us to stay in the competitive transportation market. Better motive power and cars have required improved rail and roadbed. Communications, signalling and data processing have progressed concurrently with all of the other improvements. The article on "Railroading As a Profession" included the following:

"As the railway systems expanded and the railway mileage increased, the railway companies found it necessary to organize departments. The enormous business of each company and its competition with its rivals, compelled traffic departments, including both freight and passenger. . . . The terminals called for special skill in their administration. The stations constantly demanded a higher grade of ability. . . . Thus the management of railways grew rapidly into a complex organization, requiring the highest ability, the largest experience and the best training."

There can be no doubt but what the mechanical officer today must have a highly specialized training to cope with the numerous problems that arise not only in connection with recommendations for equipment purchases, with the Federal and State regulations, and agreements with organizations and crafts; but he also must have some concept of the value of good public relations. It is his responsibility to provide equipment for safe and expedient service, and service is perhaps the outstanding requisite demanded by both shipper and consignee in order to meet their marketing problems.

Rule Changes Cooperation

In the last year, many of the mechanical officers, members of the General Committee and other committees of the AAR Mechanical Division, have been called upon to assist in the preparation of cases before the Interstate Commerce Commission covering proposed rule changes. The work involved required a detailed knowledge of, as well as considerable experience with, motive power.

The same qualifications were necessary in the case of studying proposed changes in the safety appliance rules. The offices and staff of the AAR could not possibly have handled these assignments if it had not been for the willingness of the mechanical officers to cooperate in preparation of evidence.

Railroad management as well as managements of other industries are taking advantage of special courses at universities and colleges to insure a continuity of good management in the various departments of their organizations. These courses in conjunction with training courses adopted by the individual railroads have provided the mechanical departments of our railroads with the most alert and progressive supervision in the history of railroading. We will continue to have problems but I feel that within the Mechanical Division we have the best talent available to solve them. While we take pride in the accomplishments of the past few years, we will continue to progress and, if given a reasonable chance, can offer a service that is incomparable.

*An address by Mr. May before the 29th Annual Meeting of the Mechanical Division, Chicago, June 26, 1956.

Sterling Remains Inflexible

By PAUL EINZIG

Dr Einzig reports British Treasury is determined to maintain sterling-dollar rate strictly within 2.78-2.82 limits despite numerous pressures for flexibility. Cites difficulties entailed in alternative courses. Terms highly unfortunate the German Economic Minister's recent open plea for change in British policy.

LONDON, Eng.—Ever since Mr. Macmillan has assumed the post of Chancellor of the Exchequer it has been the declared policy of Britain to maintain sterling rigidly at its existing parities. While Mr. Butler was at one time inclined to listen to those favoring a flexible sterling he had to repudiate this idea when the anticipation of its adoption resulted in a flight from the pound last Summer. Although the Bank of England would favor the fixing of wider limits for the permitted fluctuations of sterling, the Treasury has definitely rejected this advice and is determined to maintain the sterling-dollar rate between its present limits of $2.78 and $2.82. It is true, this determination was not publicly reaffirmed in recent times, but this was simply because there was no occasion for it.

Dr. Paul Einzig

Suggestion From Germany

The German Minister for Economic Affairs, Professor Erhard, recently strange attempt at forcing the British Government to change its policy. Some time before he wrote to Mr. MacMillan suggesting that on the occasion of the July Conference of the Organization of European Economic Cooperation in Paris, the idea of the establishment of flexible Western European exchange rates should be considered. He suggested a limit of 10% on the fluctuations, but pointed out that Germany would not avail herself of the possibility of changing the value of the Deutsche Mark. In view of Germany's strongly favorable balance of payments he considered it advisable that the other Western European countries should ease their position by taking advantage of such a flexibility.

Beyond doubt Professor Erhard is entitled to his opinion. Where he offended against the rules that should regulate relations between friendly Governments is that before receiving Mr. MacMillan's reply he disclosed to the Press the contents of his letter. He must have known that Mr. Macmillan would reject the plea. There can be no doubt that in publishing it before receiving his reply, Professor Erhard hoped to force Mr. Macmillan's hand. It must have appeared reasonable to assume that the anticipation of a discussion of such a plan would result in another acute sterling scare, especially since in any case sterling has not been very strong lately. Added to Britain's other economic difficulties, a sweeping flight from the pound might strengthen the case in favor of allowing sterling to decline to a lower level.

Professor Erhard's strange behaviour is explained by the fact that he would like to change the terms of trade in favor of Germany. Now that full employment is reached, and Germany has to embark on rearmament, the quantity of her exports might decline. If Professor Erhard wants to maintain surplus, the obvious way of doing this would be to raise the exchange value of the Deutsche mark. As a result of such a change, a smaller quantity of German exports would secure the same influx of gold. Rumors according to which this solution was under consideration were firmly denied, however. Possibly Professor Erhard is reluctant to commit himself to a change which might prove to be untenable in the long run. From his point of view it would be more convenient if, instead of revaluation of the Deutsche mark, there should be a depreciation of the other European currencies. As far as sterling is concerned this would be all the more convenient as Germany is on the point of placing a substantial order for arms in Britain. A 10% depreciation of sterling would mean that Germany would get the British war material at the 10% lower price.

There is every reason to believe that in existing circumstances the change suggested by Professor Erhard would aggravate the existing one-sided trend of international trade in favor of Germany. So far from reversing the accumulation of gold by Germany, it would probably accentuate it.

Professor Erhard reckoned, however, without Mr. Macmillan. When a year ago Mr. Butler was questioned in the House of Commons about his intention at the impending annual meeting of the International Monetary Fund at Istanboul, he chose to be very secretive and noncommittal. The result was a sweeping flight from the pound. Learning from this experience, Mr. Macmillan lost no time in issuing an emphatic statement disclaiming any intention of discussing Professor Erhard's proposal. As a result of the prompt publication of this denial, sterling remained substantially unaffected by Professor Erhard's maneouver.

Mr. Macmillan Really Means It

It is true, it has become a well-established practice for Governments to deny any intention to devalue or depreciate their currencies until the moment of the change. In the present instance, however, there is independent evidence that Mr. Macmillan means what he says. For on the occasion of the recent London Conference of Commonwealth Prime Ministers he is understood to have said exactly the same thing when addressing the Conference at a strictly private session. This was the first occasion on which he could discuss this matter with the other Governments of the Sterling Area and he took the opportunity for explaining why the idea of a flexibility of sterling, which was formerly supported by Commonwealth Governments is, in existing circumstances, impracticable. It is understood that his statement met with the approval of the Commonwealth statesmen so that the maintenance of sterling at its present parities and with its present limits of its fluctuations may now be considered not only as a British policy but as a Commonwealth policy.

In face of Professor Erhard's attempt to enforce a change of that policy, Mr. Macmillan had to take a firm line. He is engaged in the extremely difficult task of stabilizing the domestic value of sterling following on a period of steep rise in prices. A depreciation of the international value of sterling by 10%, or even much less, would greatly aggravate his difficulties. It would inevitably cause a further rise in the cost of living as a result of the increase in the prices of imported food stuffs and raw materials. This would mean the end of such hopes as exist for being able to persuade the Trade Unions to moderate their wages demands. Before very long the increase in wages would counteract any temporary advantages British exporters might gain through a depreciation of sterling. Having regard to these considerations it would have been sheer folly for Mr. Macmillan to consider Professor Erhard's scheme. And Mr. Macmillan is no fool.

Beyond doubt, Professor Erhard has rendered a great service, not only to Germany but to the cause of freedom and democracy, through the restoration of Germany's economic power. Thanks largely to him, Germany has become a source of strength to the free world instead of being a source of weakness. But his recent action is open to criticism not only from a British point of view but also from the point of view of maintaining united front of freedom-loving countries in face of the common enemy. This is not the time for trying to secure unilateral advantages by such means as was employed by him in the recent incident.

Thanks to Professor Erhard's sound policies, Germany's prestige has been fully restored. He has earned our admiration for achieving this, especially as it has conclusively proved the possibility of assuming power and prestige by peaceful means. It would be a thousand pities if Professor Erhard were now to spoil the immense goodwill toward Germany that exists in the western world, by resorting to aggressive tactics against a friendly nation.

Tabor Opens Branch

LINCOLN, Ill. — Tabor & Co. has opened a branch office at 500½ Broadway under the direction of Carl R. Dehner.

With W. C. Gibson & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph M. Martorano is now with W. C. Gibson & Co., 231 South La Salle Street.

With Link, Gorman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Henry B. Coffey has joined the staff of Link, Gorman, Peck & Co., 208 South La Salle Street.

Joins Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Frank H. Burrows is now with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

With Federated Plans

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Leo F. Cronin has become affiliated with Federated Plans, Inc., 21 Elm St.

Three With Gibbs & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Sidney Haywood, Zenon W. Klementowicz and John F. Warner, Jr. are now connected with Gibbs & Co., 507 Main Street.

J. H. Goddard Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William G. Birtwell has become associated with J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange. He was formerly with Schirmer, Atherton & Co.

With Hamilton Management

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George M. Brown has become connected with Hamilton Management Corporation, 127 Fremont Street.

Two With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

Bernard Wolfe and George Maloof have been added to the staff of Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Simon E. Dunn Opens

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Simon E. Dunn is conducting an investment business from offices in the Guardian Building under the firm name of S. E. Dunn & Co. Mr. Dunn was previously with B. C. Morton & Co.

Liberty Bond Sale Campaign Created Army of Small Investors

By GARDINER S. DRESSER

In describing how the sale of Liberty Bonds marked the commencement of a large army of small investors in America, Mr. Dresser singles out the country's receptiveness, government's publicity, cooperation of banks, stockbrokers and others for achieving 22,777,680 subscribers for the fourth Liberty Loan—with 59% subscribing to $50 bonds. Recounts method successfully developed by brokerage firm to purchase baby bonds, for those wanting cash, and converting them into $1,000 denominations for sale on the Exchange.

It has been estimated that there are now approximately 115,000,000 people in the United States who do not remember World War I. It can therefore be surmised that comparatively few of the many who invest in the small denomination "savings bonds" which the government is currently issuing realize that popular participation in government finance received its big impetus when the United States entered World War I and the government floated its Liberty Loans.

Theretofore, government financing had been done through the banks, other institutions, estates and wealthy individuals. The earlier bonds were issued in coupon form of $1,000 denomination (some 500s) and in registered form of $1,000 and larger denominations.

A year or so before the United States entered the war, the British Chancellor of the Exchequer, Reginald McKenna, had been urged to include Baby Bonds in the British war loans. The proposition did not appeal to McKenna. When the United States joined the Allies and began planning the financing of the war, William G. McAdoo, Secretary of the Treasury, was enthusiastic over the idea of popularizing the bond issues and the Treasury made preparations accordingly.

Country's Receptive Mood

The country was in a condition particularly receptive to this proposal. The people of America were gravely concerned over the war. Patriotic fervor was everywhere evident. All that was needed to secure war funds from the public was information that bonds could be bought in both large and small denominations and information as to how they could be obtained.

Government publicity provided this information. Government committees were joined by the banks, stockbrokers and others in directly and urgently seeking subscriptions. In the first Liberty Loan campaign, even street solicitation was undertaken. The writer was one of a squad in an open automobile in Times Square, all one night, accepting subscriptions from theatre and night club crowds. At 4:00 a.m. he received an order for a $100 bond from a street newsstand dealer.

Mounting Subscriptions

In the campaign for the second Liberty Loan, the method of public approach was broadened. The partial payment plan of subscription became a factor. Trust companies everywhere offered to take subscriptions, some for $50 bonds with $1.00 down and $1.00 a week for a year, others with $5.00 down and $2.50 a month. In that and subsequent compaigns, there was an organization of "Four Minute Men." They visited public gathering places like theatres and spoke in behalf of the loan for that brief length of time. Street parades, with men from the training camps, captured German war material and other exhibits, heightened the interest.

The result of all this was that it seemed as if everyone in the country owned a $50 or a $100 bond. Actually, there were 22,777,680 subscribers for the fourth Liberty Loan in 1918. Of the individual subscriptions for that issue, 59% were for $50 bonds. At the end of the war, one estimate is that 25,000,000 people were holders of Liberty Bonds.

Developing a Market for Baby Bonds

As time went on, it naturally happened that many who, in patriotic enthusiam, had bought Liberty Bonds, became pressed for money and sought to turn their bonds into cash. Realizing that a large proportion of such holders, without knowledge of where to go to dispose of their bonds, might be victimized, the firm in which I was then a partner set up the machinery to provide a good market for the Baby Bonds of the Liberty Loans. We would pay cash for these offerings at a slight discount from the prevailing price of $1,000 bonds on the New York Stock Exchange, combine and convert the $50 and $100 pieces into $1,000 pieces and sell the $1,000 bonds on the exchange. At once, we announced these facilities through advertising.

The advertising presented something of a problem. Potential sellers of these Baby Bonds, we knew, did not read the financial pages of the newspapers. We hit upon an idea—advertising first page, foot of column. Yes, we realized, everyone said that nobody ever read those fine print, two and three line insertions. Nobody ever did *except* when those advertisements had something of especial, personal interest to the newspaper reader. Then those who otherwise would unconsciously see but pass over such notices would consciously see them. The words, Liberty Bonds, in our text would focus the attention of those having Liberty Bonds on their minds.

"Delicatessen Dealers"

We tried the plan. It worked. Our office became crowded from 10 to three every day with sellers of the small bonds—individual owners most of them, storekeepers, too, who had cashed bonds for their patrons—we called them our "delicatessen dealers."

In the large room devoted to this business, we took precautions and installed a hold-up alarm system. Fortunately it was never necessary to use it, although it went off a couple of times by mistake.

We had to add to the number of boxes for securities which we took over to the Stock Exchange vault every night and brought back every morning. One day when the boxes were in transit—chained together, carried by four men, with a guard before and behind—a man on the street, spying the procession, called out:

"There goes Mutt and Jeff's Baby Bonds."

Problem of Stolen Bonds

We encountered the problem of stolen bonds. Few holders of $100 and $50 bonds had safe deposit boxes and many were victims of theft. The Federal Reserve had a record of such stolen bonds as were reported. We received these reports regularly and used the lists to check by number every bond submitted to us. About once a week, we caught a stolen bond.

Our practice was this. We stalled with the customer and, from another room, telephoned to First Precinct Police Station. Within a few minutes, Grover Cleveland Brown and another plain-clothes detective arrived. We brought in to them the man who had presented the bond. Brown would question him briefly making note of his name and address and inform him that he would see him later. Meanwhile he took over the bond, giving a police receipt. We made it a point to advise the customer that, as the bond was a negotiable instrument, the innocent holder of the bond, even though it had been stolen, had perfect title.

Another Advertising Campaign

In 1920, Liberty Bonds suffered quite a decline in price. Issued at 100, some of the series broke 85. We started a new line of advertisements. They were written on the theme that, just as it had been patriotic to subscribe to Liberty Bonds, it was patriotic to buy them in the market and help support our government's credit. Also, that it was a safe thing to do and would probably prove profitable.

This publicity had one curious sequel. One day, the firm received a letter from a man in Atlanta, Ga. He wrote commending highly the stand we had taken. So much in accord with it was he that he would like to cooperate in a practical way. If we would send him $25,000 in Liberty Bonds in $100 denomination, he would undertake to distribute them in his locality. As an evidence of good faith and in payment, he enclosed a certified check for $25,000.

Of course, we were pleased over this result of our plan and sat around discussing it.

Fraudulent Certified Check for Bonds

"Hello," exclaimed Amos Herkins, who was rereading the letter. "Did you notice this? This chap gives his address as General Delivery, Atlanta, Ga."

"Whew," I said. "Wants us to send $25,000 in bonds to general delivery? That's queer, to say the least. Guess we'd better do some investigating."

We did. We wired the bank on which the check was drawn. The answer came—no such account; no such certification.

Fifteen minutes after the receipt of the bank's telegram, a Pinkerton detective came into the office. The Atlanta bank had wired Pinkertons in New York.

Under directions of the Pinkerton man, we made up a fat package to be sent registered mail, insured. It looked like a package of 250 bonds. Actually, it contained folded up newspapers. We mailed the package and awaited results.

We learned later that the authorities watched the General Delivery window in the Atlanta Post Office for a week. Finally the package was called for. The authorities arrested the man on the spot. He turned out to be one Benjamin Franklin Jones. released only six months previously from a chain gang and wanted for forgery in several other cases.

A. C. Allyn Co. Adds

(Special to The Financial Chronicle)

CHICAGO, Ill. — Robert L. Grant, Jr. has been added to the staff of A. C. Allyn and Company, Incorporated, 122 South La Salle Street. Mr. Grant was previously with Rodman & Renshaw.

Connecticut Brevities

Fafnir Bearing Company has recently opened a new plant in Newington. The new building which is aluminum paneled was constructed at a cost of about $1,500,000 and provides 220,000 square feet of floor space, all on one floor. The new plant will employ about 700 persons and will be largely devoted to heat treating operations. The main plants of Fafnir employ some 5,200 workers in a total of about 950,000 square feet of floor space in New Britain.

* * *

The annual report of **The Collins Company** reports that its plants in Collinsville suffered damage amounting to $830,000 as a result of the hurricane flood of August, 1955. At the time, one-third of the company's buildings were destroyed and another third were so badly damaged that they had to be completely rebuilt. The company was fortunate to be in a relatively strong financial position at the time and has been able to completely rebuild its physical properties without outside financing. Limited production was restored in January, 1956, and by April the company was again operating at a profit. Collins, which was originally established in 1826, is a world leader in the manufacture of axes, machetes, adzes, picks, hatchets, cane knives, bush hooks and other products, a large part of which is for export. The company employs about 350 persons and also has plants in Mexico and Brazil.

* * *

G. Fox & Company, which presently operates the largest department store in Connecticut, has announced plans to spend about $6 million to expand its main store in Hartford. The present store includes about 420,000 square feet of floor space devoted to service and storage. Present plans call for adding about 35,000 square feet of additional floor space to the Thrift Basement and to each of the first six floors of the main store, making a total of about 245,000 additional square feet of floor space to be added to the main building.

* * *

NuWay Tobacco Company, which has been one of the pioneers in the development and production of reconstituted tobacco leaf binders for cigars, has announced plans to expand its operations in Rockville by leasing additional plant space and purchasing about $400,000 of additional machinery. NuWay, which commenced production in August, 1955, presently employs about 40 persons.

* * *

The entire plant of **Colt's Patent Fire Arms Manufacturing Company, Inc.**, subsidiary of **Penn-Texas Corporation**, has been sold and a portion of it leased back for a 20-year period by Colt's. The plant consisted of some 20 buildings with a total floor space of about 700,000 square feet. One of the larger and more modern buildings is leased by the Pratt and Whitney Division of **United Aircraft Corporation**. The new owners of the plant will make available for lease to others the portions not leased to Colt's and to Pratt and Whitney.

* * *

The Connecticut Public Utilities Commission has recently issued a finding permitting **The United Illuminating Company** to split its present common stock on a two-for-one basis and to issue 50,000 shares of 4.35% preferred stock with $100 par value. The company is presently constructing generating facilities at Bridgeport at an estimated cost of $14,400,000 and expects to spend an additional $16,400,000 on expansion of its transmission and distribution facilities. The proceeds of the preferred issue will be used to defray in part the cost of the new facilities.

* * *

The Connecticut Bank and Trust Company has started construction of a new branch to be located in Bloomfield and to contain about 2,500 square feet of floor space. The new branch will be air-conditioned and will include drive-in banking facilities. It will bring to 23 the total number of offices, in 15 communities, of Connecticut Bank.

* * *

The Hamilton-Standard Division of **United Aircraft Corporation** has recently announced plans to expand its plant facilities at Bradley Field in Windsor Locks by about 50%, and to add approximately 2,000 additional employees within the next year. Hamilton has in recent years been expanding and diversifying its operations to include a variety of parts for military and commercial airplanes. Until recent years its operations were primarily devoted to production of propellers.

Form Estate Analysis Co.

Estate Analysis Co. has been formed with offices at 555 Fifth Avenue, New York City, to engage in a securities business. Partners are Robert Rachlin, William F. O'Brien, William Schur and Philip T. Davis. Mr. Davis was formerly with Security Planning Co. of New York. Other partners were with Investors Planning Corp.

Form Mutual Managem't

MONTGOMERY, Ala.—Mutual Management Company, Inc. has been formed with offices at 412 Bibb Street to engage in a securities business. Officers are Claude E. Dorsey, Jr., Chairman; Claude R. Kirk, President; Ray B. McLure, Vice-President; and S. W. Robinson, Secretary and Treasurer.

Form Stowers & Co.

KANSAS CITY, Mo. — Stowers & Co. has been formed with offices at 312 West 46th Terrace to engage in a securities business. Officers are Richard K. Smith, President; James E. Stowers, Vice-President and Treasurer and John J. Fallon, Secretary.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks continued to advance with great selectivity this week with the advance running into progressively harder sledding as the industrial average came within half a dozen points of the all-time peak posted three months ago.

The Big Test

A lot of attention was being given to what appears to be a test of the previous high. If the summer rally can penetrate the old level of 521 at all decisively, sentiment for the fall will be measurably improved. A balk just shy of the peak conversely would aggravate the caution already existing.

* * *

Rails have been listless rather generally, too, with no apparent intention of trying to scale their May peak more than a dozen points above this week's levels. A determined thrust into new high territory by the industrials could be the spark to bring the carriers to life finally. It would be something of a turnabout since the industrial average posted its peak early in April, and showed no capacity to go along with the rail average when it persistently forged to new highs during May.

* * *

In more than five weeks of more or less steady advances, with an occasional setback taken in stride as normal, the industrial index has regained better than 40 points over the May lows. A measure of the overwhelming preference for this group is the fact that the rail average was able only this week to stretch its improvement past half a dozen points as its contribution to the traditional summer upturn.

Interesting Issues

A few issues came in for attention once large blocks overhanging the market had been cleared away, notably U. S. Pipe in which liquidation of some 100,000 shares was completed recently, supposedly from foreign holdings. Once the weight was lifted from the issue, it was able to snap back smartly and nudge to within touch of its high. The company, once generally classified as one of the more cyclical around, has achieved a new stability through the municipal demand for its cast iron pipe used for water and gas mains as the mass move to the suburbs built up demand. It is the largest maker of such pipe but lately has been selling at a very conservative nine-times-earnings. This is a low ratio for a leader in the field that, in addition, has good reserves of both iron ore and coal, is an integrated operation and has been pursuing an aggressive cost reduction and improvement program that has been showing up in the profit figures. To its fanciers, U. S. Pipe is a candidate for improvement to the point where it will be more in line with other companies on a ratio of at least 12-times-earnings.

* * *

Another issue standing out at a low ratio is United Shoe Machinery which is selling at only six times the earnings of the last fiscal year and around 30% under the year's high although its anti-trust troubles are behind it now and the company has been diversifying into, among others, the attractive electronics field.

* * *

Cement stocks, after outperforming the general market for many sessions, finally settled down for something of a consolidation but without any great show of profit-taking showing up when they appeared to be running out of steam. The statisticians, seeking some sort of easy yardstick to translate into dollars, have come up with the estimate that each billion dollars of roadbuilding means 19,000,000 barrels of cement. How exact this is, of course, isn't easily ascertained.

* * *

One issue, which has shown little signs of life and hasn't featured in the news is Abbott Laboratories with some of the market commentators favoring it for the precise reason that it hasn't been contributing any fireworks. Other drug companies from time to time have announced new products, with resultant market interest. But Abbott, unlike the others, hasn't had any spectacular products to give it a boost. The theory is that sooner or later Abbott will come up with something to spur the stock. The company has been improving quietly but steadily. Between 1945 and 1952 the issue more than quadrupled in price but it has been lolling recently a score of points under the 1952 peak. Last year the company was able to break out of what was largely a stalemate in sales and earnings and projections for this year's final results hint at the best showing since 1951.

* * *

Chrysler also had its enthusiasts despite many aspects of the moment that have more negative than positive weight. Its earnings this year are assuredly not going to be very impressive with a red-ink third quarter probable. But operating efficiency has been improving, plus a management shakeup to bring new men to the fore, so that the issue could under better auto market conditions make a handsome about face.

New Pet

A pet among the lesser-known issues of several market students currently is Hewitt-Robins which so far this year has failed to carve out a range of as much as 10 points which is in distinct contrast to the widely known issues that have gyrated over a large arc. A producer of conveyors and materials handling devices generally, the firm has been benefiting from the industrial expansions and the urgent need for labor-saving devices to offset continually climbing wages. About two-thirds of its sales are from these lines, the balance from floor products and foam rubber which also is a growth business importantly serving the auto and furniture lines. The company was able to boost sales about a third last year with a corresponding good hop in net income, and expects to continue the improvement this year despite lower sales of foam rubber as the auto industry ran into its troubles. It is a low price-times-earnings candidate, too, since it has been lolling at a less than 10-times price.

* * *

Yale & Towne is still generally regarded as a hardware firm but it, too, has built up an important role in the materials handling picture. This business now produces around two-thirds of total sales and the $7,000,000 produced by sale of additional stock is being raised to expand its facilities to produce materials handling devices.

Abortive Try

Incidentally, the big play in the cements and the still somewhat spotty demand for the road equipment companies started something of a search for possible asphalt beneficiaries of the huge highway program. The research developed mostly that the larger oil companies are the major producers, that the product is a low-profit-margin one for most, and that little could be gleaned from this phase of the new road program.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Now With Taylor & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Harold G. Groll is now with Taylor and Company, 364 North Camden Drive.

LETTER TO THE EDITOR:

A. A. Potter Discusses Mr. De Fremery's Article

"Chronicle" reader probes the "elemental flaw" in Mr. de Fremery's article advocating Irving Fisher's 100% demand deposit cash reserves. Mr. Potter discusses: inability of any plan to combat hoarding; world government, and revision of classical theory of value inasmuch as money and wealth, price and value, are not synonyms, and "capital values should not, even if they could, be stabilized."

Editor, Commercial and Financial Chronicle:

The civilized world stands in serious need of banking and monetary reform not merely to preserve, but to establish truly private enterprise free from government meddling that arbitrarily redistributes wealth, or tries to as a "progressive" *vs.* "regressive" program and the "Chronicle" is doing a service in introducing the matter into its columns again. However, Mr. de Fremery's measure of reform* is too limited to attain his stated objectives, though he states the case for reform far better than do our professional economists. He sees only the evils of what Father Dempsey, who discussed the problem in his monograph on "Interest and Usury" and took it up with me in the columns of the "Chronicle" back in '40s, calls *usury*. It is the principal sum, not the interest on it, which causes, as Lauchlin Currie put it in his Harvard Monograph of 1935, "the perverse elasticity of the Federal Reserve system."

Alden A. Potter

It is not enough merely to pass a law prohibiting this ancient practice in monetizing "reserves" that don't exist, nor yet to put the government in charge of printing more "reserves" as "backing."

Cannot Combat Hoarding

Nor can any plan be adequate to combat hoarding which contemplates *falling* prices, that is, "an appreciation in the value of money." (These are one and the same thing, though, not, seemingly, to Mr. de Fremery.) A rising "price level" might prevent hoarding — provided the rate of change were constant; but to attain constant change is no less a problem than to attain no change.

Moreover, it is not true that the difficulties of "foreign exchange" can be resolved by stability in each national currency separately. True; an effective "balance of payments" cannot be attained by gold "reserves" or a Monetary Fund (a flat failure in the U. N. O.). Under modern conditions, a balance just cannot be attained—period. That's why Canada's Mr. Pearson favors, not a "United Nations," but rather *no* nations; that is, world government, or an Atlantic Union as a starter.

Elemental Flaw

The elemental flaw in the "new" scheme of Mr. de Fremery lies in failure to decide how to get *new* money out of his "100% reserve" and into some particular account or accounts. The classical system accomplishes this by the "lending" of banks held in check by a "central bank"; any account already possessed of some wealth as a "sound" backing can get a corresponding sum of "money" that is *new*. Indeed, as things are, no capital expansion on a large scale can proceed otherwise; and a small business cannot become large without such "credit" which is truly "easy money" only on a large scale. Big business often simply "overdrafts" its account and pays interest to the bank only on its deficiency, that is, without any antecedent "loan" to assure adequate deposits to cover checks drawn.

Obviously, the account which should spend money the first time it is spent is that of the central government. (Our Constitution prohibits state participation in monetary control.) Not private accounts but the public account only must run the only deficit there is in the money system. This is what makes any state "sov-

Continued on page 31

*See article "Banking and Monetary Reforms to Preserve Private Enterprise" by Robert de Fremery in the "Chronicle" of June 7, 1956.

Securities Salesman's Corner

By JOHN DUTTON

Fundamentals of Security Salesmanship

ARTICLE IV

—What To Read And Study—

The following bibliography of selected texts pertaining to the Investment Banking business has been obtained from material kindly sent to me by Edwin W. Boehmler, Educational Director of the Investment Bankers Association of America. Although you will notice that these texts were written over 15 years ago, they comprise a very carefully selected group of available books on these subjects. They are basic in content and, although there have been certain changes in the underlying conditions surrounding investment and investment policy, as well as specific situations themselves, these books will be helpful to any student interested in acquiring a sound approach to understanding various aspects of finance.

"Investment Principles and Practices" Badger and Guthmann, New York, Prentice Hall, 1936.

"Organizing and Financing Business" Bonneville and Dewey, New York, Prentice Hall, 1938.

"Financial Organization and Management of Business" Gerstenberg, New York, Prentice Hall, 1939.

"Security Analysis" Graham and Dodd, New York, McGraw-Hill, 1940.

"Investments" Jordan, New York, Prentice Hall, 1936.

"The Over The Counter Securities Market" Loeser, New York, National Quotation Bureau.

* * *

Other More Recent Texts

"Corporate Financial Policy" Guthman and Dougall, New York, Prentice Hall, 1948.

"Investment Analysis and Policy" Pickett and Ketcham, New York Harper Bros.

For background reading of a more general nature I would suggest:

"The Battle For Investment Survival" by G. M. Loeb.

"The Intelligent Investor" by Benjamin Graham.

"Investments—Principles, Practices and Analysis" by Douglas Hamilton Bellemore.

"Ten Years of Wall Street" by B. F. Winkelman.

This latter book deals with the securities markets during the roaring twenties and it will be informative to those who did not live through this historical period in our financial history.

Statistical Material

In addition to such texts as the foregoing, there is a wealth of information in the statistical manuals. For one who seriously wishes to study investment values nothing is more instructive and helpful than digging it out yourself, providing you do this systematically. When you learn it this way it sticks. Read the historical record of 10 leading rails utilities, chemicals, oils, mining corporations, paper companies, electronic concerns and merchandising companies. Check their book values, earnings, dividend payout, percentages of net to sales, current assets-liabilities ratio, and the appreciation factor of their capital stock. There is a college course for you and it is all right in your Standard and Poors or Moody Manuals.

You will find other important information in your Moody manuals, such as legal requirements for bank investment, what ratings mean and how they are determined, and the historical record of hundreds, yes thousands, of corporate reorganizations and the history of growth and decline of all types of business organizations in every field of endeavor. A sharp pencil, a manual, and a pad of columnar paper, listing the pertinent facts concerning 10 corporations in each comparable industry, will give you an understanding of security evaluation that will add stature to your work as an informed security salesman.

NEXT WEEK — CURRENT READING

Named Directors

CHICAGO, Ill.—Leo T. Crowley, Chairman of the Board of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company (The Milwaukee Road), has announced, following the regular meeting of the directors of the company, that J. Patrick Lannan and Arthur M. Wirtz had been elected members of the board.

J. Patrick Lannan

Mr. Lannan, who resides in Chicago, is a partner of Kneeland & Co., members Midwest Stock Exchange, and is a director of the International Telephone and Telegraph Company and of other prominent industries. He was formerly associated with Mr. Crowley in the public utility industry.

CORRECTION

In the "Financial Chronicle" of July 12 it was reported that Mr. Robert Kastor had opened offices in New York City to engage in the investment business. Mr. Kastor, a member of the New York Stock Exchange, is a limited partner in Gartman, Rose & Co., and does not now contemplate retiring from Gartman, Rose & Co. The error arose through misinterpretation when Mr. Kastor registered with the Securities and Exchange Commission to cover a special situation.

With Lehman Brothers

Lehman Brothers, One William Street, New York City, members of the New York Stock Exchange, have announced that Keith W. Shearman has become associated with the investment advisory service of the firm.

Bache Adds to Staff

Bache & Co., members of the New York Stock Exchange, have announced that Lawrence Bergman, Sol Ellman, Bernard M. Franklin, and John J. Putiak have joined their main office at 36 Wall Street, New York City, as registered representatives.

New registered representatives in the branch offices of Bache & Co. include: Robert S. Lowell, Donald S. White, Jim W. Donovan and Mrs. Hazel Smith, Chicago; Charles Hoag, Cleveland; and Ray W. Myers and Eldon E. Murray, Milwaukee.

Hugh Johnson Branch

ROCHESTER, N. Y. — Hugh Johnson & Co. Inc. has opened a branch office in the Triangle Building under the management of Warren R. Thomas.

Importance of Commodity Prices

By ROGER W. BABSON

Maintaining that these uncertain times accentuate the importance of watching commodity prices, Mr. Babson points out that the many attempts of governments and individuals to control prices have all ended disastrously, and that they move in definite cycles. Predicting next minor (as contrasted with major) price movement will be downward, urges separate analysis of each commodity.

The whole world has been upset economically and politically by World War II and its aftermath. In the midst of our own long postwar boom — only recently showing signs of decline—it is hard to believe there are many areas where serious losses and widespread suffering have resulted. Prices here have been so stable that we have forgotten the importance of commodity market trends.

Roger W. Babson

Prices Should Be Watched Closely

For more than 50 years, I have been keeping tabs on commodity price swings. The Babson Organization has been publishing a Business Inventory-Commodity Price Forecast over this long period, primarily because I believe that a knowledge of month-to-month developments in the major cash commodity markets will benefit all businessmen. Commodity prices should be watched closely, especially in these uncertain times.

The so-called "built-in stabilizers" of our post-depression American economy have helped us forget the basic principle that the price of each commodity is finally determined by the supply relative to the effective demand. A surplus of a commodity brings lower prices and vice versa. The many attempts of governments and individuals to control prices have all ended disastrously.

Swings in Prices

Years of study have shown that commodity prices move in definite cycles. I have proved to my own satisfaction that individual commodity prices, as well as groups, follow distinct — though not regular—periodic fluctuations. Of course, one must distinguish clearly between the major cyclical or long swing movement and the minor or shorter-swing movement. When both trends are in the same direction, the price movement is accentuated. Otherwise—as in recent years—prices tend to hold fairly steady or to move in the direction of the stronger trend. In order to gauge properly the movement of prices, you must consider both the major and the minor trends.

Commodity experts who now follow the various commodity markets more closely than I do believe that the *major* trend in commodity prices continues upward. They forecast a higher average of commodity prices before this present major cycle has been completed, but they emphasize that interruptions to this upward trend are possible. Also, they tell me that there will be individual commodities which will move contrary to the underlying trend. Hence it is absolutely necessary — especially in these uncertain times—to analyze each commodity separately. I forecast that failure to do so may prove costly, for the next *minor* movement in commodity prices will be downward. I forecast it may get under way sooner than today seems possible.

Commodities and Investments

From my readers' mail, I notice that there are comparatively few questions on commodities. Most people are interested only in individual securities or groups of securities. They simply do not realize that supply-demand trends and prices in the commodity markets determine, to a considerable extent, the return they get on their stocks.

I never buy stocks without giving consideration to price trends in the products made or heavily used by the company in which I plan to invest. I recommend this policy to others and I caution against speculating in the commodity *futures* markets. You can make money fast in commodity futures, but you can lose it twice as fast! The fluctuations of the stock market are great enough; but commodity prices fluctuate even more.

Advice to Manufacturers and Merchants

Most manufacturers must buy their raw materials nearly a year in advance; but they can usually protect these purchases by buying or selling "futures." In such cases, however, they should never be traded in to "make money" or for speculation.

Merchants should not bother with "futures," they are dangerous. Better stick to the advice of wholesalers with whom you have traded for many years. Do not let any salesman "high pressure" you into buying more than you will need for more than six months ahead. This is a time to keep inventories in good control.

Chas. G. Schaefer With First California Co.

SAN FRANCISCO, Calif. — Charles G. Schaefer has joined the investment analysis department of First California Company, 300 Montgomery Street. Mr. Schaefer, who has been in the investment business for many years, was formerly with Mitchum, Jones & Templeton, William R. Staats & Co., and E. F. Hutton & Company.

Forms R. G. Worth Co.

REGO PARK, N. Y. — R. G. Worth & Co., Inc., has been formed with offices at 93-24 Queens Boulevard to engage in a securities business. Officers are Robert Grocoff, President, Bruce Grocoff, Vice-President; and Solomon Wetchler, Secretary-Treasurer.

How Dangerous Is the Economic Position of the United States

By DR. ALBERT GAILORD HART*, Professor of Economics, Columbia University

Professor Hart asserts that although general activity during second half of 1956 will be high, the peak of 1954-56 boom may have been already passed. Maintains signs of weakness are widespread, and denies there is a basically inflationary demand situation. Points out disastrous consequences in event of real peace breakout with disarmament. Denies popular belief that downswing in an Election year is impossible because of politically-motivated intervention.

In a long prosperity, it becomes easier and easier to feel that prosperity is automatic. This pervasive optimism has its advantages, especially for those of us who love to promote things. But it may be a trap. The last time the nation got into this frame of mind, we found that when the immediate supports of prosperity let go, we had nothing in reserve. 1929 was followed by the severe downswing of 1930-31; and as disillusionment spread we developed a chronic variety of the old-fashioned acute economic crisis, lasting from late 1931 till World War II.

Prof. A. G. Hart

Likelihood of a Downturn

We can already see that the general level of activity for the second half of 1956 will be high. Yet most analysts think a downturn is likely; in fact, it is quite possible that when the "reference peak" for the 1954-56 upswing is set, it will be at a date we have already passed.

This finding is no paradox. In fact, a correct forecast at this time of year in 1929 (or in 1953) would have been the same that now looks probable for 1956: **high but declining** operations in the latter part of the year. The intentions to buy houses, business premises, and machinery which are our main basis for expecting high activity point to levels well above the 1955 average, but not far from those reached in the last quarter of 1955.

True, some responsible observers think they see signs of inflationary pressure. There are backlogs of orders in the metal-products sector, and the industrial price level has been rising at a disturbing rate. Prospective wage increases (not merely union proposals, but indications as to what employers find acceptable) look as if they will outrun productivity. The stock market, while lately it has not been rising extravagantly, is still in the price range that it talked itself into in its wildly optimistic phase last year.

No Basic Inflationary Demand

At the same time, there is not a basically inflationary demand situation. My impression is that the signs of excess demand in the metal-products sector rest on building up of inventories in expectation of a price rise. Once the price of steel has either risen or settled down, the inventory situation can be expected to reverse.

Signs of weakness are widespread. While some observers characterized the 1954-55 upswing as unusually strong, the fact is that it lost momentum short of full employment. For months now, industrial production has shown no gains, and unemployment (while fairly mild) has continued to show there was slack in the system. Housing starts are a bit below last year; auto sales are not only below last year as forecast, but below forecast. While it is not impossible that the upswing will pick up again, it seems more likely that it will reverse. This is particularly probable since the prosperity rests so heavily on markets subject to a "band-wagon effect" — inventories, stocks, and novelties in housing and autos.

Can a Downswing Pick Up Serious Momentum?

When we have another downswing (whether it starts this year or next), is it likely to be serious? Our last two downswings (1948-49 and 1953-54) have had little momentum; they coasted to a stop at levels of output less than 10% below full prosperity, and were succeeded fairly promptly by upswings. But this experience in itself is not conclusive. In the 1920's, also the recessions of 1924 and 1927 were brief and shallow; if we merely went by counting, we should be asking ourselves whether the third downswing might again be much more drastic.

The possibility that a downswing might for some distance be self-reinforcing is still real. It looks likely that the auto industry will borrow a month or two of next year's market for 1956 by an earlier model-change. If so, auto sales in 1957 will be that much less of an economic support. Besides, as George Katona of the Survey Reseach Center is pointing out, it is here in 1957 and 1958 (not in 1956) that we must expect the backwash from the loose auto credit of 1955. When people who want to trade in their 1955 cars go to their dealers, they are apt to find that their unpaid balance is so large compared with the value of the 1955 car that their trade in will not cover the 1957 down-payment. That will cut out a good many deals. If there is a general revulsion against getting into this kind of trouble by long consumer credits, the effect will be compounded. Once started, an inventory-reduction campaign by business is apt to last at least a year. Business plans for plant and equipment, which were speeded up in early 1955 in response to the upswing, might be deferred a little in response to a downswing. A month's postponement on the average of projects scheduled for 1957 would in itself be enough to pull these expenditures 12% below 1956. If unemployment rose enough to generate higher housing vacancies than we are used to, builders would find their working capital largely frozen, and would have to slow down.

In this whole field of postponable expenditures, we must remember that a sudden change of buyers' temper is possible. Having lived for 15 years almost continuously in the hothouse of easy selling, easy earning, easy absorption of new capacity and easy capital gains, our business leaders as well as our households may be susceptible to sudden chills from merely temperate breezes. A break in the stock market might change the whole climate of business opinion.

I count a good deal on the improved stability characteristics of the economy to check a downswing. What with unemployment compensation, reduced tax withholding, and protection against drastic credit deflation, I think we can count on a sustained market for perishable goods and services. If unemployment in the soft-goods field does not rise much, this removes one part of the reinforcing mechanism by which a downswing grows worse. Besides, the corporate-tax and banking situations make it unlikely that merely financial handicaps will hold back business outlays for plant and equipment which seem likely to earn their way if financable. Further, I agree with the Keynesians that the present rigidity of wages removes any incentive to postpone such outlays in hopes of drastically lower costs. But on the whole, these mechanisms of "built-in flexibility" point only to a slower decline and a higher floor to any depression than we could expect otherwise. I agree (despite the interesting dissenting views of the Chicago school) with the widespread profession consensus that built-in flexibility does not do much to get us up off the floor once we are down.

* * *

Could a Slump Prove Refractory?

Once down, is there any serious risk that we cannot get up again? In principle, no. But we could imagine a problem if sometime in the next few years peace really broke out. Government expenditure on military hard goods and construction is almost as important a market for business as private expenditure on producers' durable equipment. If a large part of this market were eliminated by disarmament, the corresponding tax cuts would reinforce the demand for soft goods and services more than for civilian hard goods. A big reorganization of the labor force would be called for. Immobility of workers and difficulties in bringing jobs to them might produce several years of chronic unemployment in the hard-goods centers, somewhat analogous to the residual unemployment in Britain during the upswing of the mid-1930's.

The flexibility of the American economy is probably sufficient to handle such an adjustment within three or four years. But it might well be impossible to manage it in one or two. And if impatience with the speed of the process led to over-use of tax cuts and monetary measures as stimulants, we might find that we were generating inflation in face of substantial unemployment. Whereas at present such stimulants need not prove inflationary with unemployment exceeding two million, it would not be surprising if radical disarmament raised the inflation threshold to some such painful level as five or six million of unemployment for a few years.

Two other factors might tend to stagnation. In the first place, it is possible that business men might be deeply discouraged by a few years of hardship. Selection for business leadership of late years has favored the mentality that believes it can work wonders —and feels it has been working wonders. The same type of mind is capable of developing an acute sense of inadequacy when things refuse to go well. It is conceivable that a depression comparable to that experienced in 1930 and early 1931 (that is, before the catastrophic stage of the Great Depression was reached) might blind business leaders to investment opportunities. In the second place, the same mentality in government might lead to ineffective counter-measures against a depression. There seems to be little authentic advance planning in process; disbelieving in the possibility of a serious slump, the politicians would improvise when it struck. If they hit on as poor a set of improvisations as the "First New Deal," which tried in 1933 to organize recovery around measures of output-restriction, a general loss of confidence is possible. But I must say that this does not seem likely. There certainly are industries with a restrictionistic attitude; but it is hard to believe that either business leadership or government could go so far wrong again as in the 1930's.

The Inflationary Dilemma

One of the standing worries of economic policy is that we may have to choose between excessive unemployment and inflation. Let me assure you that the academic economist is not inclined to take inflation lightly. The very welcome salary increase lately announced at Columbia, for example, brings professors' salaries before taxes to about 85% of their 1929 purchasing power, as compared with a rise to about 165% of 1929 purchasing power (on a per capita basis) for the nation as a whole. We are not apt to forget that this setback results from inflation. At the same time, most academic economists are somewhat prepared to take the risk of using fiscal and monetary policy to stimulate activity when there is unemployment.

The great bugbear of those who fear chronic inflation is an upward pressure on wages by the trade unions. For my part, I am less concerned about this in itself than I was a few years ago. But I am concerned about the interplay of wage and price policy. Right now, it seems to me that the steel industry would be embarrassed if the union were not asking too large a wage increase, because the industry would like the wage increase as a pretext to raise prices. The steel-price problem, in fact, exemplifies the key factor in the unemployment-inflation dilemma. In a situation like the present, a **temporary** rise of steel prices is probably appropriate; the trouble is that given the industry's tradition, any increase is almost sure to be permanent. The downward rigidity of key prices like steel has the effect of putting prices on a ratchet; and thus the effect of relative price changes to ease market strains is an irreversible inching up of the price level.

Where I part company with some de-flationists is in the use of monetary and fiscal policy to combat this sort of inflation. The trouble is that if the Federal Reserve and Congress punish the economy for its inflationary sins, the punishment is likely to be delivered to the wrong address. If restrictive monetary-fiscal policy intensifies unemployment, the losers among wage-earners will be new entrants to the labor market, elderly people near retirement, and those who have low seniority because they have lately changed jobs—just those who lack a voice in union affairs. The losers in the business community may more nearly coincide with the group that engineer avoidable price increases; but the penalty does not take a form that induces more price flexibility. On the whole, the remedy for inflation-on-the-ratchet seems to lie in the fields of anti-trust policy and labor policy—not forgetting farm-price policy.

If price-wage structures do continuously misbehave, then we are thrust back on the dilemma of accepting inflation or unemployment. I doubt that the alternative of running a repressed inflation under price-wage control is real. I agree that the implied control structure is a serious evil in itself. But I suspect that those who talk about it as a policy for the United States are not willing to accept the restrictions on their own activities that would have to be included to make a politically acceptable package. Those who do not mind the thought of controls, of course, have less aversion to inflation-risk than the rest of us. But practically speaking, the choice is between working out more effective anti-monopoly restraints or accepting somewhat too much unemployment and somewhat too much inflation. To the extent that we let the monopoly problem drift, we enhance the risks of stabilization policy.

*An address by Dr. Hart before a dinner meeting of the Alumni Association of the Graduate Schools of Columbia University, New York City.

Dillon, Read Group Offers $60,000,000 Superior Oil Debs.

An underwriting group headed by Dillon, Read & Co. Inc. yesterday (July 18) offered for public sale at par, $60,000,000 3¾% debentures due July 1, 1981 of The Superior Oil Co.

Proceeds from the sale of the debentures will initially become part of the company's general funds, of which $14,260,000 will be used to retire outstanding debentures, and $40,000,000 will be used to prepay bank notes now outstanding. The company also expects to spend approximately $2,500,000 from its general funds to complete and furnish its 12-story office building on company-owned property in downtown Los Angeles, Calif.

The new debentures are redeemable at general redemption prices ranging from 105% to 100%. Commencing Jan. 1, 1962, and on each Jan. 1 and July 1 thereafter, the company is obligated to retire $1,500,000 principal amount of the debentures through a sinking fund at 100%.

The Superior Oil Co. operates in 17 states as a producer and seller of crude oil and in 14 states as a producer and seller of natural gas. It is not engaged in refining or processing crude oil but to some extent it does extract natural gasoline and liquefied petroleum gases from natural gas. Most of the company's production is derived from properties which it operates, and the balance is from properties operated by others under joint venture, unitization or other agreements.

For the fiscal year ended Aug. 31, 1955, Superior had sales and other operating revenue of $78,866,000 and $43,329,000 for the six months ended Feb. 29, 1956.

Dempsey Elected Director

William Lawrence Dempsey, a general partner of Drexel & Co., Philadelphia, Pa., has been elected a director of The Mead Corp.

Mr. Dempsey, formerly a director and President of Sharp & Dohme, Inc., is now a director and consultant of Merck & Co.

Clement Evans Branch

ORLANDO, Fla.—The Atlanta investment banking firm, Clement A. Evans & Company, Inc., has announced the opening of a new branch in Orlando, Fla., the offices being located in the Rutland Building, to be managed by H. James Wheeler.

Mr. Wheeler is well known in the investment field having formerly been with the firm of Leedy, Wheeler and Alleman, of Orlando.

J. D. Creger Co. Adds

(Special to The Financial Chronicle)

WHITTIER, Calif. — Frank E. Adams, Marvin H. Allen, Charles W. Cottle, John H. Devine, Robert F. McKenna, Thomas J. Mitchell, Michael Papp, Frank D. Schallock and William H. West have been added to the staff of J. D. Creger & Co., 124 North Bright Avenue.

Continued from first page

Observations on Economic Trends in U. S. and Abroad

progress has, however, been accompanied by troublesome new problems in most of the important industrial nations in the world, including the United States. In the past year or two, shortages have developed of industrial raw materials, of plant capacity and of social capital; total demands have frequently outpaced production, and current savings, even in the older and richer countries, have tended to lag behind the requirements for investment funds. The wage-cost-price spiral has been active practically everywhere, and credit expansion has exceeded physical output. It is of some small comfort to note that these, typically, are the problems not of depression but of prosperity and full employment; nevertheless, these problems are of pronounced importance to the future of the international economy.

It is therefore not surprising that, while our trade and tariff policies, our military expenditures and our foreign aid and investment programs continue to be of immediate interest to our neighbors and our friends abroad, a deeper and broader question pertains to the prospective stability of the American economy in the years ahead. The very size of the American economy and its many ties to the rest of the world are ample reason for the continuing concern of many nations with our developments at home. The reappearance of pronounced economic instability in the United States, as in the world in general, might well imperil the gradual progress of the postwar decade. May we assume that the range of cyclical fluctuations in the American economy over the next decade will be no greater than that of the past 10 years, or will the preservation of generally stable growth become a more difficult and troublesome problem as we move ahead? Unfortunately, no definite answer to this question can be given at this time. However, consideration of some of the issues involved may provide some perspective in appraising the American economic scene.

The Postwar Business Cycle

The record of the American economy in the pastwar decade has been reassuring. We have had generally high and at times overfull employment; industrial production since 1946 has expanded by almost 60%; and the two business adjustments of 1948-49 and 1953-54 were quite mild; indeed, the decline from peak to low quarter in each case was no more than about 3%, measured in terms of the Gross National Product. And while commodity prices have been fairly volatile on the upside, a rapid rise after the end of World War II was probably inevitable in the wake of large demands, limited supplies and the lifting of wartime price controls. Nor was the resurgence of inflationary pressure after the outbreak of war in Korea a surprising development. Excepting the two periods of soaring prices traceable to war, commodity prices in the United States, despite sharply rising wage rates, have been fairly stable. Moreover, the two mild business setbacks of the decade were accompanied by only modest corrections in aggregate commodity prices; a pronounced postwar credit liquidation and price deflation, comparable to those which followed other wars in our history, has not materialized so far.

A Decade of Rolling Readjustments—It has become popular to ascribe this high degree of stability in the postwar economy of the United States to the good fortune of "rolling readjustment." That is to say, instead of several major sectors of the economy receding in unison, a decline in some sectors has tended to be offset by stability and strength elsewhere.

The downturn of 1948-49 was marked by a shift from inventory accumulation to liquidation, a contraction in consumer spending on "soft goods," lower business investment in plant and equipment and a slight sag in building. But Federal Government spending was on the rise; state and local government outlays were expanding in response to the huge backlog of needs for public facilities; consumer buying of automobiles and other "hard" goods, deferred demand for which had not yet been wholly met, provided further support.

A liquidation of business inventories was again a factor in the 1953-54 business downturn, but this time its effects were reinforced by a sharp contraction in military spending by the Federal Government and by a sag in consumer spending on hard goods. Consumer purchases of soft goods, on the other hand, remained quite steady, business plant and equipment spending held up much better than had been anticipated, and home building displayed important strength. State and local government outlays, as in the previous business adjustment, continued upward; these expenditures have followed a rising trend throughout the postwar decade regardless of fluctuations in the business climate.

Thus analyzed, the theory that cyclical fluctuations have given way to a fairly smooth succession of rolling readjustments loses some of its force. There was no general regularity evident in the patterns of strong and weak factors in the business adjustments of 1948-49 and 1953-54; some of the sectors that were strong in the earlier period were soft in the latter, and vice versa. Perhaps the most important single contributor to the good economic record of the postwar decade was the general strength in capital outlays; this helped prevent the easing in other sectors of the economy from cumulating into a major decline in aggregate activity.

Key Role of Investment Spending—Applying this lesson to the current outlook, it is fair to conclude that large sectors of the economy — particularly consumer buying of soft goods, spending by the Federal Government, and outlays by state and local governments—are likely to continue to provide important support to aggregate business activity. Sufficient volatility, however, remains in the fields of business inventory policies, residential building, and —as is now being emphatically demonstrated — in consumer expenditures on automobiles and other durables, to preclude the acceptance of rolling adjustments as an ironclad guarantor for the future. On balance, prospects for stable and orderly economic progress appear to rest largely with capital investment by business.

The investment sector of the economy has been notoriously volatile in earlier periods of our economic history, but has been a strong sustaining element through most of the postwar decade. Research, competition, and rising labor costs have been powerful stimulants to expenditures on industrial plant and equipment. Also, more and more businesses are engaging in long-range planning for their plant programs, and this assuredly should make for somewhat greater stability for this type of spending, especially in a period of business sag. It should be noted, however, that the plans of many companies tend to be rather tentative and provisional; long-range programs, by their very nature, may be accelerated or retarded, expanded or cut back. At present, the stabilizing effect of these various factors upon future investment spending is more of an expectation than a demonstrable fact.

The remarkably rapid expansion of business plant and equipment currently under way is often cited as impressive evidence of the vigor prevailing in this sector of the economy. This reasoning, however, may be a two-edged sword; the very strength of the present rate of capital spending creates some doubt regarding the dependability of long-range plans. Recent surveys of business spending intentions on plant and equipment indicate planned increases in capital expenditures in 1956, compared with 1955, or 30% for all firms, 48% for manufacturers, and more than 100% for some individual industries. Certainly, as of a year ago, long-range plant programs did not contemplate increases of the magnitude now in prospect. In recent months, at least, business concerns have tended to act as in earlier days: in an environment of rising orders, sales, production and profits, they have expanded their plant programs quickly and substantially.

Assuredly, this experience does not necessarily indicate that business investment outlays will react equally strongly on the downside in the event of an easing of business activity. A growing conviction among corporate managements is that, even at cyclical peaks of demand, excess capacity is to be preferred to shortages, and that, moreover, the profitable utilization of rapidly rising capacity is underwritten by the prospect of long-term economic growth. Somewhat the same spirit appears to be motivating nonresidential construction in general.

Thus, the prospects for continuing stable progress in the United States economy focus upon the question whether the forces of growth, which are undeniably at work, are such as a minimize volatility in the area of business capital expenditures, or whether, on the contrary, they are likely to produce greater volatility in the years ahead. The problem of cyclical fluctuations apparently cannot be dismissed by referring to the good record of the past decade. Rather, if greater stability is to be achieved, it will have to be done by standing up to the new problems and changing conditions that undoubtedly lie ahead.

Some Questions for the Future

With respect to the outlook for continuing economic growth in the United States at a relatively stable rate, there are several schools of thought. A widely accepted notion is that business corrections in the future may remain fairly moderate because of the cushioning effects of strong long-term growth trends. Attention is directed to the expansive forces present in the United States economy, and in the world at large, which include the upsurge in population, pressures for higher living standards, increasing needs for productive facilities, and new vistas opened by advances in technology and research. Also, it is stressed that governments the world over have assumed responsibility for maintaining full employment.

A more critical approach views the widespread long-term optimism now prevailing among businessmen and the public as an obvious byproduct of a decade of almost uninterrupted economic expansion, and stresses that the United States has in the past repeatedly experienced long periods of high and rising economic activity wthout entering a "new era." Indeed, a strong and broad growth trend has characterized the international economy since the beginning of the industrial revolution, but short-run volatility has equally been a feature of modern economic history; the continuation, and perhaps even acceleration, of long-term growth in the future would not necessarily rule out the possibility of business fluctuations considerably more severe than those of the past decade. Although this line of thought is less cheerful than the preceding one, its results need by no means be negative; a greater awareness of the uncertainties that beset the future could well contribute to, rather than detract from, our chances of achieving greater stability.

Technological Breakthrough?—Perhaps the strongest argument advanced in support of persistent and pervasive economic expansion is the reference to the stimulating effects of industrial research, the resulting advances in technology, the promise of rapidly rising productivity, and the consequent opportunities for higher business investment. Industrial research is growing swiftly and this year will involve outlays in the $5-$6 billion range. It will certainly lead to many new products, improved methods and tools of production, and presumably a more rapid obsolescence of capital equipment. Together with keen competition and rising labor costs, this will doubtless provide a strong incentive to business capital investment over the long term. However, there is as yet no assurance that these factors will be equally effective in forestalling fluctuations in investment activity in the short run. A high and rapidly rising level of business investment, with stress on "automation," may well create problems of its own.

Rapid capital obsolescence and new product development are not original with the mid-20th century; they have been at work throughout our industrial history. The vistas of progress opened to preceding generations by the introduction of electricity, automobiles, and radio, to mention only a few, have certainly been no less breathtaking than those that present themselves to us today. Yet there is no indication that technological advance has tempered cyclical fluctuations in economic activity. Furthermore, the replacement of outmoded products, obsolete equipment or declining industries in the course of progress seldom proceeds smoothly and painlessly either to the labor or to the capital involved.

Automation may serve to reduce the required labor force, at least initially, but it will call for more highly skilled help, at correspondingly higher rates of pay. Moreover, automation ordinarily involves an extremely large capital outlay, and the cost of capital goods is advancing sharply. The result is likely to be a higher level and greater relative importance of fixed costs in the future; also, complex, highly specialized new equipment may lead to growing inflexibility in operations. The cost of idle capacity, which has contributed to industrial instability in the past, might thus become even more significant in the years ahead, and this could have important implications for the future of business pricing policies and profit margins. Thus the pace of automation may be slower, and the attendant risks and problems somewhat greater, than is commonly assumed at this time.

Population Growth — Another powerful stimulant to economic expansion, at least in an industrial society, is provided by population growth. The great population upsurge in the United States is one of the most remarkable phenomena of the past decade; moreover, population is growing rapidly in many other countries as well.

The economic potency of rapid population growth in the United States is clearly evident. It has contributed importantly to the sustained high level of residential building, to the demands especially for durable goods, and, naturally, to growing needs for roads, hospitals, water supply and other public facilities. Furthermore, business planners are already looking forward to the 1960's, when the baby crop of World War II and the postwar years will be entering the marriage age; economic projections then contemplate a renewed bulge in needs for homes and, later, for schools, as a new generation appears in huge numbers.

At the same time, however, it should not be overlooked that the labor force will then be growing at a considerably faster rate than at present, and the maintenance of adequate employment levels may become more troublesome than it has been in the past decade. Also, consumer spending habits may undergo some unexpected changes in the intervening years as the infants of the recent past attain adolescence, and as their needs and wants make themselves felt.

Moreover, in planning for the future, one should bear in mind that there is no reliable basis for forcasting the level of births, the decisive factor in projecting population growth. Because of earlier underestimates, population forecasts made even a few years ago have fallen far short of the mark, and the present tendency is to raise population sights sharply

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for the future. Even the most competent projections, however, have a significant margin of uncertainty which cannot be brushed aside in appraising the prospects for the economy over the long term.

Higher Living Standards—The urge for ever-improving standards of living is also ranked high among the factors presumed to underwrite a growing economy. This urge is not, of course, a new phenomenon; the novelty perhaps is that the consumer today is not only impatient for the good things of life, but has available to him greater financing facilities and more than ever before is ready to go into debt in order to accelerate an improvement in living standards that might otherwise have to be postponed for some time. This is clearly evident in the postwar demand for housing, with its accompanying spectacular growth of mortgage credit, and in purchases of automobiles and other consumer durable goods, which are financed largely through instalment loans.

This speedup in the gratification of consumer desires through the broadened use of credit has unquestionably made an important contribution to the development of mass-production industries in the United States; it is therefore frequently asserted that an increase in consumer indebtedness, because it bolsters consumer buying, constitutes an expansionary force in our economy. This, however, does not guard against instability, as demonstrated by recent experience in the automobile market, where the large expansion of instalment credit at liberalized lending terms contributed to the banner year 1955, but was followed by a slump in passenger car production and employment in 1956. Thus, one may justifiably question whether a rising living standard—which in essence means that a growing proportion of consumer income is available for discretionary spending — actually works for greater economic stability.

This question is especially apt where the rise in living standards is achieved through greater resort to credit. The use of credit tends to raise demands substantially, especially in the strategic sector of automobiles and other durable goods, when consumers are in a buying moods, but results in sharp cutbacks as market conditions or sentiments change and consumers either stop borrowing or even reduce their debts. Moreover, lending terms (that is, size of down payment and life of loan) tend to become more liberal and credit standards more lax as employment and business activity rise, thus operating to widen yet further the swings in consumer spending. In the United States, certainly, sustaining the market for homes and a large variety of consumer goods in recent years has entailed an impressively rapid increase in personal indebtedness, and the question is still open how long this rate of debt expansion can persist.

The Role of Government

The active presence of sweeping growth trends in our economy thus permits us to look forward with confidence to the attainment of new peaks of output but does not necessarily provide the assurance that the road upward will be straight and smooth. While some of the forces now at work may be expected to have a stabilizing effect, others may be increasing the exposure of the economy to cyclical instability. Misgivings on this score, however, are often allayed by referring to the prospect that the government will take whatever action is required to halt and reverse any cumulative downward spiral. As Geoffrey Crowther so aptly stated in his valedictory article in the London "Economist," April 7, 1956, the new doctrine that government can maintain the economic health of the community "is so universally accepted that one would be thought very eccentric, and very reactionary, even to question it. Yet the odd thing is that this responsibility has been accepted without the slightest proof that anyone knows how, in fact, it is to be discharged."

Maintaining Full Employment—Government responsibility for an active economy is most clearly reflected in the doctrine of full employment. In the United States, as in many countries abroad, the government's responsibility for maintaining a high level of employment—which implies a high level of industrial production—has become firmly embedded. Mr. Crowther's further comments regarding Britain's postwar experience on this point have validity also outside his own country:

"It is true that full employment has been steadily maintained, and as that is what matters most to the ordinary man, it perhaps accounts for the general illusion that governments have been successful in their economic policy. But full employment has persisted since the war all over the world, and it has certainly not been due to successful economic planning all over the world."

Although in the United States, as elsewhere, full employment in recent years has unquestionably been the result largely of broad economic forces rather than of government intervention, the activities and policies of government have been of importance. Pertinent examples are the boost given to residential building activity through generous government mortgage insurance and guarantee programs, and the incentive given to plant and equipment outlays by permitting greater flexibility in charging depreciation for income tax purposes. A Federal program just enacted is designed to achieve large and rising construction outlays on highways for many years ahead, and the Administration also advocates a program to assist in the construction of schools. Moreover, credit policy has helped avert credit liquidation during sags in business activity, and in 1954 contributed to the encouragement of private investment expenditures when output and sales were slack. In the expansive business climate of the postwar years, government action has assuredly provided additional strength to the economic forces already at work.

Some Limiting Considerations—The record, however, also points to some real limitations to the efficacy of government in guaranteeing economic stability or solving economic problems. In recent years, one of the most important tasks faced by governments in the economic sphere—not only in the United States but elsewhere as well—has been to reduce the risk of business contractions by preventing expansion from assuming the proportions of a boom. However, efforts to this end have usually not been popular and results have frequently fallen short of the mark. And even in this generally favorable environment, government has had only limited success in dealing with such complex problems as, for instance, agricultural surpluses — not for want of information but for lack of public support. Nor, have fiscal and debt management policies, or most other types of government action, responded with alacrity to changes in business conditions, with the exception of Federal Reserve policy after its unfreezing in 1951.

The task of reversing a protracted business downturn, should one develop, would certainly be no easier than curtailing a boom. Assuredly, government programs will help smoth the business cycle; our social welfare programs, agricultural price supports, and our highly progressive individual income tax structure are among the forces operating to cushion an economic decline. However, expectations should be kept realistic; in adjusting government policies to the needs of a changing economy, frictions and time lags are inevitable. Action will certainly be taken quite promptly in the field of credit, but only after considerable delay and debate in areas involving Federal tax and spending programs. Indeed, impediments to quick and effective action in areas other than in credit policy are probably inevitable; even if, for instance, there should be general agreement that taxes should be cut or spending increased, time will be needed to devise and carry out whatever measures are required.

Perhaps all that can be concluded at present is that a recurrence of the credit crisis and liquidation spiral that accentuated the economic problems of the '30s appears to have been ruled out by institutional changes in our monetary, banking, and credit system, and by a flexible orientation of credit policy. These achievements are not to be underestimated, they represent a major step forward which may limit importantly the severity of cyclical corrections in the future. But it seems equally important to consider the possibility that government action may not prevent wider setbacks than the mild adjustments experienced so far in the postwar era may best hope to reduce such fluctuations by refraining from placing undue reliance upon the limited efficacy of the government's stabilizing activities.

The Need for Perspective

The present economic environment, it must be recognized, does not provide a good vantage point for a balanced appraisal of the future. Much in the current scene is undeniably without precedent in the history of the world, but much also is reminiscent of past periods of exaggerated hopes and prospects. After a decade in which so many stimulating, albeit partly transitory, forces have joined hands to push the economy to its present record heights, the search for a realistic perspective on economic trends becomes a painfully difficult endeavor.

The Rate of Growth — Before projecting the growth of the past into the future it may be well to recognize that the past decade can hardly be accepted as representative of a "normal" economic climate. Market conditions have reflected not only the requirements of a growing economy, but also huge backlogs dating back to World War II and, in many instances, to the Great Depression. Demands have been further enhanced by high and at times rapidly expanding military requirements and in some sectors of the economy, by anticipation of future needs.

Moreover, a general awareness of economic expansion has been exaggerated by rising prices, which tend to distort the measurement of physical growth; there is thus a real tendency to confuse the results of inflation with true economic expansion. This confusion is increased by standard accounting procedures which relate business profits to historical costs rather than to the current reproduction or replacement cost of plant and equipment. Inflation also distorts dollar measures of aggregate output; in the national accounting system, measurement in terms of current dollars shows a growth in the United States Gross National Product of about 100% in the past 10 years. If, however, an effort is made to adjust for the reduced purchasing power of the dollar, the growth in physical output appears somewhere near 40%. And if a further adjustment is made to allow for the increase in population, the expansion of output per capita in the period stands close to 20% —a gratifying but more modest measure of progress.

Finally, our perspective on the economy's rate of growth may be improved by observing that the economic expansion of recent years is not unusually rapid nor is it the only movement of its kind. Measured in real terms, rather than in current dollars, the rate of growth of the American economy in the postwar decade was about the same as in the decade of the '20s. One of our most careful and competent students of business fluctuations, Arthur F. Burns, noted in the 1953 Annual Report of the National Bureau of Economic Research that: "The period from 1921 to 1929 was also one of sustained expansion broken only by minor cyclical declines; so too was the period from 1897 to 1907, 1885 to 1893, and 1867 to 1873—if not the entire span from 1958 to 1973. Each of these major expansions culminated in a speculative boom, each was followed by deep depression, and three of the depressions lasted years."

Hazards of Long-Range Planning—The moral of this recital is not that the present period of expansion must likewise end in collapse and depression, nor does Dr. Burns draw this conclusion. The purpose of the record is to encourage some critical questioning of the tendency to project recent trends into an indefinite future and to infer that business fluctuations, except those of a casual nature, can now be relegated to the limbo of a less enlightened age. Such encouragement of critical appraisal seems all the more appropriate in view of the avid predilection among business managements and economists for economic projections looking 5, 10 or even 25 years ahead.

The disturbing thought here is that the past record of long-range projections has been dismayingly poor. Even so basic an element as population growth has repeatedly thwarted the experts; it is surely much more difficult to attempt forecasts of changes in productivity, the workweek, and the many other economic, social, political and institutional factors that will so importantly affect output a decade hence. Moreover, as we extrapolate into the future, even fairly minor differences between the anticipated and actual rates of growth will, over the years, produce frustratingly large variations. One need only contemplate the complete misreading of the future that would necessarily have emanated from long-term projections based on conditions in the 1920's, or the 1930's, or even in 1945 or 1950.

All this does not suggest that long-range projections have no place in the thinking of economists or in the formulation of business decisions. Instead, exercises of this kind are useful tools for analysis and policy-making, provided their importance is not exaggerated and the tenuous and highly provisional character of the results is properly recognized. In view of the strategic role of business capital investment, it is particularly urgent to caution against translating the results of long-range extrapolations into unduly ambitious investment plans at the peak of cyclical bulge in business activity, only to cut these plans back as long-term benchmarks are revised in a cyclical downturn. Should this come about, long-range planning, far from contributing to stability, could become a source of instability instead.

Setting Realistic Expectations—For some months, the American economy has been on a substantial plateau of production and output, with weakness in residential building and passenger cars being largely offset by a rapid expansion in outlays on construction and producers' durable equipment. The strength in private investment and in government spending, and the absence of obvious misuse of short-term credit, seem to provide a fairly effective safeguard against a sharp business recession at this time. By the same token, however, the remarkably rapid expansion of investment raises a question whether the rate can be sustained for an extended period ahead.

The possibility of greater uncertainty in the capital goods sector of the economy cannot be dismissed as capricious or negligible, particularly since other sectors of the economy may fluctuate more widely in the period ahead; the business inventory cycle has repeatedly demonstrated its tenacity, consumer buying especially of durable goods in evidencing renewed volatility, and the waxing and waning of international tensions adds a wholly unpredictable factor to the domestic scene. Weakness in private investment activity would pose more difficult problems for business and government than any yet faced by the United States economy since World War II.

The reappearance of a deep and prolonged depression, such as that of the '30s, seems unlikely in our day. On the contrary, the long-term growth of the American economy, like that of the world economy as a whole, may be accepted as a foregone conclusion; the bright promise of the future is all about us. But the thesis that this has already eliminated all except the most casual and innocuous of business fluctuations is one that should be subjected to careful scrutiny.

That this conclusion may have application not only to the United States but to the world as a whole is suggested by the latest United Nations World Economic Survey, an anual review of world economic conditions. This review, according to newspaper reports, concludes that the past decade of prosperity provides "no proof either that the world has acquired permanent immunity against the business cycle, or that the national and international remedies in its medicine chests would be sufficiently potent to cope with another outcropping of the disease."

In the present environment, therefore, an uncritical premise of economic stability along an ever-rising trend could well become a source of pronounced instability at home and abroad. It is surely better to base policies upon the assumption that fluctuations in economic activity in the period ahead may be somewhat greater than during the past decade, than to court painful corrections by acting on the hazardous supposition that we have attained the fluctuation-free economy.

New Bache Branch

Bache & Co., members of the New York Stock Exchange, have opened a branch office at 724 Fifth Avenue, New York City, under the management of Harold W. Freedman. The Mutual Funds Trust Unit, under the direction of Bert Papanek, will be located in the new office.

Bank Women's Ass'n To Hold Convention

"Progress Thru Service" will be the theme of the 34th Convention and Annual Meeting of the National Association of Bank Women which will be held at the Radisson Hotel, Sept. 18 through the 21st, according to an announcement made by Miss Virginia A. Rehme, President of the association and Vice-President of the Southern Commercial and Savings Bank, St. Louis, Mo.

The annual meeting will be opened on Tuesday morning by Mrs. Mary K. Cunningham, General Convention Chairman also Assistant Manager Lincoln Office, Northwestern National Bank, Minneapolis, Minn., with Mrs. Orville L. Freeman, First Lady of the State of Minnesota giving the word of welcome.

Miss Esther E. Roberts, First National Bank, Minneapolis and Mrs. Elizabeth Hagerty, American National Bank, St. Paul, Program Co-Chairmen, stated that the luncheon speaker will be Miss Margaret Hickey, contributing editor of the Ladies' Home Journal, St. Louis, Mo., who will talk on "The Near Look at the Far Vision." Following luncheon the members will tour Minneapolis concluding the tour with dinner at the Town and Country Club in St. Paul.

On Wednesday panel discussions will cover the following subjects: "Correspondent Bank Service" moderated by Miss Elizabeth A. Brady, Assistant Treasurer, Bankers Trust Company, New York City, N. Y.; "Consumer Lending" moderated by Miss Elenore Poth, First Wisconsin National Bank, Milwaukee, Wis. and "Trust Service" moderated by Mrs. Roberta R. Ashford, Assistant Cashier and Assistant Trust Officer, Florida National Bank, Jacksonville, Fla.

The luncheon speaker will be W. Harold Brenton, past President of the American Bankers Association and President of the National Bank of Des Moines, Iowa. At this time the Jean Arnot Reid annual award will be presented to the outstanding woman bank student in the American Institute of Banking. The afternoon will be devoted to visiting banks in Minneapolis. The NABW members will be guests of the American Express Company at a reception at 6 p.m.

Thursday's program will feature panel discussions on the following: "Country Bank Management" moderated by Mrs. Ruth B. Lundsten, Executive Vice-President, the Buffalo National Bank, Buffalo, Minn.; "Employee Relations —Customer Relations" moderated by Mrs. Juliette D. Mannheim, Chase-Manhattan Bank, New York City, N. Y. followed by guest speaker, Mr. Harry E. Mertz, Assistant Vice-President, LaSalle National Bank, Chicago, Ill. who will talk on "Automation."

Miss Arleth Haeberle, Director of Women's Activities at WCCO Radio and Television Station, Minneapolis, will be the luncheon speaker at the Carousel. Following luncheon tours have been arranged to visit local banks. A reception given by the Minneapolis Clearing House Association will precede the President's Banquet.

On Friday morning the installation of officers will be held and the incoming President's message delivered. The convention will adjourn at noon Friday. Arrangements have been made for a post convention tour of the North Shore of Minnesota.

With First California

(Special to THE FINANCIAL CHRONICLE)

MODESTO, Calif.—Joseph W. Alexander is now with First California Company. He was formerly with William R. Staats & Co. and Davidson & Co.

As Others See Us

"I am concerned at the sight of the two tremendous colossi. The Soviet Union on the one hand is not just regarded as a big power but also as an ideological force bent on making other peoples see things its way.

"The United States must, of course, be seen from another, different basis. It certainly has no desire to expand its territory but like all big powers they have the missionary spirit. They expect others to follow their will. If they do not they [the United States] feel hurt and think something is wrong with the other man's thinking." — Jawaharlal Nehru

Of course, Mr. Nehru is not alone in his judgment of us. Study by us of such appraisals as this should provide clues as to how best to deal with the peoples of the world.

Joins United Western

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Anton J. Kirskovich is now with United Western Securities, Inc., 1419 Broadway.

With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Saint M. Twine, Jr., is now with B. C. Morton & Co., 1752 West Adams Boulevard.

With Cunningham Cleland

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Gerald D. Zurmuehlen is now with Cunningham-Cleland Company, Orpheum Theatre Building.

Shaw Co. Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN MARINO, Calif. — Gerald E. Upton has been added to the staff of Shaw & Co., 2304 Huntington Drive.

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Meeting the Recession Challenge And Preserving Our Heritage

had not been organized to withstand the pressures of world responsibility, therefore it disintegrated under the stress.

The Virus of Socialism Enters America

The ideals of freedom were temporarily forgotten when the stark realities of human tragedy and suffering stunned our nation. The American system appeared to be stalled on dead center.

While we were in a weakened condition, the virus of socialism penetrated American life. Economic and social theories broke out like the measles. The institutions of freedom were blanketed with the mildew of security. The people, under shock, lost confidence in their ability to solve the perplexing problems with which they suddenly were confronted.

The situation created an atmosphere that permitted the doctrine of socialism to fill the vacuum created by our adversities. The fundamental principle that wealth for the people was created by the people gave way to the fallacious idea that government was an inexhaustible source of economic wealth. Towns, cities and states relinquished much of their sovereignty, together with that of the people, in favor of alms from the Federal Government.

We experienced a low point in American history with respect to the sovereignty of the people when, by default, the people permitted a small group of men to indulge themselves in the fantasy that they knew better what was good for the people than the people themselves.

Government Incorrectly Credited

The lack of integrity that is characteristic of the socialistic doctrine and the confused state of our people was clearly demonstrated in the early stages of our recovery. Though American industry, commerce and labor pulled this country out of the depression by contributing more labor and capital than the total expenditures made by government, the credit went to those in charge of our Federal Government.

This tragedy not only brought a great change at home, but clearly affected our foreign policy. We became enamored of the Golden Goose which was said to reside in the United States Treasury.

You remember well the fallacious economic philosophy that debt of the Federal Government meant nothing because it was owed to the people by the people and in effect was a bookkeeping transaction. The sound principle that the people have only the wealth they have succeeded in creating was buried under the debris of socialistic economic theory.

A new "international set" came upon the scene who felt they knew what was best for the people of the world. They preached the doctrine of World State, thereby spawning the doctrine of socialism on an international level. This led to the delusion that world freedom could be purchased with the eggs of the Golden Goose in the United States Treasury. But alas, the delivery men brought socialism, communism and neutralism to our doorstep.

Socialism is the child of default by the people. Communism is the child of an inferiority complex on the part of the people imposed by terrorism. Neutralism is the child of discouragement on the part of the people — a state of inanimate suspension.

Whom Should We Emulate?

So long as we emulated the ideals and institutions our forefathers so wisely conceived, we enjoyed the respect of the people throughout the world. People of foreign nations sought to copy our political, social and economic institutions. Since World War I, to the extent we have permitted the dilution of the character and principles of our forefathers, we have lost the leadership in world affairs and the respect of all people.

There are those who may say that times have changed. I would respond that sound fundamental principles live forever. It is just a question of weather or not we are able to understand them and put them into practice for our own benefit regardless of changing conditions.

The destiny of a nation is not determined at its Capitol, but at the myriad of crossroads throughout is geographical expanse. Plato once wrote, "The State is what it is because the people are what they are." These certainly are words of wisdom.

The underlying strength of a nation is determined by its people. It will remain a true democracy only so long as the people fit themselves through education and apply the wisdom thus obtained to the active maintenance of their sovereignty. Such sovereignty must effectively manifest itself in every phase of their society.

How to Remain Great

If the United States is to remain great, the people of this country must reestablish a sound set of ground rules for the conduct of our society and they must guard against the violation of those ground rules with rugged determination.

A well-conducted society will be understood and appreciated by the people throughout the world. Everyone will strive to embrace the ideals and institutions generated by a society of people strong in their convictions and sure-footed in their actions.

Peace between nations is merely a reflection of the tranquility of the people. Tranquility rests in the minds and the hearts of the people only so long as they enjoy the necessities of life and the progressive betterment of their existence as members of society. The leaders who are developed can only be true leaders in proportion to the quality of the people from whence they come.

Therefore, freedom can only be assured for ourselves and others through self improvement and the inspiration that such action gives to others.

We can make a better America. We have a great future. Let us enjoy it to the full by being real people.

A List of Recommendations

I should like to recommend a few things we can do which to me are important if we are to build an even greater nation than we now possess.

First, We must begin at the family fireside, for it is here that the concept of the family institution is instilled and the characters of our children are formulated. It is a well known fact that a few extra weeks of basic training have brought many soldiers safely home. So it is with our children. We must live with them and train them well for life—not only that they may enjoy it to the fullest, but also to protect them from its wounds. Those of us who are leaving our children for the teacher to educate must mend our ways.

Second, we must guarantee a resurgence of our religious faith that we may utilize the strength, as well as the restraint, which it injects into ourselves and our society. As de Toqueville once wrote, "The safeguard of morality is religion, and morality is the best security of law and the surest pledge of freedom." I think you will accept the wisdom of these words. One's denomination or faith is not of primary importance. The vital factor is that we have a religion not only with spiritual quality but also with human integrity at its core. Therefore, I would urge every American to accelerate his efforts in religious pursuits.

Third, we must recognize our responsibilities in the broad field of communication.

It is claimed that impressionable youngsters, as well as adults of low emotional stability, are influenced by reading or hearing about the exploits of criminals and delinquents. Though you may not consider this your responsibility, as a matter of fact it is really yours. That this is true is because the people are masters of what they hear and read.

Therefore, I would urge you to raise your own standards with respect to your acceptance of the content of all forms of communication, for the sake of your children and your fellow men. Together, you can generate sufficient public opinion to result in higher standards for all types of communication.

Fourth, we must be diligent as to the extent and quality of our teaching in the elementary and secondary schools. We must adequately compensate our teachers so as to insure that their only care is the children. It is of utmost importance that we be certain of the teaching of sound principles.

Working together in full cooperation, the parent and teacher must generate the knowledge, the wisdom and the proper sense of social conduct in our children that will insure the future of our American society. Moreover, we must provide adequate facilities in which to school our children. The return on investment will be greater than our fondest dreams.

Reasserting Sovereignty

Fifth, the people of the United States must reassert their sovereignty with their representatives, whether they be local, state or Federal. Fortunately, many able people represent us. Unfortunately, however, there are too many who are not capable, or who lack full understanding of sound principles. We should bend every effort to see that all of our representatives are capable as well as sound in character.

No doubt you believe as I do that there has been a growing tendency to debate personalities rather than issues, both in political campaigns and after election to office. Here again, the people have it within their power to reverse this trend. Let them express their abhorrence of such tactics at the polls. I would urge a virile public opinion which will take disciplinary action when those seeking or holding political office indulge in practices unbecoming to a representative of the people. Public indignation is still the most powerful of all human forces.

Sixth, it is only by exercising it that the sovereignty of the people remains strong. Because local and state governments vacated many of their true functions, they went by default to the Federal Government. Since it is an accepted fact that government is best when the people can see and talk to their representatives, we reestablish these functions at local and state levels of government.

Seventh, I am confident that our forefathers never intended that the power of taxation should be a tool of social experiment. Unlimited power of taxation is the handmaiden of unlimited government. The Federal Government can exert its influence and expand its bureaucracy only to the extent of its ability to raise funds through taxation. Therefore, to insure against the abuse of Federal power and to avoid syphoning off our creative wealth into unproductive channels, the people should limit the power of taxation.

Increase Economic Education

Eighth, it is one of the ironies of our time that relatively few people in our country understand the essential nature of our economic system—a system which has made possible the incomparable standard of living we enjoy.

A recent survey by the Opinion Research Corporation shows that fewer than 6 out of 10 Americans believe that the good features of our American capitalistic system outweigh its less desirable features.

The extent of misconception is revealed in surveys based on interviews with foreman and union stewards in several basic industries.

(1) On prices — 50% believed that consumers do not play a major role in determining prices.

(2) On capital — 39% believed that capital is not productive.

(3) On communism—59% believed that under a communistic system there is no need for capital since the state controls production.

(4) And even on money — 45% believed that a billion dollars is one hundred million. No wonder many people are not concerned about government expenditures, or the public debt, if they think it is only one-tenth of what it actually is.

The opinions of teachers are also interesting.

Reviews of Teachers

On the question of price controls, 42% of teachers believed these do not affect personal freedom.

This is startling because among our basic economic freedoms are freedom to invest, to produce and to consume. Price controls limit all of these. Indeed, controls prevent prices from performing their basic and fundamental function in our economic system—which is the direction of production and consumption.

Perhaps you will be surprised to know that 52% of the teachers believe that the largest share of income from industry goes to owners. This is an economic misconception that can lead to attitudes and actions which can have serious repercussions on many fronts. The fact, of course, is that the largest share has always gone to employees in the form of wages and salaries.

Considering the perilous state of economic understanding among persons in industry and teachers in high schools, it is not surprising that high school students are largely economically illiterate. Surveys show that 57% believe profits range from 25 to 50%; 52% believe basic industries should be regulated by government; and 27% believe the government should also guarantee annual wages.

How can we preserve the American capitalistic system when so few understand the true meaning of free enterprise? How can we expect people of other nations to accept its virtues, if our own people are not enlightened on its true value to our nation?

I propose that organizations like the Reserve Officers Association, in cooperation with all segments of our economic enterprise, put on the most intense campaign of public enlightenment on the subject of economics and the American capitalistic system that it is possible to accomplish.

Two-Dimensional Technological Challenge

Ninth, let us turn now to the technological challenge of our time. This has two dimensions. First, how to produce and meet the demands of a dynamic people for ever increasing wages and higher standards of living. Second, how to meet the technological offensive that Soviet Russia and Communism are waging against America and the free world.

In our economy, the technological foundations of our productivity are grounded in science and engineering. Therefore, it is essential that this country educate a sufficient supply of specialists in these fields to insure our technological advance. Unfortunately, we are failing miserably in this endeavor both with respect to the supply of students and of teachers.

Today, one out of three high school students in the high ability range does not go to college. Of the two out of three that do go on to college, only one-third graduate. In the overall, we lose one-third of the exceptionally talented and one-half of the capable. What is even more disappointing is the fact that out of a random sample of 100 American youth entering the first grade, 20 enter college, 13 complete college, and only three graduate in science and engineering.

Losing Ground in Engineering Training

In preparing young people for careers in engineering and the sciences, we are losing ground on almost all fronts. The Carnegie Foundation, on the basis of a recent study, reports that there has been a consistent decline since 1910 in the proportion of high school students taking mathematics. Indeed, 40% of the students voted it the subject they most disliked.

The Carnegie Report may have the answer to this attitude on the part of students. It reveals that despite advances in mathematical knowledge, an outmoded mathematics curriculum has remained relatively unchanged since 1894. In most states a teacher can be certified to teach mathematics without any formal training in the subject at the college level.

Coupled with an antiquated curriculum and inadequate teacher preparation, we find a growing shortage of teachers. In mathematics and science in high schools, less than one-half the number of teachers needed are being graduated.

Let us now look at the technological race with Russia so far as scientists and engineers are concerned. At present, according to data from the Congressional Legislative Reference Service, the United States has approximately 535,000 graduate engineers and 225,000 graduate scientists—or a total of 760,000.

Russia, on the other hand, has 540,000 engineers and 160,000 scientists—or an overall total of 700,000. In 1956 Russia will graduate approximately 60,000 engineers as compared to our 26,000 in the United States. For the 10-year period 1950 to 1960, Russia will produce 1,200,000 scientists and engineers compared to 900,000 in the United States.

Crusade for Technological Progress

If we are to continue to advance the standard of living of our people and maintain world leadership, we must launch the greatest crusade for technological progress ever conceived by man.

From the beginning of time fear of wars and wars themselves have stimulated great technological advances.

Unfortunately, we have overlooked one important consideration in our pursuit of peace. That is the fact that had people stimulated the advances in peacetime, wars would never have occurred.

Remember always, the world will be a trusted ally only so long as our country is the prime source of technological contributions which will benefit the lot of the people who comprise the rest of the world. All the benefits of technological advance will raise our own standard of living. But, equally important, as we make them available to others by working with them for their own salvation, we shall acquire their everlasting goodwill. People who are busy for their own betterment never have time to go to war, providing others are preoccupied with the same task.

We must stimulate our youth to take up technological pursuits, thus assuring the technical manpower necessary to meet the requirements of our nation. We must foster the establishment of laboratories and other facilities needed to accelerate our technological advance. We can create a better America and a better world as the result of such a program.

Tenth, every man and woman must work as never before. The salvation of this country is through greater production of goods and services. Our country must grow, our transportation facilities must expand, our manufacturing institutions must grow. We are a big country and must continue to increase our capacity.

It will be a sad day for America if we permit any force to deter growth in any segment of our economy. Let us relax for a moment in the world's race for industrial productive power and we shall find other nations, who are growing by leaps and bounds, closing the gap between us.

We must develop a spirit of dignity and pride in our nation, in our enterprise and in ourselves.

James Russell Lowell, one of New England's men of wisdom, pointed the way when asked by a woman, "How long do you think the American Republic will endure?" He answered, "The American Republic will endure so long as the ideas of its founders continue to be dominant."

To be born free is our good fortune in America in contrast to the 21 once-independent nations now under communists domination and control.

To live free is our opportunity and responsibility. To die free is our duty and obligation.

Denver Fin. Editor Of World-Tele-Sun

Robert Denver has been appointed executive head of the financial department of the New York World-Telegram and Sun, succeeding Ralph Hendershot, who resigned after 29 years as financial editor to become Chairman of Industries Corp., a holding company.

Mr. Denver, who was financial news editor of the World-Telegram & Sun had been with the paper for 23 years.

Heads Trading Dept. Of Greenfield & Co.

Peter A. Greenfield has joined the staff of Greenfield & Co., Inc., 40 Exchange Place, New York City, as Manager of the Trading Department. Mr. Greenfield, a graduate of Dartmouth in the class of 1955, recently resigned from the American Telephone Co.

J. D. Creger Adds

(Special to THE FINANCIAL CHRONICLE)

WHITTIER, Calif.—Charles A. Derrick, Orville E. Hanes, Douglas P. Howard, Paul K. Portugese, William R. Scott, and Cecil J. Weiter have been added to the staff of J. D. Creger & Co., 124 North Bright Avenue.

First Boston Group Offers Kansas Power & Light Common Stock

An underwriting group headed by The First Boston Corp. offered publicly yesterday (July 18) an issue of 270,000 shares of Kansas Power & Light Co. common stock ($8.75 par value) at $23.25 per share.

The proceeds of this sale of common stock will be used by the company in part to repay $3,500,000 of bank borrowings incurred to finance construction. The remainder of the proceeds will be added to general funds to be used in the continuing construction program which, it is estimated, will require an additional $26,641,000 in 1956 and 1957. Of this total $15,391,000 is expected to be available from internal sources, and the balance will be secured through future financing.

Kansas Power and Light supplies electric and natural gas service in northeastern and central Kansas in an area of about 27,500 square miles with a population in excess of 650,000. In addition, the company supplies steam heating service in Topeka and bus passenger service in Emporia. Electric revenues currently account for about 68% of operating revenues and natural gas revenues for about 31%.

Total operating revenues of Kansas Power and Light have increased from $29,073,764 in 1951 to $39,915,084 in 1955. In these same periods net income, after preferred dividends, increased from $3,039,946 to $4,459,915. For the 12 months ended April 30, 1956, total operating revenues were $41,743,063 and net income, after preferred dividends, was $4,948,405.

The company has paid common stock dividends in each year since its organization in 1924. The current annual rate is $1.20 per share.

Two With White, Weld

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Gardner Brown and Duard C. Swanson have joined the staff of White, Weld & Co., 231 South La Salle Street. Mr. Swanson was formerly with Central Republic Company.

Fund Securities Formed

STATEN ISLAND, N. Y.—Fund Securities, Inc., has been formed with offices at 38 Richmond Terrace to engage in the securities business. Louis S. Palace is a principal of the firm.

Hirsch Opens Branch

MIAMI BEACH, Fla.—Hirsch & Co. have opened a branch at 1610 Washington Avenue under the management of Arthur Burrell and Fred W. Hager.

Clifford V. Brokaw

Clifford Vail Brokaw passed away July 13 at the age of 80. Mr. Brokaw was a former member of the New York Stock Exchange.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Dr. Paul F. Genachte has been appointed director of the Atomic Energy Division of the **Chase Manhattan Bank of New York,** J. Stewart Baker, President, announced on July 18. Dr. Genachte joined the bank in 1954 after 20 years as a public utility consultant in Belgium and Mexico. An associate of Dr. Lawrence R. Hafstad, now Vice-President and Director of Research for General Motors Corporation, Dr. Genachte assisted Dr. Hafstad in organizing the Chase Manhattan Atomic Energy Division. A native of Belgium, Dr. Genachte is a graduate of Brussels University (B. S. '32) and the Massachusetts and California Institutes of Technology. His engineering background includes experience as power consultant in Ceylon for the World Bank.

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Walter B. Berzin and Harold S. Swan, Jr. have been appointed Assistant Managers of the International Division of **Chemical Corn Exchange Bank of New York,** Harold H. Helm, Chairman, announced. Mr. Berzin began his career with Chemical Bank in 1937. Experienced in all phases of international banking, he is a specialist on the Far East. Mr. Swan began in the bank's Credit Department in 1946 and has been a member of the International Division since 1951 and has specialized on European relationships.

Stephen M. Hart, Chester R. Nichols, Jr., Robert T. Wattie and Leo E. White have been appointed Assistant Managers of **Chemical Corn Exchange Bank of New York,** it was announced on July 12 by Chairman Helm. Mr. Hart is with the bank's International Division at 165 Broadway, Mr. Nichols is at the 46th Street and Madison Avenue Office, Mr. Wattie is at the bank's 41st Street and Park Avenue Office and Mr. White is located at the 49th Street and Park Avenue Office.

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The First National City Bank of New York opened on July 17 its 69th overseas branch in Maracaibo, Venezuela. Located in the heart of the business center at Avenida 4, No. 97-62, the new branch becomes First National City's third in Venezuela and its 46th in Latin America. It continues a trend in the bank's overseas expansion which in the past year and a half has witnessed the addition of nine new installations overseas. William L. Lafferty, a veteran of 32 years' foreign service with First National City, will be manager of the Maracaibo branch. He was previously manager of the Cali, Columbia branch, and he has served at the Panama, Caracas, Lima and Bogota branches.

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The appointment of Frederick Becker as a Vice-President of **Manufacturers Trust Company of New York** is announced by Horace C. Flanigan, President. Mr. Becker is in charge of the bank's Union Square Office, 221 Fourth Avenue at 18th Street. He joined the Trust Company in 1932 and was advanced to an Assistant Vice-President in 1952.

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UNDERWRITERS TRUST COMPANY, NEW YORK

	June 30,'56	Dec. 30,'55
Total resources	$41,263,484	$42,644,444
Deposits	37,655,544	38,966,600
Cash and due from banks	5,821,491	7,642,583
U. S. Govt. security holdings	17,451,649	18,439,267
Loans & discounts	14,360,029	13,907,042
Undivided profits	1,413,250	1,400,916

COMMERCIAL STATE BANK AND TRUST COMPANY OF NEW YORK

	June 30, '56 $	Dec. 31, '55 $
Total resources	103,162,117	100,227,457
Deposits	92,845,852	90,581,972
Cash and due from banks	16,688,414	22,044,060
U. S. Govt. security holdings	26,858,577	22,486,413
Loans & discounts	56,055,004	52,873,356
Surplus & undivid. profits	1,831,424	1,739,234

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John T. Madden, President of **Emigrant Industrial Savings Bank of New York** has announced the appointment of Lester T. O'Connor as an Assistant Vice-President of the bank. Mr. O'Connor entered the bank's employ in September 1936. He was admitted to the New York Bar in 1939 and was named Chief Counsel and Attorney of Record for the bank in July 1955.

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Fred F. Alessi, Assistant Manager and Chief Clerk of the Spring Street office of the **East River Savings Bank of New York,** and currently President of the Chief Clerks Forum of Group IV, The Savings Banks Association of the State of New York, has been appointed Assistant Manager of East River's Spring Street office effective July 5. Mr. Alessi has been with the bank since March 1, 1933. In 1941 he was director of the School Savings Department.

Henry H. Schardt has been appointed Assistant Manager and Chief Clerk of the bank's Rockefeller Center Office. Mr. Schardt has been with the East River Savings Bank since Jan. 7, 1931.

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Albin R. Wenzel has been appointed a Vice-President of **The Bank of New York, at 48 Wall Street, New York** it was announced on July 18 by Albert C. Simmonds, Jr., President. Other appointments at the same time were: Gordon I. Morison, Assistant Treasurer; George W. Scott, Assistant Trust Officer and Wilbur G. Thompson, Assistant Comptroller.

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The election of William J. Blanken, Jr., to the Board of Trustees of **The Kings County Savings Bank of Brooklyn, N. Y.,** was announced on July 11 by Charles D. Behrens, President. Mr. Blanken's entire business career has been spent as an insurance broker and he maintains his own business at 111 John Street, New York City.

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Approval was given on July 2 by the New York State Banking Department to the **Glen Cove Nassau Union Trust Company of Glen Cove, Nassau County, N. Y.** to change its name to the **"Nassau Trust Company,"** and to increase its capital stock from $450,000, consisting of 9,000 shares, its par value $50 each, to $540,000, comprising 108,000 shares of the par value of $5 each.

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Ralph T. Tyner, Jr., Chairman of the Board and President of **National Bank of Westchester, at White Plains, N. Y.,** announced on July 12 the election by the directors of Harold J. Marshall, now President of the **Manufacturers National Bank of Troy, N. Y.,** as President and a director of **National Bank of Westchester.** The appointment becomes effective on Sept. 1, next. When Mr. Marshall takes over his new post, he will become the bank's second President. As Chairman of the Board, Mr. Tyner will retain the position of chief policy officer of the bank under the Board of Directors and will be primarily responsible for its loaning, investing and financial policies. Mr. Marshall will be the chief administrative officer and responsible for the bank's general operations.

Mr. Marshall began his banking career with the **Council Bluffs Savings Bank, Council Bluffs, Iowa,** where he worked during high school and college vacations. After his graduation he worked with the Council Bluffs Bank until his appointment as an Assistant National Bank Examiner. Later Mr. Marshall became a Vice-President and a director of the **Central National Bank of Canajoharie, N. Y.** He served as Secretary of the New York State Bankers Association from 1939 to 1944, when he joined Bankers Trust Company of New York as an Assistant Vice-President. On Feb. 1, 1950, Mr. Marshall joined the **Manufacturers National Bank of Troy,** as Vice-President and a director. On Nov. 30, 1950, he was elected Executive Vice-President; and on Dec. 31, 1954, he became President. He will hold this position until he joins National Bank of Westchester on Sept. 1.

Mr. Tyner has been President of National Bank of Westchester since its organization in 1954. Previously he served as President of the **Westchester Bank and Trust Company,** which became National Bank of Westchester, and prior to that as President of the **New Rochelle Trust Company.**

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Announcement was made by the Office of the Comptroller of the Currency on June 29 of the issuance of a certificate approving and making effective as of June 30, the merger of the **State Bank of Mayville, at Mayville, N. Y.,** with common stock of $100,000, into the **First National Bank of Jamestown, N. Y.** with common stock of $1,000,000. The merger was effected under the charter and title of the **First National Bank of Jamestown.** At the effective date of the merger the latter had a capital stock of $1,000,000, in 50,000 shares of common stock, par $20 each; surplus of $1,000,000 and undivided profits, including capital reserves of not less than $1,666,145.

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Enlarged by a stock dividend of $100,000 as of June 29, the capital of the **Union National Bank of Lowell, Mass.** has been raised from $1,000,000 to $1,100,000.

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Stockholders of the **National State Bank of Newark, N. J.** and **The First National Bank of Millburn, N. J.,** at special meetings on July 10 ratified a previously proposed agreement whereby, subject to final approval of the Comptroller of the Currency, the Millburn bank will be merged into the National State, with stockholders of the Millburn bank receiving four and one-sixth shares of the capital stock of National State for each share of the Millburn stock. At the meeting of National State stockholders, an increase of 25,000 shares of the bank's $12.50 par value stock was also voted, increasing the total number of outstanding shares from 392,000 to 417,000, with a resulting increase in the bank's capital from $4,900,000 to $5,212,500. The directors of National State have announced their intention to continue the regular quarterly dividend of 55 cents per share or $2.20 annually on the increased number of shares. On completion of the merger as of July 16, National State reports a total of 17 offices; 13 in Newark, including the bank's Main Office at 810 Broad Street; two in Irvington, and one each in Orange and the Millburn-Short Hills area. Total resources of the combined institution, it is announced, are in excess of $290,000,000. The merger plans were referred to in our May 10 issue, page 2257.

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The Upper Darby National Bank of Upper Darby, Pa. has increased its capital as of June 29 to $1,025,000 from $1,000,000 as a result of a stock dividend of $25,000.

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In its issue of June 30 the "Philadelphia Inquirer" reported that Frederic A. Potts, President of the **Philadelphia National Bank of Philadelphia** announced on June 29 the promotion of Robert H. Potts to Assistant Vice-President and the appointment of seven new officers. The "Inquirer" added: "Robert Potts is in the bank's Out-of-Town Division and calls on correspondent banks in New Jersey, Delaware, Virginia and West Virginia. He has been with the bank since 1949. The other appointments included Frederick Heldring, Hugh J. Jones, Norman U. Miles, Charles L. Paul, Jr., Henry D. Satterfield and Robert R. Strunce as Assistant Cashiers, and William J. Devine, Jr., as Assistant Auditor.

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The merger of the **Scranton Lackawanna Trust Co. of Scranton, Pa.** with common stock of $725,000 into the **First National Bank of Scranton,** with common stock of $4,500,000 was approved by the U. S. Comptroller of the Currency on June 29, following earlier approval during June by the stockholders of the two banks. The merger was effected under the charter of the **First National Bank** and under the title of the **First National Bank & Trust Co. of Scranton.** At the effective date of the merger, July 2, the continuing First National Bank & Trust Co. had a capital of $4,500,000 in 250,000 shares of common stock, par $18 each; surplus of $5,500,000 and undivided profits of not less than $3,131,793.

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Aug. 2 has been set as an opening date for the new office of **The Bank of Virginia of Richmond, Va.** on the Petersburg Pike at Ruffin Road, according to Richard F. Bates, Vice-President and in charge of the bank at 1620 Hull Street. Mr. Bates will direct the operations of the new office from South Richmond. Howard M. Taylor will be in charge. Three other staff members will include James T. Neale, Mrs. Frances Elko and Mrs. Helen Mika. All banking services, with the exception of safe deposit boxes, will be available at the location, and the vault facilities can be arranged through the South Richmond bank, Mr. Bates said. The new office will be the seventh for The Bank of Virginia in Richmond. Another office is under construction at Broad Street and Staples Mill Road, scheduled for completion in late summer, and still another facility will be opened on July 18 at the Medical College of Virginia. The three additions will give the bank —which was organized on July 17, 1922—a total of 16 offices in six Virginia cities. As it completed its 34th year, the bank reported total resources of $114,558,943 in its statement of condition June 30. Public showing of the modernistic office on the Pike will be from 4 to 6 p.m., and from 7 to 9:30 p.m. on Aug. 2, according to Mr. Bates.

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An addition of $175,000 has been made to the capital of the **Michigan Avenue National Bank of Chicago, Ill.** by a stock dividend of that amount, effective June 29, as a result of which the capital is now $875,000, compared with $700,000 previously.

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Wayne Irwin, Vice-President and Comptroller of the Pullman Co., was elected a director of the **Merchandise National Bank of Chicago** on July 17 at a board meeting, it was announced by Kenneth K. Du Vall, bank President. Upon graduation from Drake University in 1929, Mr. Irwin rose to the successive positions of Comptroller, Secretary and Treasurer of the U. S. Gypsum Co. He joined Pullman in 1953. He is also a director of the Controllers Institute of America.

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Arthur J. Fushman was elected a director and Executive Vice-President of the **Manufacturers National Bank of Detroit, Mich.,** it was announced on July 14 following a meeting of the bank's board. Mr. Fushman's banking career began in 1917 in his native Indiana. He served as Detroit Manager of the Reconstruction Finance Corporation during World War II and as President of the War Assets Corporation in Washington, D. C., prior to joining the Manufacturers National in 1946.

The following changes in the staff of the Manufacturers National Bank are also announced: John A. Wilson, from Assistant Trust Officer to Trust Officer and Hugh J. Waugh, from Assistant Cashier to Assistant Trust Officer.

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NATIONAL BANK OF DETROIT, MICH.

	June 30, '56 $	Dec. 31, '55 $
Total resources	1,912,304,567	2,014,708,521
Deposits	1,750,250,647	1,880,286,872
Cash and due from banks	404,805,825	501,639,555
U. S. Govt. security holdgs.	669,090,366	752,785,314
Loans & discts.	685,293,711	619,825,667
Undivid. profits	18,022,978	14,861,693

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Under the designation of the **Western National Bank of Rapid City, So. Dakota,** a charter has been issued (as of June 28) for a proposed bank with a capital of $100,000 and surplus of a like amount. In the primary organization Walter Pailing has been designated as President, and Russell H. Halvorsen as Cashier.

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An addition of $100,000 made to the capital of the **Second National Bank of Jackson, Tenn.** by the sale of that amount of new stock, has resulted in increasing the capital of the bank from $200,000 to $300,000 effective June 22.

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Following a meeting of the directors of the **Trust Company of Georgia, at Atlanta,** Marshall B. Hall, President, announced the promotion of two men in the Bond Department and one in the Trust Department. Clovis Hunerkopf, formerly Manager of Operations of the bank's Bond Department, was elected Assistant Vice-President and Henry J. Kieper, who is in the office of the New York representative of the Bond Department, was named Assistant Secretary. C. L. Deadwyler, Manager of the Real Estate Division of the Trust Department, was elected Assistant Trust Officer. Mr. Hunerkopf, joined the Bond Department of the Trust Company in 1925. He is a member of the Georgia Security Dealers Association. For eight years he was a trader with the **Chemical Bank & Trust Company of New York.** Mr. Deadwyler was employed by the Bank of Elberton for several years and for 17 years represented two manufacturers of business machines. From 1947 until 1953 he was in the real estate business in Atlanta, and in the latter year joined the Real Estate Division of the bank's Trust Department.

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As of June 22, the **First National Bank & Trust Co. of Augusta, Ga.** increased its capital from $250,000 to $350,000 by the sale of $100,000 of new stock.

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James C. Wilson, Jr., of Paterson, N. J., and Wallace Montgomery, a member of the staff of the **Republic National Bank of Dallas, Texas,** were elected Assistant Cashiers of the bank recently, according to Karl Hoblitzelle, Chairman of the Board, and Fred F. Florence, President of the bank. They were elected at the regular June meeting of the directors of the Republic National Bank. Mr. Wilson's father is President of a bank in Perth Amboy, N. J., and an uncle, Stuart Wilson, is President of the State National Bank in Texarkana, Ark.; he has had 1½ years' experience with the **First National Bank of Charlotte, N. C.,** and 4½ years with the **County Bank and Trust Company,** Paterson, N. J. Mr. Montgomery has been with Republic for nine years. He is assigned to the bank's Trust Department.

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A stock dividend of $115,000 has resulted in increasing the capital of the **City National Bank in Wichita Falls, Texas** from $1,150,000 to $1,265,000, effective June 20.

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San Diego's Mayor Dail cut the ceremonial ribbon to open the new Euclid and Federal branch of **The First National Trust and Savings Bank of San Diego, Calif.** on July 2. The opening of this new First National Bank in southeastern San Diego makes a total of 16 locations now serving San Diego County and marks another step in the bank's current expansion program. Reports, it is said, indicate that the opening of the branch set a new record for the number of new accounts opened. The building is constructed of brick in the modern mode. Designed to provide quick, convenient, and efficient service, the installation features drive-in facilities and ample parking for customers who prefer to do banking in the lobby. A night depository, located next to the drive-in window, will provide 24-hour, seven days a week service to depositors. With a charter approved in 1883, First National is said to be the oldest bank in the county. First National's President is Anderson Borthwick.

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A consolidation of the **Central Valley National Bank of Oakland, Calif.** with common stock of $1,250,000, and the **First National Bank of Oroville, Calif.** with common stock of $255,000 became effective at the close of business on June 15, under the charter of the **First National Bank of Oroville** and under the title of the **Central Valley National Bank,** with the main office at **Oakland.** At the effective date of the consolidation the Comptroller of the Currency reports, the consolidated bank had a capital stock of $1,760,000, in 176,000 shares of common stock, par $10 each, surplus of $953,178, and undivided profits, including capital reserves, of not less than $582,871.

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Henry F. Kavanagh has been appointed Advertising and Publicity Manager of the **Union Bank & Trust Co. of Los Angeles, Calif.,** filling the vacancy created by Edwin F. Wirsing's resignation to join the staff of Edward S. Kellogg Co. Prior to his appointment by the bank Mr. Kavanagh was an associate of Burns W. Lee-Patrick O'Rourke Inc., Los Angeles and New York public relations firm.

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First Western Bank and Trust Company of San Francisco announces the opening of the 80th office in its statewide system July 10. In his announcement T. P. Coats, Chairman of the bank's Board of Directors, stated that the new bank is in Orland, Glenn County, Northern California. Its opening brings to 62 the number of California communities served by offices of First Western Bank and Trust Company. Mr. Coats said that Chester W. Talley, formerly Manager of First Western's office in Weed, has been selected to manage the Orland office which is the 10th branch added to the First Western system this year.

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Edwin E. Adams, President of **The Bank of California,** of **San Francisco** announced on July 16 that James L. Sharp, Jr., has joined the staff as Assistant Vice-President and will be attached to the Business Development section of the bank. Prior to joining The Bank of California, Mr. Sharp was serving as Assistant Vice-President with the **Iowa-Des Moines National Bank,** of Des Moines, Iowa. From 1940 to 1955, he was with the **Chemical Corn Exchange Bank of New York** where he served as a midwestern representative of that bank.

* * *

Bank of America (International), of San Francisco, wholly-owned subsidiary of **Bank of America,** will open a branch in Beirut, Lebanon, Aug. 10. "This new branch will be the fourth to be operated by our subsidiary" said Russell G. Smith, Executive Vice-President in charge of international banking for the parent organization at **San Francisco.** Other branches of Bank of America (International) are at Dusseldorf, Germany; Paris, France, and Singapore. In all, the California bank's overseas organization includes 16 countries. The Beirut office will be located temporarily in the Bistany Building, Rue Bechara el Khoury. Permanent quarters are planned. Pieter Huizer, former Shanghai Branch Manager, has been appointed Manager of the new branch. Assistant Manager and Operations Officer will be Robert H. Soules, with the bank since 1936 and most recently Assistant Manager and Operations Officer at the bank's Kobe, Japan, branch. Also at Beirut will be John C. Craig, former U. S. Foreign Service staff member who joined the bank two years ago. Mr. Smith said Paul C. Parker, Bank of America representative in Beirut since last fall, will continue to make his headquarters there.

J. Logan Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Dominic F. Nicastro is now with J. Logan & Co., 2115 Beverly Blvd.

With Brush, Slocumb

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—John E. Suhr is now with Brush, Slocumb & Co., Inc., 465 California Street, members of the San Francisco Stock Exchange. He was previously with Reynolds & Co.

Joins First California

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—George W. Masters has been added to the staff of First California Company, 300 Montgomery Street, members of the San Francisco Stock Exchange.

Joins Wilson, Johnson

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Frank J. Kihm is now with Wilson, Johnson & Higgins, 300 Montgomery Street, members of the San Francisco Stock Exchange. He was previously with Wulff-Hansen & Co. and H. E. Work & Co.

Two With Sterling Secs.

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Alexander S. Dragomir and George E. Watson have become affiliated with Sterling Securities Co., 714 South Spring Street.

Three With King Merritt

(Special to The Financial Chronicle)

ATLANTA, Ga. — Sterling W. Holman, Roy M. Arnold and Joseph W. Gallagher, Jr., have become connected with King, Merritt & Co., Inc., 849 Peachtree Street, Northeast.

To Form Brimberg & Co.

Jack S. Brimberg, member of the New York Stock Exchange, and Robert H. Brimberg, will form Brimberg & Co., a partnership, effective July 26. Jack S. Brimberg has been active as an individual floor broker.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The refunding operation of the Treasury is the dominating force in the money market for the time being. The large exchange of 2¾% notes due in 12½ months for the maturing 2s and 1½s, has reportedly turned out to be only a fairly successful operation, since it is indicated that the cash pay-off will be above anticipated limits. There was no lengthening of debt maturity in this offering because the money market was not ready for such a security. Cash borrowings by the Treasury will be coming along next month.

The short-term Government market is still the active and broad one, even in face of reports that the weekly offerings of Treasury bills will be increased in order to raise cash for the Treasury. There are reports that quite a few switches are being made in the intermediate and longer-term sectors of the market, with some scattered investment buying being in evidence in the 3s of 1995.

Refunding Terms Anticipated

The Treasury offering of a 12½ month note, with a 2¾% rate, to refund the maturing 2s of Aug. 15 and the 1½s of Oct. 1 was in line with what the money market had been expecting. In other words, as the financial district put it, the offering was "on the market" which was in agreement with the Treasury Department's statement that the 12½ month security with a 2¾% coupon was "where the market is." The $12.9 billion refunding was described by Treasury officials as a simple money market operation, with little effect on the economy either inflationary or deflationary.

This refunding operation by the Treasury came along earlier than had been generally expected. It was explained by Treasury officials that they wanted to clear the decks for some cash borrowing which they expect to do next month.

However, it was indicated by Treasury spokesmen that the amount of the cash borrowing by the Treasury in August had not been decided upon yet. A year ago the Treasury was confronted with a similar monetary situation but, in that instance, the Government raised the needed cash in July and then refunded the August maturities. Treasury officials said they decided to reverse the procedure this year because the Government's cash position was better and they could afford to wait.

Increase in Bill Offerings Expected

Although Treasury officials were reluctant to discuss the new cash borrowings which they expect to do next month, it was indicated that one possible way of raising cash during the period of light tax receipts from July through December would be to increase the weekly offerings of Treasury bills. Presently, the Treasury is rolling over these short-term securities each week. The Federal Reserve Board is known to favor an increase in the weekly amount of Treasury bills in order to make the buying and selling of these Government securities in the open market a more effective monetary control measure.

Steel Strike Brings Inventory Liquidation

The steel strike brought with it the first signs of inventory liquidation last week and this resulted in the repayment of bank credit. The commercial banks attributed the reduction in metal industries loans to the steel strike, which is causing users of steel to draw upon materials bought in anticipation of the strike. A continuation of the disagreement in the steel industry will result in further reductions in inventories, with corresponding repayments in bank loans. This, however, is only a temporary money market factor because the steel strike will have to be settled eventually and this will again create a demand for bank credit.

Easy Money Market Anticipated

It is believed in many quarters of the financial district that the money market will stay on the easy side, at least until the Government financing is out of the way. Also the length of the steel strike is another element which will be taken into consideration as far as the course of the money market is concerned. The post-steel strike period will most likely bring along higher wages and higher prices which might touch off the inflation spiral again. This would probably result in the monetary authorities tightening credit again.

Economic conditions appear to have improved and, unless they are adversely effected by a protracted steel strike, the balance of the year should be favorable for business. This would create further demands for bank credit, which should keep the money market on the firm side.

Form First La. Corp.

NEW ORLEANS, La. — First Louisiana Corporation has been formed with offices at 226 Carondelet Street to engage in a securities business. Officers are Robert S. Hopps, Chairman of the Board, and Henry L. Serpas, Jr., President. Both were formerly with Midsouth Securities Corp.

With A. H. Chevrier

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Angie Anapol is now with A. H. Chevrier of San Francisco.

Two With FIF Management

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—William H. Dorsey and Shriley L. Bostwick have joined the staff of FIF Management Corporation.

Three With McCormick Co.

(Special to The Financial Chronicle)

LONG BEACH, Calif.—John E. Early, Mario S. Lopez and Walter M. Sheeks have become associated with McCormick and Company, Security Building. Mr. Lopez was formerly with Akin-Lambert Co., Inc. and H. Hentz & Co. In the past he conducted his own investment business in Los Angeles.

Samuel B. Franklin Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Bruce W. Hardman, Harold E. Jackson, Richard S. Laquess, Lowell B. Lennon, Stanley M. Mathes, Marvin E. Milkes, Judson L. Mulkey and Walter F. Pika have joined the staff of Samuel B. Franklin & Company, 215 West Seventh St.

Wood, Reilly Appointed By Goodbody & Co.

Frank A. Wood has been appointed Manager of the bond department of Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, and James F. Reilly has been appointed Manager of the firm's municipal bond department, it is announced.

Frank A. Wood James F. Reilly

Mr. Wood, who has been partner in charge of the bond department of W. C. Langley & Co. was previously with Halsey, Stuart & Co. Inc., a Vice-President of Otis & Co., and President of Burr & Co. He attended Franklin College, Ind., and is a member of the Bankers Club, Lawyers Club, Bond Club of New York, Municipay Bond Club of New York, and the Pine Valley Golf Club.

Mr. Reilly, who has been with the municipal bond department of Lehman Brothers since 1949, was previously with The First Boston Corporation. A member of The Toppers and the Municipal Bond Club of New York, he was Chairman and Editor of the "Daily Bond Crier" for 1956. He attended Fordham University and New York University and is a former New York State Commander of the AMVETS.

Rothschild to Admit

CHICAGO, Ill.—Leon F. Strauss will be admitted to partnership in Rothschild & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges, on Aug. 1. Mr. Strauss has been with the firm for some years.

Forms Active Inv. Co.

(Special to The Financial Chronicle)

DETROIT, Mich.—Raymond H. Markowicz is engaging in a securities business from offices at 6564 Russell under the firm name of Active Investment Co.

Continued from page 3

Federal Reserve Policies Reflect Economic Trends

from investment or other spending in order to maintain the desired amount of cash on hand.

This rather over-simplified theoretical discussion has been presented because an understanding of these basic relations is essential for an appraisal of monetary policy.

Recent Economic and Credit Developments

Events during the past five years have provided significant tests, in this and other countries, of the use of monetary policies to promote stable economic expansion. During the 1930s banks in this country had more reserves than they were able to put to use, and Federal Reserve policies were of relatively little consequence. In the 1940s, monetary restraint was subordinated first to needs of war finance and later to supporting the prices of the vast volume of government securities that were outstanding. Other measures of control were relied upon to restrain inflation, with not particularly satisfactory success. The bond support policy resulted in pegging interest rates and permitted what has been called "monetization of the public debt" almost without limit at the initiative of the holders of government securities. Under such policies, the Federal Reserve could exercise little restraint on credit creation or inflation. The system was then appropriately called a veritable "engine of inflation."

Since the Treasury-Federal Reserve accord in early 1951, Federal Reserve policies have been free to adjust to changing economic conditions. They have been used at times to restrain inflationary developments, at times to cushion recession and thus to provide a credit stimulus to economic recovery. At all times the major objective of policy, it should be recognized, has been to foster orderly and sustainable economic growth, while maintaining the operation of free competitive markets. Prices of securities and interest rates have been permitted to fluctuate and to perform their normal economic functions of keeping saving and investment, and borrowing and lending, in balance and within limits consistent with the productive capacity of the economy. Under these policies there has at no time been a contraction in the total volume of bank credit, but a gradual expansion at varying rates consistent with the needs of sustainable growth in the economy.

Epoch-Working Economic Developments

Economic developments in the United States during recent years present a record of events, of causes and consequences, that may be considered as epoch-making. The performance of the United States economy has been magnificent in terms of growth, resource utilization, and avoidance of important setbacks.

From mid-1950 until mid-1954, economic trends were considerably influenced by the course of national security expenditures by the Federal Government. In the latter half of 1950, before defense expenditures increased much, there was a wave of overbuying, overborrowing, and over-pricing on the part of the private economy in exaggerated anticipation of the possible effects of the defense program. This wave was brought under control or subsided as defense spending expanded, and the economy as a whole maintained a fairly well balanced position during most of 1951 and 1952.

By 1953, however, with defense expenditures at a peak, private spending for both consumption and investment was again expanding. The economy generally was operating on an overtime basis, which was being supported by substantial credit expansion. Strains developed in the credit markets as growing demands for credit pressed against the available supply of savings and the limitations on bank credit growth.

Curtailment of defense expenditures beginning in mid-1953, some slackening in consumer durable goods buying on credit, and a related inventory adjustment brought a moderate recession in activity until mid-1954. This was followed by a recovery to a level at or close to capacity by the latter part of 1955.

Credit Supplied Without Any Excesses

During this period of changing economic climates, Federal Reserve policy was aimed at supplying adequate credit for growth but at the same time avoiding credit excesses which could cause real trouble once a downturn came and might bring on a downturn. During the slack from May, 1953 until the late months of 1954, the major contribution was to facilitate as large a volume of bank lending as the economy required and the avoidance of a decrease in the money supply. The easier credit availability provided support for mortgage lending and for utility and State and municipal financing and there was also an early resumption of growth in consumer spending. In addition to easier credit, tax reductions in 1954 helped to stimulate both consumer buying and business investment. By late 1955, resumed economic expansion and accelerated credit demands again pressed upon the limits of productive capacity and the supply of savings available for investment. Credit restraints were exerted to help keep monetary growth within reasonable bounds.

Expansion in the United States during the past two years was preceded and accompanied by a sustained upsurge in activity in Western Europe and in many other countries. Output and consumption in these countries have risen to new high levels and stringent restraints have had to be imposed on the use of credit to keep consumption and investment within the limits of productive capacity and thus to avoid domestic inflation and a serious imbalance in international payments.

Strong Cross Currents

During the course of the past few months a significant shift has occurred in the economic scene in this country. Expenditures for consumer durable goods and for housing have levelled out, as has also the rate of inventory accumulation. The Federal Government has been able to reduce the national debt. At the same time there has been an acceleration in business expenditures for plant and equipment. This shift, together with the continued borrowing demands of State and local Governments and their agencies, has resulted in a change in the nature of credit needs, as well as in demands upon labor and material resources.

Another highly significant aspect of the economic situation, evident by last fall, was that with the economy operating at close to capacity, the potentialities for further expansion were much more limited than they had been earlier. As evidence mounted that business plans for capital expenditures this year were very large and continuously being further enlarged, the important question has been whether available resources were adequate to meet the demands upon them. If not, the provision of a large volume of additional credit would result not in expanded output but in rising prices.

For several months now, strong cross currents have been evident in the economy, with little overall expansion. Early this year it seemed likely that a lower level of automobile purchases, a levelling out of home building, and the Federal Government surplus, with consequent reductions in new credit demand from these sources would make it possible to meet the business capital needs within the limits of feasible further expansion in resources and credit. Credit demands, however, have continued strong particularly from business borrowers both at long-term and short-term. Consumer instalment credit has been increasing at a much slower rate than last year, as repayments have continued to grow and extensions against automobiles have declined somewhat, although not as much as automobile sales, while extensions against other durable goods and personal loans have continued at a high level. Mortgage credit growth is also at a slower pace than last year. State and local Government credit demands continue actually and potentially very large. The Federal Government, on the other hand, has retired debt in the first half of this calendar year and its seasonal borrowing needs in the last half will be much smaller than in any year since 1950. The calendar year as a whole will probably show a net decrease in the national debt for the first time since 1948. In a period of heavy demands for private capital expansion, such a budget surplus is a beneficial stabilizing influence.

Spectacularly heavy credit demands that developed in March and April — particularly upon banks—raised a serious question as to whether these hopes of moderation were being fulfilled. Banks have been under pressure from would-be borrowers to increase their loans, while their liquidity positions and lending resources have been limited. Probably never before have the banks of this country made more loans and at the same time refused more. The expansion in bank credit in March and April was so great that the money supply—after adjustment for seasonal variations — showed an annual rate of increase of about 8%, which if continued would be highly inflationary. The trend in previous months, however, was moderate and in May there was a greater than seasonal decline that largely offset the March and April increase.

On balance, there is reason to hope that the economy will be able to maintain a state of equilibrium at a high level of activity for the remainder of this year. If so, credit demands should remain within the limits of moderate seasonal and growth requirements, which could be met without increased strain in the money markets. The dangers of excessive credit expansion of an unsustainable nature seem less now than they have been during most of the past year.

The Nature of Monetary Policy

This brief summary of the principal features of recent economic developments provides a setting for more detailed examination of the nature and purposes of monetary policy. The maintenance of balance and growth in the economy requires a sound credit structure. Such a structure includes many aspects other than merely the quantity or the cost of money, which are the principal channels through which monetary policy operate. A brief survey of the various aspects of the credit structure that are of concern to the monetary authorities, to bankers, and to the country in general will give a fuller picture of the nature of current and future problems in the credit area.

Quantity of Bank Credit. As indicated, the principal mechanism through which the Federal Reserve operates is the regulation of the supply of bank reserves, which determine the ability of the banking system to create money by the extension of credit. In the final analysis, most bank reserves derive from the country's gold stock and the amount of credit advanced by the Federal Reserve. It is often said, and probably more often thought, that in the purchase of government securities or the making of advances, the Reserve Banks use reserve funds deposited with them by member banks. Actually, the reverse is the case, that is, reserves are supplied to banks by the extension of Federal Reserve credit. The amount of such credit extended is a matter of Federal Reserve policy.

In regulating the supply of reserves, the Federal Reserve must be constantly alert to the varying needs of the economy. From a long-run standpoint, allowance must be made for growth in the economy and consequently in monetary needs. This allowance may amount to a yearly average increase of well over a billion dollars of bank reserves. These needs, however, by no means follow a straight line. Demand deposits at banks, for example, have shown an average annual rate of growth of over 3% since 1950, with the rate being as little as 1% in some periods of considerable activity but rising to 6% or more in other periods when there was some slack in the economy.

Short Run Ebb and Flow of Reserve Needs

The seasonal ebb and flow of reserve needs must also be taken into consideration. Changes in the volume of currency in circulation, for example, regularly necessitate withdrawals from and redeposits in member bank reserve balances of nearly a billion dollars in the course of a few months. To avoid such wide changes in reserves, the Federal Reserve must supply or absorb most of these variations. The normal seasonal variation in demand deposits at member banks may cover a range of $5 billion, causing changes of over three-quarters of a billion in required reserves in the course of a year. The week-to-week and day-to-day variations in Treasury and other nonmember deposits at the Reserve Banks and in Federal Reserve float, while having little long-run effects, can cause purely temporary periods of stringency and ease in the money markets. These create daily operating problems for the banks and for the Federal Reserve. To avoid disturbing repercussions on the money market, reserves must be supplied or absorbed in response to these rather wide short-term variations in reserve needs, which can amount to hundreds of millions of dollars in a relatively short period.

Most of the quantitative adjustments in the availability of bank reserves effected by the Federal Reserve authorities are accomplished through open market operations — principally purchases and sales of Treasury bills in the market. Through this channel the reserve positions of individual banks are directly or indirectly affected.

Net Free Reserves

The Federal Reserve, however, does not attempt to maintain an arbitrarily rigid control over the supply of reserves. Any member bank in a sound credit position can obtain reserves by borrowing directly from a Reserve Bank. By tradition and practice, however, borrowing at Reserve Banks is supposed to be used only to meet temporary needs, and borrowing banks are, or should be, under restraint to get out of debt. The discount facility thus provides a cushion of flexibility, but its use serves to exercise restraint.

For these reasons, probably the most significant indicator of the degree of restraint or ease in bank credit is the series of figures of what are called "net free reserves" or "net borrowed reserves." The term "net free reserves" represents the margin at any given time between excess reserves held by member banks as a group and the total amount of member bank borrowing at the Federal Reserve Banks. The term, "net borrowed reserves," is used to indicate an excess of borrowings over excess reserves. When excess reserves are large and borrowings small, the money situation is relatively easy, but when the amount of net borrowed reserves is large, money markets are likely to be tight.

Variations in this series of figures indicate, therefore, the relation between the volume of credit being supplied by banks and the volume of unborrowed reserves available to them. It is thus the best available single index of current monetary policy. Warning, however, should be expressed against reading too much significance in week-to-week changes in this figure, because of the wide purely temporary variations in some of the factors that may affect it and which it is not always feasible to offset by open market operations.

Only Lenders and Borrowers Can Initiate Used Credit

Velocity of Money. In considering the quantity of money as an objective of monetary policy, caution is needed to avoid overemphasis. First, although it is the aim of monetary policy to assure the availability of an adequate supply of credit and money for sustainable economic growth, the ultimate decisions as to whether such credit is put to use rest with lenders and borrowers, not with the Federal Reserve. Secondly, there is no rigid formula to indicate what is the precise amount of money that may be appropriate at any time. Existing money may be used more or less actively, i.e., variations in the turnover of money, which may be considerable, are also significant from the standpoint of economic activity. The influences that determine turnover of money are numerous, subtle, and difficult or impossible to measure or to control. They include the many social, economic, and political forces that motivate monetary actions. These forces are of concern, nevertheless, to money and credit authorities and those that relate to credit may be influenced by policies of the Federal Reserve, the Treasury, the bank supervisory authorities, and the various lending institutions.

Cost of Credit. In addition to the quantity of credit, the Federal Reserve also exercises an influence on the cost of credit, i.e., on interest rates. There has always been much discussion in monetary theory as to the influence of changes in interest rates on economic activity. It is generally agreed that they do have some influence; the differences of view are related to how and how much. Experience has shown definitely that the behavior of interest rates cannot be detached from that of quantity of availability of credit. For example, attempts to peg the rates on Treasury bonds in a situation in which lending institutions had large amounts of these bonds and were faced with other more remunerative credit demands, meant giving up effective limitation on the quantity of credit that could be created.

Keeping Interest Rate Below Equilibrium Worked

Interest rates reflect the relationship between demands for credit and the available supply. They help to bring demand and supply into equilibrium. Also, differences between interest rates in the various sectors of the credit structure serve to influence the allocation of funds. Attempts to fix one set of rates at an arbitrary level, without regard to variations in other rates, may interfere with this important allocative function, and repel funds from the areas affected. If such rate rigidity is maintained by governmental action, the result may be to impair the effectiveness of general monetary policies. An example is found in attempts in this country, and particularly in Scandinavian countries, to maintain interest rates on home mortgages at below equilibrium market rates.

The Federal Reserve can exert some direct influence on the cost of credit through changes in its discount rate on advances to member banks. If, however, borrowing at the Reserve Banks is to serve as a flexible cushion, the discount rate should not be much out of line with short-term open market money rates. If the discount rate is above market rates, member banks will prefer to make their temporary reserve adjustments in the open market, if they have sufficient liquid assets and market rates will tend to rise. If the discount rate is below market rates, member banks will be more inclined to borrow to obtain reserves; this will increase the availability of reserves and tend to bring market rates down to the level of the discount rates. Thus it can be seen that under our system, the cost of Federal Reserve credit and the availability of reserves are so closely related that it is difficult to maintain any substantial distinction between them.

Quality of Credit. Bankers are concerned not only with the amount of credit and with interest rates, but also with the quality of credit. The term "quality" can cover a broad area and is difficult to define precisely, but essentially it relates to the ability of the borrower to fulfill his contract, particularly under less favorable conditions than those assumed in borrowing. The Federal Reserve authorities can have some influence over quality of credit through the exercise of supervisory and discount functions, but this influence is limited. Generally, Federal Reserve policy is directed toward making available an appropriate quantity; decisions as to the nature and quality of credit provided are made by lenders.

Selective Control, Or Lenders Must Impose High Quality

Quality of credit, nevertheless, is of considerable concern to the Federal Reserve because it can influence the effectiveness of monetary policies. If difficulties arise in the credit structure because of poor quality of existing credits, and banks then adopt more severe standards, the supplying of additional reserves may meet no response. This happened with loans on securities, with real estate loans, and to some extent with other types of credit in the early 1930s. These experiences indicate the need for the maintenance of high standards of credit quality on the part of lenders.

Sustainability of Credit. Another aspect of credit, sometimes included in the concept of quality, is the sustainability of an appropriate rate of increase in the volume of credit. When credit is expanded, new buying power may be added to the economy. When credit is contracted, buying power is reduced. If credit in general or in any important particular sector expands more rapidly than can be sustained, then there is risk of subsequent contraction. Examples of over-extension of credit, followed by contraction or slackening, are found in the case of brokers' loans in the 1920s and of automobile instalment credit last year. The importance of moderation in expansion and of sustainability provides one of the principal arguments for selective regulation of particular types of credit that are subject to wide variation and are not susceptible to control by general monetary regulation. The initial responsibility for keeping growth within sustainable limits rests in the caution of lenders.

Liquidity of Credit. One aspect of credit that is of daily concern to most banks, to the Federal Reserve authorities, and also to the Treasury in its debt-management operations is the liquidity of the credit structure. Liquidity, like quality, is subject to a variety of definitions. Essentially the term refers to ability to convert assets into cash with little or no loss. It is sometimes said that liquidity is determined by Federal Reserve operations. This is true in an ultimate sense for the economy as a whole, but it is not a source that can be relied upon by any individual bank and other user of money. Experience with the pegging of bond prices demonstrated that the Federal Reserve can make any particular asset practically as liquid as money, but only at a risk of sacrificing major objectives.

Bank Liquidity Without Dependence Upon Federal Reserve

For banks, and also for others needing to maintain liquid positions, the major purpose of liquidity is to be able to obtain cash without dependence on the Federal Reserve. In the banking structure of this country, with thousands of local unit banks and without widespread branch banking, there is great need for a high degree of liquidity to meet shifts of funds among banks. If the Federal Reserve extended credit to every individual bank temporarily losing cash to other banks, the total volume of bank reserves in the economy would be expanded beyond appropriate amounts. The other holders in trying to find uses for their funds would stimulate new demands. It is preferable for banks to tap sources of funds already available in the market than to resort to the Federal Reserve. Secondary reserves of liquid assets are needed for this purpose.

Banks tend gradually to reduce their holdings of liquid assets when other demands for credit are strong. This has the effect of causing interest rates on liquid assets to rise closer to other rates. A secondary consequence of this development is a tendency for business corporations and other large holders of deposits to shift funds from deposits into interest-bearing liquid assets. That shift, which occurred in the case of brokers' loans in the 1920s and in the case of Treasury bills and finance company paper in recent months, is one of the influences that accelerate the turnover of money without an increase in volume. The subject of liquidity is one that needs further thought and study. Banks in particular should be careful to maintain a degree of liquidity appropriate for working purposes.

Conclusion

What I have attempted to bring out is that the Federal Reserve exercises its responsibility for regulating money and credit in the interests of sustained economic growth principally through varying the availability of bank reserves. This method of regulation is not precise or rigid, but has a high degree of elasticity, and the final result depends to a large extent upon the decisions of borrowers and lenders. These decisions are influenced by a number of aspects of credit other than quantity and cost, particularly velocity, quality, sustainability, and liquidity. These aspects are largely determined by the decisions of savers and investors, of lenders and borrowers.

Ultimate tests of the effectiveness of monetary policy and the soundness of the general economic situation are found in measures of production, distribution of income, and price trends. The hope and objectives of economic policies in general are the full utilization of our resources in materials men, and machinery, the maintenance of growth in productive capacity, and the avoidance of depreciation in the buying power of money, while continuing to operate under a system of free private enterprise. The attainment of these objectives may at times involve adjustments downward in some sectors of the economy while others expand.

During the past year the economy generally has been operating at close to capacity and there have been upward pressures on industrial prices. Possibility of further growth in output depends on expansion of productive facilities and increases in productivity of existing labor and machines. It will require capital investment but, if inflation is to be avoided, the funds for this purpose must come chiefly from savings rather than from the creation of new bank credit. If the large capital expansion plans reported by businesses are to be carried out, it follows logically that the portion of national product that goes into other uses—consumption, housing and business inventory growth—can show only moderate further increases this year. Correspondingly the uses of credit for these purposes must be kept within limits. Current developments in the economy suggest that adjustments in the process being made may be adequate to assure continued economic growth without inflationary pressures.

Record Volume of Earmarked Gold Found No Compliment to Dollar

In calling attention to record volume of earmarked gold for foreign accounts, nationally known Economist finds it to be "hardly a compliment to our non-gold dollar." Claims our gold stock could increase to $28,684,000,000 if foreign owners preferred dollars to gold, as of end of March. Suggests Federal Reserve publish better statistical intelligence for Congress and the interested public.

With gold earmarked by our Federal Reserve banks for foreign accounts reaching a record volume of $6,968,000,000 on March 31, or approximately 32% of our $21,716,000,000 of gold stock, it becomes increasingly important that the Reserve authorities enlighten Congress and the interested public on matters of ownership, trends, origin, and causes of this heavy earmarking, said Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy.

Dr. Walter E. Spahr

No Compliment to Our Dollar

The heavy earmarking of gold, 1953-1956, is hardly a compliment to our non-gold dollar. The heaviest earmarking of gold before suspension of redemption in 1933, was $463,931,000 in October, 1931. The volume earmarked then amounted to approximately 11% of our $4,160,000,000 of gold stock, not counting that in circulation.

Gold earmarked for foreign account is in addition to our gold stock. Therefore, had the foreign owners of this large volume of earmarked gold, preferred dollars to gold on March 31, 1956, they could have increased our gold stock to $28,684,000,000.

Facts Not Published by Federal Reserve

The facts as to the ownership of gold earmarked for foreign account are not published by the Reserve authorities. In addition, the Reserve authorities make it difficult for the interested person to obtain a picture of the trend of these gold holdings. Each Federal Reserve "Bulletin" contains in a footnote one item on the volume of gold held under earmark for foreign account. To obtain a picture of a trend in the earmarking of gold, it is necessary to go to every "Bulletin" for the period involved and to compile a table.

Still further, the Reserve authorities do not reveal the causes for, or the manner of origin of, the increase or decrease in the volume of gold held under earmark. Increases in the volume can arise from conversion into gold of dollars held by foreign central banks and governments—that is, by drawing down our gold stock—or from exports of gold by them to our Reserve banks for earmark rather than for exchange for dollars.

Persistent Increase in Earmarked Gold

Since the beginning of 1953 there has been a persistent increase in the volume of gold placed under earmark. In 1952, the monthly average was $4,928,067,000. In 1953, the average rose to $6,118,492,000. In every month, except four, from January, 1954, to April, 1956, inclusive, there was an increase in the amount of gold placed under earmark for foreign account. The peak, during this period, was $6,968,000,000 on March 31, 1956.

When, in 1949, the monthly average of our gold stock stood at $24,466,000,000, the volume of gold under earmark was $3,918,133,000. When, on March 31, 1956, our gold stock had declined by $2,750,000,000 to $21,716,000,000, the volume of gold earmarked for foreign account had increased by $3,049,867,000 to an unprecedented $6,968,000,000.

A Better Informed Congress and Public

Regarding the ownership, trend of earmarking, origin, and causes of this heavy earmarking, the Reserve authorities keep Congress and the interested public in the dark.

The accompanying table provides data on our earmarking of gold for foreign account for the period 1922 to April 30, 1956.

Gold Held Under Earmark
By Federal Reserve Banks for Foreign Account
(Data Compiled From the Monthly *Federal Reserve Bulletins*)
(Yearly Averages of Monthly Data, 1922-1953)
(000 omitted)

1922	$2,300a	1933	$197,725	1944	$3,725,392
1923	2,256b	1934	13,658	1945	4,177,966
1924	16,567	1935	9,775	1946	4,166,583
1925	27,517	1936	51,000	1947	3,744,517
1926	40,567	1937	167,758	1948	3,813,850
1927	100,058	1938	420,158	1949	3,918,133
1928	99,958	1939	964,233	1950	4,875,775
1929	112,250	1940	1,518,966	1951	5,813,200
1930	122,733	1941	1,979,700	1952	4,928,067
1931	208,783	1942	2,506,775	1953	6,118,492
1932	275,475	1943	3,114,658		

a Average for three months, October-December.
b Average for January-March and July-December.

(Monthly Data, 1954-April 30, 1956)
(000 omitted)

1954		1955		1956	
Jan. 31	$6,527.0	Jan. 31	$6,818.6	Jan. 31	$6,949.5
Feb. 28	6,537.0	Feb. 28	6,819.4	Feb. 29	6,965.2
Mar. 31	6,539.0	Mar. 31	6,847.1	Mar. 31	6,968.0
Apr. 30	6,501.5	Apr. 30	6,889.0	Apr. 30	6,951.1
May 31	6,549.8	May 31	6,890.0		
June 30	6,566.7	June 30	6,890.9		
July 31	6,639.4	July 31	6,891.0	Aver. 4 mos.	6,958.45
Aug. 31	6,704.8	Aug. 31	6,893.9		
Sept. 30	6,739.4	Sept. 30	6,883.3		
Oct. 31	6,774.0	Oct. 31	6,890.4		
Nov. 30	6,810.7	Nov. 30	6,917.5		
Dec. 31	6,808.9	Dec. 31	6,941.3		
Aver. for yr.	6,641.51	Aver. for yr.	6,881.03		

Two With Bache

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Robert A. Berliner and Lee Lewis have joined the staff of Bache & Co., 445 North Roxbury Drive.

Boren Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Violet Q. Marsh has been added to the staff of Boren & Co., 9640 Santa Monica Boulevard.

Two With Sterling Secs

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John Neil Jensen and Mike D. O'Harra have joined the staff of Sterling Securities Co., 714 South Spring Street.

Joins J. B. Hanauer Co.

(Special to THE FINANCIAL CHRONICLE)

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

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Barbara B. Angell is now affiliated with Harris, Upham & Co., 9860 Wilshire Boulevard.

Shelley, Roberts Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Stanley J. Gould is now affiliated with Shelley, Roberts & Co., 9486 Santa Monica Boulevard.

Continued from first page

As We See It

portant sections of it—grow more and more suspicious of our own intentions.

Real Problems

Conceivably all this, or at least the larger part of it, could have been avoided with shrewder management of our international relations. Certainly there have been obtuseness, day dreaming and just plain bungling in our dealing with other nations. The fact is, in any event, that we have been faced with very real difficulties ever since World War II to say nothing of the situation during that dreadful conflict. Some of our problems have their roots in much earlier policies. Our expansion in the Pacific, first to Hawaii and then to the Philippines not unnaturally left much of the Asiatic world dubious about our intentions and our motives. World War I had left some other peoples wondering about us and the real motives that led us to enter that conflict. We won no friends in Asia by our attitude toward Chinese and Japanese immigration.

Then came Pearl Harbor and the other thrusts of Japan. We had been "played for a sucker," and one result has been a policy of establishing and maintaining military bases round the world. The existence of these positions plus our very aggressive attitude toward communism as found in various parts of the world — both regarded as essential to our own safety—has given impetus to growing suspicion in some minds about our motives and our intentions. Of course, the masters at the Kremlin have not failed to make use of the opportunities thus supplied to advance their own ends. It is even conceivable—given the Russian type of mind—that the powers that be in that strange land really are in fear of us.

Our standing in large sections of the globe has not been helped by the fact that our chief associates and allies at the present time, and, for that matter during World War I, are among the leading imperialists, historically speaking, of the world. Of course, Russia itself was likewise imperialist par excellence—and still is for that matter—but in the eyes of many has become a different sort of nation now. At least that is what the Kremlin is busy telling the anti-colonials throughout the world. But, however that may be, we are working closely with such countries as Britain and France and that is enough in the eyes of many Asians to place us under suspicion.

And we have certainly done little or nothing to help our own cause. In our efforts to thwart the imperialists in the Kremlin, we have grown quite doctrinaire about the philosophical system known as communism, and that has not helped our standing in India and, for that matter, in a number of other countries. We certainly should want no part of communism or socialism in our own country. We have in point of fact been much too inclined in recent years to adopt ideas which are more tainted with communist or socialist thought than we, for our part, could wish. We would do well to be more insistent upon operating our own affairs along the lines laid out by the founding fathers, which certainly had nothing in common with the paternalism and the collectivism of this day and time.

Their Own Ideas

At the same time other peoples may well have their own ideas as to how they wish to proceed with their own affairs. In fact, we well know that they have. For many of them collectivism, paternalism, authoritarianism and the like have no particular terror. Their traditions are often quite different from ours, and when we go out as missionaries to condemn communism as a form of social or economic organization in such terms as we are wont to use in this connection, we often succeed chiefly in branding ourselves as provincial, doctrinaire or disturbers of the peace, or at least potential enemies of peace. This certainly appears to be what has happened and is happening in India for example.

Here is a situation, obviously, which is not likely to be greatly relieved either by bountiful gifts of treasure or of military supplies—or, for that matter, by refusing to be so generous. Neither does the "Fortress America" notion go to the root of the difficulty. We need to match our policies and our programs to the objectives we wish to reach much more carefully and shrewdly than we have so far done. Our past blunders have made our task the harder. The fact that so much has been said and is now being said and done for home consumption adds to our difficulties.

We should be much better off if President Truman or his advisers had never thought of "Point Four." The notion that we could or can galvanize the backward people of the world into following our leadership and adopting and adapting our techniques and our values by means of any amount of aid has never had any support in good hard common sense. We in our generosity have come to the aid of other peoples in times of great need, and we shall, without doubt, do so again and again and again in the future. The fact is, though, that fundamental and enduring improvement in the plane of living and the general economic status of the backward peoples of the world will come and must come largely as a result of their own effort.

The time has come for an "agonizing reappraisal" of many things.

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The Security I Like Best

pigments, trace elements for agricultural fertilization, and as a base for intermetallic compounds for use in ultra high temperatures. And because of the unique position which Climax enjoys with respect to the known U. S. and world supply of commercially available molybdenum, the inferences which may be derived relative to that company's future growth are highly favorable.

About 95% of the demand for molybdenum comes from the metallurgical field where it is used as an alloying element. And demand for alloy steel has been expanding more rapidly that the total demand for steel. In the U. S. in 1955, steel ingot production attained an all-time peak of 117 million tons—5% above 1953, the previous record year; but the apparent domestic consumption of molybdenum in 1955 was 23% greater than in 1953. In the rest of the free world, steel ingot production in 1955 reached a record level—about 20% above 1953; but apparent consumption of molybdenum in the balance of the free world was 58% ahead of 1953. Although Great Britain's and Western Europe's per capita consumption of metals is lower than in the U. S., it is increasing in those countries at a faster rate than in the U. S., particularly in the case of molybdenum. This is in reflection of the more rapid rate at which the standard of living is rising in those countries.

Using the period 1935-39 as a base, the average annual growth to date of crude steel capacity has been 5%. But the comparable figures for alloy steel and stainless steel have been 7½% to 10%, respectively.

Climax's mine, astride the Continental Divide in Colorado, is virtually a mountain of ore. In 1955, its output of 43,043,138 pounds of molybdenum contained in concentrate, was equal to 70% of total U. S. production of that metal; and it is estimated that U. S. production is accounting for in excess of 90% of free world output. To attain this production in 1955, the mine produced and the mill treated 9,227,700 tons of ore, an average of about 30,000 tons per operating day. This was a new record—and enabled the mine to maintain its distinction of having the largest output of any single underground mine of any kind in North America. Further expansion of milling capacity is now underway and is scheduled for initial production in the fourth quarter of 1956.

In discussing the company's ore reserves, it should be borne in mind that continual technological improvements have enabled profitable use of lower grade ores. And this trend was accelerated by one of the two contracts that the company has with the U. S. Government. This contract has as its objective the conservation of molybdenum, as well as its procurement for the Government stockpile. Its terms specify that Climax must use only those ores of a grade that is below that of the company's commercially established cut-off grade. Under this Government contract (which has been effective for something over two years, and which runs to June, 1962, Climax will have profitably delivered the product of 13 million tons of ore that under previous practice would have been discarded, and will have received for it $60 million. The experience gained through this contract has enabled the company to obtain very satisfactory profit margins from the treatment of ores which are substantially below previous cut-off grades.

Another contract with the Government was made in late 1950. Under it the company undertook the opening up and preparation of a new production level at the mine (the Storke level), and the expansion of its daily milling capacity from 15,000 tons of ore to 20,000 tons. Under the terms of this initial contract with the Government, the latter guaranteed the marketing of Climax's milling capacity output of 20,000 tons of ore per day; and the company was obliged to make deliveries of molybdenum to the Government through 1955; and could make deliveries—although not obliged to make them—during the first half of 1956. Because of the high level of commercial demand for molybdenum, no "permissive" deliveries under this contract have been or will be made in 1956.

On the basis of the drilling that has thus far been done, and under current circumstances of price and operating costs, Climax believes that its ore reserves total at least 330 million tons, 75% of which would be above the previous cut-off grade, and 25% of which would be of a grade found to be profitable as a result of the company's experience with low-grade ore operations. These 330 million tons of ore should yield 1.6 billion pounds of molybdenum, which at current market prices and product mix would have a value at the mine of $2 billion, equivalent to $775 a share on the 2,580,000 shares of Climax outstanding at March.

Another important activity of Climax Molybdenum is represented by the Climax Uranium Co., in which Climax has a 84% stock interest. Climax Uranium's gross sales are presently at an annual rate approximating $10 million, of which approximately 8% is being carried through to net income. The Government's contract to purchase all output has five more years to run.

The St. Anthony Uranium Corp., in which Climax Molybdenum owns a half interest, has developed one fair ore body in Northwestern Mexico and is continuing the exploration of the balance of its leased land. A 100% interest is owned in the San Antonio Mining Co., which has delimited and blocked out a small low-grade uranium deposit in Texas for which there is a contract of sale with the Atomic Energy Commission.

As a result of gross capital expenditures in 1955 of $2,158,000, less $1,164,000 representing depreciation, depletion, amortization, abandonments, and other allowable write-offs, Climax's net investment in oil and gas properties and interests increased during that year from $7,857,000 to $8,851,000. Of that total gross capital outlay, about 50% was accounted for by expenditures on the further development of the properties of the Climax-Brundred Waterflood Division. Gross income from oil and gas investments totaled $1,685,000 in 1955 vs. $933,000 in 1954. After depreciation and depletion charges, together with the write-offs incident to the continuing search for additional oil and gas reserves, and allowance for tax benefits in consolidation, a modest profit was recorded in 1955.

Climax expanded sharply in the period 1951-1955. Capital outlays totaled $35 million, most of which was spent at Climax, Colo. With the exception of the sale of 50,000 shares of treasury stock at $26.01 a share (through the exercise of options held by officers of the company), the entire expansion was paid for by retained earnings and charge-offs for depreciation, accelerated amortization, and depletion. Capitalization as of March 31, 1956, consisted solely of 2,580,000 outstanding shares of no par common stock.

In 1955, as compared with 1954, sales increased 13.1% to $61.12 million; pretax earnings increased 12.5%; earnings increased 11.7% to $6.78 a share; cash flow (earnings plus depreciation, depletion and accelerated amortization) per share increased 12.4% to $8.68; pretax earnings were equal to 43.9% of sales vs. 44.1% in 1954. Earnings were equal to 28.5% of sales vs. 28.9% in 1954.

The company does not disclose the effect upon earnings of accelerated amortization. However, it is estimated that if no accelerated amortization—only normal depreciation — had been charged off, earnings in 1955 would have amounted to an estimated $7.26 a share vs. an estimated $6.51 a share in 1954 on the same basis. Moreover, Climax's equity in the current annual earnings of its non-consolidated 84% owned subsidiary, Climax Uranium Co., amounts to around 31 cents a share.

In the first quarter of this year, as compared with the like year-earlier period, sales decreased 12½% and earnings receded 26.9% to $1.29 a share. This unfavorable showing was by no means the result of either any lessening in the demand for molybdenum or decrease in the price of that metal. On the contrary, commercial demand has been so great this year that although no shipments have been made under the regular-grade contract with the Government since the end of 1955, the company has nevertheless asked for some relief under the shipment schedule of the low-grade contract with the Government. And as to the price structure, in December, 1955, the price of molybdenum contained in concentrate was increased from $1.05 to $1.10 a pound, and product prices were raised commensurately.

The unfavorable first quarter showing, as stated by President Bunker, has been expected and was wholly attributable to technical conditions of a temporary nature at the mine, which were in turn the result of what may be described as "forced draft" operations by Climax during 1954 and 1955. Inasmuch as the costs of all activities carried on at the mine are charged to current operations the latter have been burdened this year by the company's program incident to the restoration of the depleted supply of broken ore and other requirements at the mine. Also, in order to insure a steady flow of molybdenum concentrate and molybdenum products to its customers, Climax must maintain inventories of molybdenum concentrate and molybdenum products. In 1955, especially in the first quarter, these inventories were reduced as a result of sales in excess of production (sales of Climax during 1955 of Molybdenum contained in all forms amounted to somewhat in excess of 46 million pounds, whereas production totaled 43,043,138 pounds).

As for the longer-term prospects of Climax, it is my opinion that they are most promising. From all indications, demand for molybdenum as an alloying element is destined to continue its expansion; and a similar increase in the use of molybdenum for other purposes is likewise indicated. Moreover, the supply-demand relationship should be such as to result in a price structure which will provide Climax with adequate profit margins. The company's stock is listed on the New York Stock Exchange and the current quotation is 76.

Kuhn, Loeb Group Offers Inland Steel Co. 1st Mtge. Bonds

Kuhn, Loeb & Co. heads an investment banking syndicate which is offering $50,000,000 Inland Steel Co. first mortgage 3½% bonds, series J, due July 1, 1981. The bonds are priced at 100½% and accrued interest, to yield 3.47%.

Net proceeds from the sale of the bonds will be used to help finance Inland's current expansion and development program, estimated to entail total expenditures of about $260,000,000. The company plans to increase the annual steel-making capacity at its Indiana Harbor, Ind., plant from 5,200,000 net tons to approximately 6,000,000 net tons of ingots by the end of 1958. The expansion program includes, among other projects, construction of three new open hearth furnaces, a new slabbing mill, and a new cold rolled sheet mill and related facilities; construction of a general office building in downtown Chicago; and development of mining properties.

The series J issue will provide an annual mandatory sinking fund of $1,500,000 principal amount of bonds on each July 1 from 1959 through 1980, thereby retiring 66% of the issue one year before maturity. The bonds will be redeemable for the sinking fund at prices ranging from 100.47% to par, and at the option of the company at redemption prices ranging from 105½% to par, plus accrued interest in each case.

Inland Steel Co. is the seventh largest steel producer in the U. S. All steel made by the company is produced by the open hearth process at its Indiana Harbor, Ind., plant, the fifth largest single steel producing plant in the U. S.

For the year 1955, the company and its subsidiaries had consolidated sales and other revenues of $663,317,000 and net income of $52,466,000.

Miller With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leland R. Miller has become associated with J. A. Hogle & Co., 507 West Sixth Street. Mr. Miller was formerly with William R. Staats & Co. and prior thereto was manager of the research department of the local office of Walston & Co.

Continued from page 4

The State of Trade and Industry

pressure is building up. At least two Cabinet members are involved in efforts to get the strike settled.

Long-range effects of the strike will be far worse than most people realize, since consumers and mills will be wrestling with supply and delivery problems through this year and into 1957.

Steel production may be curtailed next winter owing to a shortage of iron ore. Shutdown of the mines and tying up of lake boats deprive stockpiles of the needed surpluses to carry operations through the winter months, concludes "The Iron Age."

Industrial output held steady from May to June, but with seasonal factors included, the trend was down somewhat.

The Federal Reserve Board stated that domestic industry produced goods at a rate of 141% of the 1947-49 average. This was the same as the previous month's rate, but topped June of last year by two percentage points.

Taking seasonal factors into account, however, the board's barometer of industrial production dipped to 141% in June from 142% in May. Industrial production, on a seasonally adjusted basis, totaled 139% in June last year.

In the automotive industry, United States manufacturers last week returned to five-day schedules and, in doing so, produced their four millionth vehicle of 1956, "Ward's Automotive Reports" stated on Friday last.

"Ward's" said that through Friday, the industry had turned out 3,371,616 cars and 630,325 trucks for a total of 4,001,941 vehicles. However, by this time last year, 4,587,243 cars and 697,329 trucks had been built.

The statistical publication's production count the past week is 111,784 cars and 21,007 trucks. It represents the highest volume since the opening week in May, 10 weeks ago, when 112,730 cars and 22,668 trucks were produced. Last week's output, crimped by the July 4 holiday, consisted of 68,110 cars and 11,561 trucks.

All companies took part in the upswing over the preceding week, noted "Ward's." General Motors boosted automobile production to 56,400 units from 27,600, while Ford Motor Co. climbed to 35,500 from 24,200, Chrysler Corp. to 17,300 from 14,200, American Motors to 1,300 from 1,000 and Studebaker to 1,140 from 1,000. Packard remained idle, having ceased 1956 model building June 26.

No word has been released by other companies concerning the 1956 model closeout dates. All firms, however, are expected to continue to turn out present models at least through July.

Personal income rose in May for the fourth consecutive month, the United States Department of Commerce reports, with June showing signs of another boost.

The department said Americans earned at a seasonally adjusted annual rate of $323,000,000,000 during May. This compares with annual rates of $321,700,000,000 in April and $304,300,000,000 in May of last year.

Further, the May report noted private payrolls in June, mostly in non-manufacturing industries, increased about $1,000,000,000, according to preliminary indications.

For the first five months of the year, the report said, Americans earned at a $319,400,000,000 seasonally adjusted annual rate. This compares with an annual rate of $298,100,000,000 during the like period of last year and actual personal income of $306,100,000,000 for the full year 1955.

The actual 1955 figure is a new revision of the department's previous preliminary estimate of $303,200,000,000 for the full year. At $306,100,000,000, personal income last year registered an $18,500,000,000 jump over 1954.

Steel Production Scheduled This Week at 14.6% of Capacity

Most steel users can go 30 days before they feel the pinch of the steelworkers' strike. After that, effects will grow serious, "Steel" magazine stated on Monday last.

A survey by the metalworking publication shows that a strike of less than 30 days would affect only 15% of the respondents. The percentage would jump 20 points in a strike of 30 to 45 days and another 20 points in a 45- to 60-day strike. Only an additional 10% would be hurt by a strike of 60 to 90 days.

The automobile industry, largest consumer of steel, has enough of it on hand to complete the 1956 model run and to make a slight start on 1957. If sales of new models go as well or better than expected, the auto companies will jump into the steel market with vigor this coming fall. That would be at a time when the steel industry, which should have settled the strike by then, will be struggling to make up losses brought by the work stoppage. This points up the fact that the really serious effects of the steelworkers' strike aren't going to be felt during the walkout. They will come after settlement of the dispute, the publication reports.

Defense projects won't run into steel shortage problems early, either. Most third quarter defense steel needs probably can be met by unstruck mills. Approximately 65 steel plants, most of them are small, are operating, a "Steel" survey reveals. To make sure there will be enough defense tonnage, the government boosted defense setasides substantially on many form of steel made by the plants still rolling. In the week ended July 15, the operating mills turned out 307,000 net tons of ingots. This yield represents 12.5% of the nation's ingot capacity. In the preceding week, 14% of capacity was running.

All consumers of steel are not as fortunate as the automobile industry and defense users. Some are already hurt.

Foreign steel cannot be counted on for a great deal of help. A steel strike threatens in Great Britain. In West European nations, steel plants are working at or near capacity, "Steel" reports. In West Germany, consumers are laying in steel to beat a price rise.

In the United States, it looks like the price increase that's expected to ensue from a new steel labor contract will be around 10%. Steel companies still operating are raising base prices an average of that to cover the amount they think their costs will rise, "Steel" concludes.

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 was scheduled at an average of 14.6% of capacity for the week beginning July 16, 1956, equivalent to 360,000 tons of ingot and steel for castings as compared with 12.9% of capacity and 317,000 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 93.0% and production 2,290,000 tons. A year ago the actual weekly production was placed at 2,195,000 tons or 91.0%. 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 Picks Up in Post-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 14, 1956, was estimated at 10,878,000,000 kwh., according to the Edison Electric Institute. The continuing steel strike is playing an important role in curtailing electric output.

This was an increase of 487,000,000 kwh. above that of the previous week. It increased 438,000,000 kwh. or 4.2% above the comparable 1955 week and 1,927,000,000 kwh. over the like week in 1954.

Car Loadings in the Latest Week Adversely Affected by Coal Miners' Vacation, 4th of July Holiday and Steel Strike

Loadings of revenue freight for the week ended July 7, 1956, decreased 276,995 cars, or 36.7% below the preceding week, due to the coal miners' annual vacation, the July 4 holiday and the steel strike, the Association of American Railroads reports.

Loadings for the week ended July 7, 1956, totaled 478,297 cars, a decrease of 170,695 cars or 26.3% below the corresponding 1955 week, and a decrease of 91,235 cars, or 16% under corresponding week in 1954.

U. S. Car Manufacturers Last Week Produced Four Millionth Vehicle of 1956

Automotive output for the latest week ended July 13, 1956, according to "Ward's Automotive Reports," returned to five-day schedules and, in doing so, turned out their four millionth vehicle of 1956.

Last week the industry assembled an estimated 111,784 cars, compared with 68,110 (revised) in the previous week. The past week's production total of cars and trucks amounted to 132,791 units, an increase of 53,120 units above the preceding week's output, states "Ward's."

Last week's car output rose above that of the previous week by 43,674 cars, while truck output advanced the past week by 9,446 vehicles. In the corresponding week last year 167,473 cars and 27,950 trucks were assembled.

Last week the agency reported there were 21,007 trucks made in the United States. This compared with 11,561 in the previous week and 27,950 a year ago.

Canadian output last week was placed at 9,502 cars and 2,336 trucks. In the previous week Dominion plants built 7,719 cars and 1,846 trucks, and for the comparable 1955 week, 9,787 cars and 2,417 trucks.

Business Failures Rise in Post-Holiday Week

Commercial and industrial failures rebounded to 251 in the week ended July 12 from the holiday low of 208 in the preceding week, Dun & Bradstreet, Inc., reports. The toll exceeded the 224 occurring a year ago and the 226 in the similar week of 1954. However, failures were not as numerous as in prewar 1939 when 272 were recorded.

Failures involving liabilities of $5,000 or more climbed to 202 from 169 last week and were slightly higher than the 192 of this size a year ago. Among small failures with liabilities under $5,000, there was an increase to 49 from 39 in the previous week and 32 in 1955. Sixteen businesses failed with liabilities in excess of $100,000 as compared with 10 a week ago.

All industry and trade groups had heavier tolls. The sharpest upturn lifted construction failures to 40 from 26 while milder increases brought retail failures to 132 from 112, wholesaling to 21 from 18, commercial service to 21 from 16 and manufacturing to 37 from 36. More retail, construction, and service concerns failed than last year, but the toll among manufacturers and wholesalers dipped below the 1955 level.

Wholesale Food Price Index Extends Mild Uptrend The Past Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., continued to edge mildly higher last week, standing at $6.06 as of July 10, as against $6.05 the previous week and $6.03 two weeks earlier. The latest figure compares with $6.26 on the corresponding date a year ago, or a drop of 3.2%.

Up in wholesale cost the past week were flour, wheat, corn, rye, oats, lard, sugar, coffee, cocoa and eggs. Lower were beef, hams, steers, hogs and lambs.

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 Slightly Higher With Trend Irregular for the Week

Commodity price movements continued irregular with the general price level showing a slight gain following the downward trend of the past few weeks. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., closed at 287.51

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The State of Trade and Industry

on July 10, comparing with 286.38 a week previous and with 272.55 on the corresponding date a year ago.

Grain markets were firmer with wheat and rye scoring best gains for the week.

Harvesting of wheat was virtually completed in the Southwest and was nearing its peak in southern Indiana and Illinois. Substantial purchases were made by millers sparked by a revival in flour business.

This plus the possibility of a tight "free" wheat supply helped to move prices higher in spite of heavy arrivals. Corn was under pressure at times due to the splendid crop outlook.

A private estimate issued during the week indicated a yield of 3,337,000,000 bushels, which, if fulfilled, would be the second largest corn crop on record.

Oats showed further strength aided by the prospect of a much smaller crop than last year. Average daily purchases of grain and soybean futures on the Chicago Board of Trade last week totaled about 62,400,000 bushels against 53,800,000 the previous week and 41,500,000 a year ago.

Substantial bookings of hard wheat bakery flours took place early in the week with most large bakers said to have covered their needs for around 120 days. Business in Spring varieties was only fair with buyers showing caution in the belief that more attractive opportunities will occur as the harvest nears in the Northwest. Domestic raw sugar prices firmed up aided by heavy replacement purchases of raws by refiners in anticipation of expanding seasonal movement of refined sugar. Coffee developed a firmer tone at the close on reports of cold weather in Brazil.

Cocoa prices were fairly steady. Manufacturer demand was spotty reflecting Summer shutdowns and ample supplies on hand. Warehouse stocks of cocoa continued to mount and totaled 414,809 bags against 392,721 a week ago and 236,129 bags at this time last year. Lard prices moved irregularly higher aided by a recovery in vegetable oils late in the period. Following early steadiness hog prices trended lower as receipts increased and continued to exceed those of a year ago.

Cotton prices held steady most of the week but declined sharply at the close.

Weakness developed following announcement of the official acreage report which indicated that 16,962,000 acres were planted, or well above recent private calculations.

Bearish sentiment was also fostered by generally favorable conditions prevailing for the new crop. Reported sales in the 14 spot markets last week amounted to 549,000 bales with purchases from CCC under the export program accounting for all but a small portion of the total. This compared with purchases of 67,500 bales in the previous week and 35,000 in the same week a year ago.

Trade Volume Turned Slightly Downward the Past Week But Held Moderately Above Like Week a Year Ago

While consumer buying decreased somewhat the past week, retail trade remained moderately higher than that of the corresponding period last year. Volume in men's Summer apparel, air conditioners and some food products was under that of the previous week, but continued above similar 1955 levels.

Although sales in new automobiles expanded noticeably, the buying of used passenger cars decreased slightly.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 2 to 6% 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 Northwest +2 to +6; East and South +3 to +7; Middle West and Southwest +1 to +5 and Pacific Coast +5 to +9%.

Volume in men's Summer wear declined somewhat last week, but continued to exceed that of last year. The call for men's swimsuits and walking shorts was sustained at a high level. Purchases of women's cotton dresses, beachwear, and lingerie remained at the level of the previous week. Best selling accessories were handbags, jewelry and millinery.

Although consumer purchases of air conditioners and fans declined the past week, volume was considerably above the similar 1955 level. The call for television sets, lamps and lighting fixtures expanded moderately.

While sales in Summer outdoor furniture decreased slightly, the buying of upholstered living room sets and bedroom suites rose appreciably. Shoppers boosted their purchases of floor coverings and draperies, but volume in linens, towels and blankets fell somewhat.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index of the week ended July 7, 1956, increased 3% above those of the like period last year. In the preceding week, June 30, 1956, an increase of 7% was reported. For the four weeks ended July 7, 1956 an increase of 7% was reported. For the period Jan. 1, 1956 to July 7, 1956, a gain of 4% was registered above that of 1955.

Retail trade volume in New York City the past week increased 2 to 4% compared with the corresponding period a year ago, trade observers report.

Major promotions accounted for the improvement in sales volume, the report added.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 7, 1956, registered an increase of 4% above those of the like period last year. In the preceding week, June 30, 1956, an increase of 10% was recorded. For the four weeks ending July 7, 1956, a gain of 10% was recorded. For the period Jan. 1, 1956 to July 7, 1956, the index recorded a rise of 4% above that of the corresponding period in 1955.

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Observations . . .

economy. "The same economists who can apply advanced mathematical techniques to cost and revenue curves, to optimum investment levels, and to ouput points can say very little about the consumer. There is scant expertise on questions of what motivates the periodic cycles of spending or saving, why one type of commodity purchase is made rather than another, how the consumer evaluates the future, what his 'balance sheet' looks like, and so on —in short, all factors bearing directly on the aggregate demand for goods and services. So everyone can, by default, be his own expert."

Incidentally, such skepticism over consumer behavior research just now gets a timely boost from a new addendum, *"Consumer Expectations: 1953-56"* to Prof. George Katona and Eva Mueller's analyses of consumer-questioning conducted at the *University of Michigan* for the Federal Reserve Board. From an index of consumer attitudes running back to 1952, the authors frankly conclude that no help is derivable therefrom toward predicting economic changes. They find that Mr. Consumer-Citizen registers pessimism only *after* business has turned downward, optimism only after activity has well begun to rise.

Unfinished Exploration

Maintaining his objectivity, Dr. Rolfe concludes his article most constructively by citing the areas in the field calling for further exploration. To his overall finding that "consumer credit has been a source of strength and growth for the economy rather than the opposite," he adds the stricture that for the guidance of business and government "we need to know more." Such inquiry would, for example, include how the families in debt would fare in the event of economic trouble, what their margins of safety are, etc.

With objectivity thus balancing his expert factual findings, this newcomer indeed makes a unique contribution to the public's long-term thinking on this vitally important sector of our economic life!

Continued from first page

Unions Lower Wages

economic action is never the final effect. The first effect merely sets off a chain reaction. Congress passes a law. Its first effect is good. Later it ruins an entire industry. Men invent plastic fibers, and the colored population moves to the northern cities.

Good and Bad Economics

A good economist is one who can trace the results of an economic action more often than not, such as the economists who told President Roosevelt that his gold-purchase program was absurd. There are good economists and poor ones, just as there are poor doctors and poor engineers. It was a poor economist who sold Secretary Morgenthau the ridiculous gold-purchase plan. There was in Washington during the Roosevelt administration the largest collection of third-rate economists and fuzzy-minded nondescripts posing as economists ever gathered in one place. Politicians as a class, not trained in economics, can seldom comprehend even the elements of economics. But once elected to office they set themselves up as top economists. Two-thirds of the House once voted for the Townsend Plan. One-third of the Senate once voted for bimetallism.

The consequences of this complexity of economics are appalling. An endless stream of unsound economic propaganda results in pressure-group legislation, squandering of public funds, and unsound policies. In the field of organized labor, systematic propaganda relentlessly spreads three false ideas. The first is that unions raise, and have raised, the general wage level. The second is that any raise of wages for one group helps all other groups. The third is that employers set wages and set them at the lowest level they can force employees to take.

Wages are set by forces beyond the control of the employer, the wage-earner, or the consumer. Two thousand years of history prove this. In the time of the first Queen Elizabeth all the enormous powers of the Queen and the landowning lords tried to stop a wage rise, with cruel punishments. Wages kept on rising. Even in the awful poverty of the early Industrial Revolution conditions set wages, not the employers. We built an Erie Canal, and it destroyed the entire power of the House of Lords in England.

Our industrial system is a balance of forces. Great natural resources, vast capital equipment, managers of enterprise, and millions of employees are joined together in production. The system was not invented. It developed, out of some five thousand years of trial and error, as the best possible system. Despite some injustice, much of which is removed by taxation and social legislation, it is the only just system, the only system which will work without dictatorship.

Automatic Rewarding

Automatically it pays the investor, the manager of enterprise, and the wage-earner his proper share, based on his contribution to the total product. Since wage-earners are a large majority of all workers and a large majority of all consumers, the system in the main is one in which wage earners, by their choices of goods and services, actually decide what wages all groups of wage-earners should receive. By deciding what they will buy and what prices they will pay consumers automatically determine the value of the services of all wage-earners.

The working out of these principles in practice is complicated, but the general process is simple. For each group of workers demand and supply set the wage. The supply is simply the number in the group available to do the particular job. The demand derives simply from consumers. How much of the article or service will they take at various prices? Few men can fly commercial planes or audit corporation accounts or work on steel girders at 40 stories. They get—and earn—high wages. Millions can pick cotton. Cotton pickers get low wages. It should be noted that supply is the basic factor in wages. Ted Williams gets a $100,000 a year for absurdly easy work, solely because there are very few ball players of his quality. If there were a thousand as good, each would get about $300 a month.

The Demand Supply Factor

Left alone, this system pays all wage-earners their proper wage. The wages of each type of worker will be set by demand and supply according to the worker's usefulness to society as a producer. It is not the individual's usefulness that sets the rate, but the usefulness of all the individuals in his group, constituting the supply. Double the number of men qualified and willing to work as sand-hogs in tunnels and their wage rate would be reduced drastically. There would be no change in the worker's ability, merely a change in the supply.

It is universal to refer to the worker's "productivity" as the determinant of his wage. We have just pointed out that productivity is only half of the matter. Supply is the other. The great increase in "productivity per worker" is the marvel of American industry. Labor propagandists ascribe this to the improvement in skill of the worker. They demand that wage-earners receive in higher wages all the returns from increased productivity. This is economic nonsense. Increased productivity per worker is wholly due to the improvement in machinery. The American worker works shorter hours than ever before. He has more vacations with pay. He does more loafing on the job and more feather-bedding. There are more "standby labor," unnecessary assistants, and idle shop stewards. It is an economic miracle that improved technical equipment can keep ahead of the declining effort of wage-earners. The ironic truth is that the wage-earner is getting nearly all the increase in returns from increased productivity, while ownership of equipment, investment, and management get little.

Wages in a Free Economy

We have to this point considered wages in a free economy. Here is a summary:

(1) Employers do not set wages. Workers do not set wages.

(2) The general wage level is a balance of the total population against natural resources and available capital equipment. No legal interference or arbitrary force can change this level.

(3) Wages in different lines depend on demand and supply, the demand deriving from the special productivity of workers in any line and the available supply of such workers.

(4) Wages go up in America solely because of the increased efficiency of equipment and management, despite declining effort by labor.

(5) In the main wages for any group of workers are set by all other workers, through their choices of goods and services in the market.

(6) Wages in a free economy are set fairly, automatically, with each group of workers getting wages according to their contribution to production.

The Unions' Impact

We can now consider unions. First there is the propaganda that unions have raised the general level of wages. In the last 150 years wages have consistently increased. They are perhaps six times as high as at the start. For the first 50 years of this period there were no unions. For the second 50 years they were a tiny minority of all workers, of no importance. In the last 50 years union membership has grown rapidly. But today union workers are only something over a third of all wage-earners, one-fourth of all workers. There is no statistical evidence that the general increase of wages has been connected with unions. The weight of evidence is against this notion.

We do not need economic or statistical proof that unions do not raise the general wage level.

Wages come from production, and unions do not and cannot increase total production. If unions were essential to increase wages the unorganized two-thirds would have been on subsistence levels for 100 years.

What, then, is the relation of unions to wages? Unions have many aims, some of them excellent in every way. But their chief aim is to raise the wages of their members to levels they cannot earn in competition with the unorganized majority of workers. They obtain these unearned wages by force, violence, destruction of property, intimidation, and political pressure. The primary weapons are the strike and limitation of membership. A strike is a legal privilege granted to unions by law to destroy the property of the owners of enterprise, to keep citizens, not involved, from getting desperately needed goods and services, to paralyze enterprise over great areas, and to reduce total production for the entire nation. This special privilege is buttressed by the privilege of picketing, which in practice becomes organized mob violence, to prevent the public from continuing to patronize enterprise and to prevent wage-earners willing to work from working and earning wages.

Union Monopoly

This legal privilege to bludgeon enterprise and destroy property has been greatly reinforced by the creation of union monopoly, practiced by the Federation of Labor unions for 50 years. By relentless strikes they established the closed shop, an indefensible monopoly which prevented nonunion men from working. Then they systematically developed a program of keeping workers out of their unions. Such things as $1,000 initiation fees and impossible apprenticeship-regulations worked perfectly. In the heyday of the New Deal a New York union passed a rule that the only new members should legitimate sons of the members. Note the highly moral standard. The Taft-Hartley Act has only mildly restricted such practices, the union shop having the same evil effect. When the exorbitant wages reduced the employment of even the restricted numbers, they shortened hours.

These monopoly practices were extraordinarily effective. Houses are absolute necessities. Permit a union to establish a union shop and then restrict membership, and supply and demand can drive wages to fantastic levels. It does not require talent or education or long training to do plumbing or bricklaying or house painting or scene shifting or electrical wiring. But these ordinary laborers are the aristocrats of labor. Three to four dollars an hour for such labor is sheer extortion. Some time ago it was discovered that in the finest high schools some janitors were getting higher wages than the mature, educated, and able principals of the schools. This in the state which set up the first university in America.

Thus we have a legal privilege granted to a minority of workers to force wage levels they cannot earn in fair competition with other workers. The result is a destruction of the entire economic equilibrium. The effect of artificially raised wages is to increase the cost of the product. This increased cost spreads through the economy, reducing production and reducing the income of all workers, especially the wage-earners. The higher costs also reduce the sales of the product made by the union workers, preventing increased employment and adding to the non-union majority outside. The very nature of forced wage increases is cannibalistic. The steel union increases wages by force and everything the other workers buy goes up. But the building trades unions also force wage increases and the steel worker pays more for his house. The auto union forces higher wages and truck transportation costs more. But the truck drivers also get theirs. And the endless dog-eat-dog process goes on.

Some Conclusions

Any impartial economic analysis leads to these conclusions:

(1) Unions raise the wages of their own members, by force.

(2) Unions lower the national production, the general wage level, and, especially, the wages of the non-union majority.

(3) The general wage level in America would be higher than it is, and wages of different groups of workers would be fairer, and the low-income groups would have a higher standard of living, if there had never been a union.

This is an economic analysis. The reader can decide who is to blame. No recommendations are made. Outside the matter of wages, unions serve many useful purposes. But in the area of wages they injure our economic progress. They may destroy it. One suggestion to the reader is made here. The next time you hear a politician orating about the magnificent improvement in American wages due to the unions try to decide what that politician is, you have two choices.

North American Coal Stock Offered at $12

Public offering of 250,000 shares of The North American Coal Corp. common stock, $1 par value, is being made today (July 19) by an underwriting group headed jointly by Dominick and Dominick and Ball, Burge & Kraus. The stock is priced at $12 per share.

Proceeds from this sale will be used in part as additional working capital for the company's expanding mining operations and in part for the acquisition of new and additional mining machinery.

North American Coal produces, stores and sells bituminous coal. Production from the company's mines totaled 5,629,189 tons in the year ending April 30, 1956. Electric utilities constitute the largest market for the company's coal. Principal areas served are the Ohio Valley and Great Lakes regions.

For the year ended April 30, 1956, net sales amounted to $36,-522,485, and net income was $1,505,086.

North American Coal's common stock was split ten-for-one on June 6, 1956. A dividend of 15 cents per share was paid on June 12, 1956 and a dividend of 15 cents per share has been declared, payable Sept. 10, 1956 to shareholders of record Sept. 1, 1956.

Among those associated in the underwriting are: The First Boston Corp.; Blyth & Co., Inc.; Eastman, Dillon & Co.; Harriman Ripley & Co. Inc.; Kidder, Peabody & Co. Inc.; Lehman Brothers; and Smith, Barney & Co.

Two With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Duff G. Chapman and Charles A. Philbrick have become affiliated with First California Company Incorporated, 647 South Spring Street.

Joins Gross, Rogers

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Gilbert G. Nelson has become associated with Gross, Rogers & Co., 559 South Figueroa Street, members of the Los Angeles Stock Exchange. Mr. Nelson was formerly with J. Logan & Co.

With E. F. Hutton Co.

LOS ANGELES, Calif.—Lewis C. Arbogast is now with E. F. Hutton & Company, 623 South Spring Street.

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A. A. Potter Discusses Mr. De Fremery's Article

ereign" as pointed out by former Governor Marriner Eccles of the "Fed" in a congressional hearing.

The inevitable result of this is that the taxpayer must be relieved of paying enough to balance the budget whenever the "price level" falls, since all the new money spent must be represented by a sum *not* previously existing, that is, it must be constituted by an *excess* of what is spent over what is obtained by taxation. Such an inflationary (?) gap in the budegt is just elementary arithmetic.

Revising Classical Value Theory

This problem, however, can be resolved only by a sweeping revision in the "classical" theory of "value" as expressed in *numbers other than prices;* for we can tell whether or not there is an appreciation or depreciation in the "value" of money only by a set of *real* values, stated in numbers, which maintain (or fail to maintain) a one-to-one correspondence with the *price* of those values. The nearest we've come to such a "standard" is the "cost-of-living-index" by which wages and other contracts (but not government contracts such as pensions!) are "escalated."

An index, however, is an "average of relatives" as that staunch advocate of "100% reserves," Prof. Irving Fisher, put it; that is, it is a decidedly shifty "standard" since it reflects a "percent change" from a "base" which is not itself a constant. Indexing averages *weighted* constituents; and the weights change radically with technology.

To remedy this defect we shall have to distinguish between capital growth, due to technology (not to saving and investment!), and the real income of living necessities (food supply) which is "capitalized" in figuring the value of investments that are constantly depreciating (sometimes all but wiped out), not by wear-and-tear (which can be replaced in the regular course of accounting), but by new techniques contributing an appreciation in capital greater than the losses due to outmoded "values."

Should Not Stabilize Capital Values

This is the *risk* in *competitive* capitalism; and its effect is to simply ignore "savings and investment" or cost accounting in setting value on land, equipment, and ideas (not necessarily patented) in such combinations as appear in corporate "firms" most of which are not very firm unless they have a research arm to keep up with, if not ahead of, the progress of industrial innovation. Capital values should not, even if they could, be stabilized; the only stability of price that can mean anything is the price of non-capital values (food). If, and only if, the calorie of nutrition changes in price, does money change, not in any value of its own, but in its ratio to *real* income *value.*

There can be no sane system based upon averaging all "values," thus giving the word a meaning synonymous with "prices" or priced values in the market place. Such reasoning runs in circles. Money and wealth, price and value, are not synonyms. As Oscar Wilde put it, a man who knows the price of everything and the value of nothing, is a cynic; and that goes also for the wealth of nations and the cynicism it begets as now managed.

ALDEN A. POTTER

Box 181 R.F.D. 3,
Bethesda 14, Md.
June 11, 1956.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

The expected increase in the 1956 first half earnings of 13 leading New York City banks was outdone, and the result was a jump of about 19% for the six months over the 1955 corresponding half. These were operating earnings, with the exception of those of Empire Trust, which does not report interim operating figures; but its indicated figures are used. The schedule for the two half-yearly periods and for the 12 months ended June 30 follows:

Per Share Operating Earnings

	First Half 1955	First Half 1956	Twelve Months 1955	Twelve Months 1956
Bankers Trust	$2.24	$2.37	$4.43	$4.86
Bank of New York	8.24	10.56	16.98	21.48
Chase Manhattan	1.75	1.91	3.53	3.69
Chemical Corn Exchange‡	1.55	1.88	3.29	3.75
Empire Trust	7.24	8.40	13.63	15.87
First Natl. City*	2.01	2.56	4.02	4.80
Guaranty Trust	2.30	2.76	4.44	5.36
Hanover Bank†	1.48	2.17	2.96	3.57
Irving Trust	0.98	1.19	1.93	2.41
Manufacturers Trust¶	1.58	1.72	3.10	3.36
J. P. Morgan & Co.	10.41	11.91	16.66	23.17
New York Trust	2.34	2.58	4.78	5.14
United States Trust¶	2.21	2.61	4.77	5.39

*Includes affiliate's earnings. †Adjusted for 20% stock dividend in June, 1956. ‡Adjusted in earlier periods for 10% stock dividend in September, 1955. ¶Adjusted for stock splits in January, 1956.

In the 12 months ended June, 1956, the earnings improvement was even greater, approximately 22%. Thus the effect of higher interest rates and of increased volume of loans is being felt more and more as time goes by. Yet there has been nothing approaching the price betterment that we are justified in expecting, for despite these improved earnings bank stock prices certainly have not kept pace.

Again, as in the first quarter, those banks that reported results of security operations showed, with one exception, minor losses in relation to operating results. First National City reported losses of $4,396,000, equal to approximately 18% of the half-yearly operations (or to 7.7% of the 12 months' results). J. P. Morgan & Co.'s security losses of $161,000, equal to 53 cents per share, was only about 2% of the 12 months operating earnings. The banks that, at the mid-year date, reported results of securities sales with the total losses, and the per-share figure, were the following:

	Total Loss	Per Share
Bankers Trust	$533,000	$0.13
Chase Manhattan	826,000	0.07
Chemical Corn Exchange	134,000	0.03
First National City	4,397,000	0.37
Guaranty Trust	332,000	0.07
Hanover Bank	588,000	0.16
Irving Trust	98,000	0.02
J. P. Morgan & Co.	161,000	0.54
New York Trust	*5,000	---

*Profit.

As has been observed here, these losses are efficiently utilized, as they not only act as offsets to operating profits, but, when the rising trend in loan volume is reversed as soon or later it must be, the banks' securities portfolios will probably be added to at quite favorable prices relatively.

The current year appears more than ever to be headed toward record high bank earnings, and again conservative investors are urged not to overlook this neglected group of securities.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Able Mining Co.
July 2 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—7119 E. Camelback Road, Scottsdale, Ariz. **Underwriter**—The Fenner Corp., New York, N. Y.

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.

Aero Supply Mfg. Co., Inc.
June 4 (letter of notification) 103,903 shares of common stock (par $1) to be offered to stockholders on a basis of one new share for each 4⅙ shares held. **Price**—$2 per share. **Proceeds**—For relocating machinery and equipment in plant, additional equipment and working capital. **Office**—611 West Main St., Corry, Pa. **Underwriters**—Henry M. Margolis and Leo A. Strauss, directors of the company.

Allied Oil & Industries Corp.
June 14 (letter of notification) 150,000 shares of capital stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For the acquisition of oil and gas leasehold interests and working capital. **Office** — 403 Wilson Bldg., 2601 Main St., Houston, Texas. **Underwriter** — Muir Investment Corp., San Antonio, Texas.; D. N. Silverman & Co., New Orleans, La.; Texas National Corp., San Antonio, Texas.; Charles B. White & Co., Houston, Texas.; and Reed and Sloan Co., Dallas, Texas.

Allied Products Corp.
July 2 (letter of notification) 42,857 shares of class A common stock (par $1). **Price**—$7 per share. **Proceeds**—For construction, equipment and working capital. **Office**—2700 23rd St., North, St. Petersburg, Fla. **Underwriter**—Atwill & Co., Inc., Miami Beach, Fla.

Allis (Louis) Co., Milwaukee, Wis. (7/23)
June 29 filed $3,000,000 of sinking fund debentures due July 1, 1976. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriter**—Robert W. Baird & Co., Inc., Milwaukee, Wis.

Allis (Louis) Co., Milwaukee, Wis. (7/23)
June 29 filed 47,729 shares of common stock (par $10) to be offered for subscription by common stockholders of record July 18, 1956 at the rate of one new share for each five shares held; rights to expire on Aug. 6. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, and for expansion and working capital. **Underwriter** — Robert W. Baird & Co., Inc., Milwaukee, Wis.

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 Investors Corp., Nashville, Tenn.
July 13 filed 4,962,500 shares of common stock (par $1), of which 962,500 share are to be reserved for the exercise of options by company employees and 4,000,000 shares are to be offered publicly. **Price**—$2 per share. **Proceeds**—To purchase all of the common stock of American Investment Life Insurance Co., to be organized under Tennessee law. **Underwriter**—None.

★ Aquastills, Inc.
July 2 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds** — For working capital, etc. **Business**—Development of distillation appliance. **Office**—311 Alexander St., Rochester 4, N. Y. **Underwriter**—None.

• Arden Farms Co., Los Angeles, Calif.
June 15 filed $4,099,300 of 5% subordinated debentures due July 1, 1986 (convertible until July 1, 1964) and 63,614 shares of common stock (par $1). The debentures are to be offered for subscription by preferred stockholders at the rate of $10 principal amount of debentures for each preferred share held, while the common shares are to be offered for subscription by common stockholders at the rate of one share for each 10 shares held. **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans. **Underwriter**—None. Statement effective July 10.

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.

Armstrong Rubber Co. (7/23-26)
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.

★ Ashtabula Telephone Co.
July 6 (letter of notification) 150 shares of common stock (par $25). **Price**—At market (estimated at $30 per share). **Proceeds**—For additions and improvements. **Office**—4616 Park Ave., Ashtabula, Ohio. **Underwriter**—None.

Associated Grocers, Inc., Seattle, Wash.
April 20 filed 5,703 shares of common stock; $2,000,000 of 25-year 5% registered convertible debenture notes; and $1,500,000 of 5% coupon bearer bonds. **Price** — Of stock, $50 per share; and of notes and bonds, 100% of principal amount. **Proceeds**—To reduce bank, mortgage loan, or other indebtedness; and for working capital. **Underwriter**—None.

Atlanta Gas Light Co.
June 20 filed 88,280 shares of common stock (par $10) being offered for subscription by common stockholders of record July 10, 1956 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on July 31, 1956. **Price**—$25.50 per share. **Proceeds**—To reduce bank loans and for new construction. **Underwriters** — The First Boston Corp., New York; and Courts & Co. and The Robinson-Humphrey Co., Inc., both of Atlanta, Ga.

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 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. **Underwriters**—Hallowell, Sulzberger & Co. and Charles A. Taggart & Co., Inc., both of Philadelphia, Pa., and Weill, Blauner & Co., Inc. of 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.

★ Bahamas Helicopters, Ltd., Nassau, B. W. I.
July 13 filed 300,000 shares of ordinary (common) stock (par £1 sterling), of which 265,000 shares are to be sold for account of company and 35,000 shares for selling stockholders. **Price** — To be supplied by amendment. **Proceeds** — To purchase a 49% stock interest in Aero Technics, S. A., for approximately $500,000, to make a $200,000 down payment on three S-58 Sikorsky helicopters to cost a total of $1,025,000, and to retire $175,000 of indebtedness. **Underwriter**—Blair & Co. Incorporated, New York. **Offering**—Expected in early part of August.

★ Baruch Oil Corp.
July 9 (letter of notification) 30,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—To selling stockholder. **Office** — 400 Madison Ave., New York, N. Y. **Underwriter**—None.

Bentomite Corp. of America
June 29 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For mining expenses. **Office**—290 N. University Ave., Provo, Utah. **Underwriter**—Thomas Loop Co., New Orleans, La.

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.

• Black Hills Power & Light Co.
June 26 (letter of notification) 11,700 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of 0.04455 of a new share for each share held. **Price**—$24 per share. **Proceeds**—For construction costs. **Office**—Rapid City, S. D. **Underwriter**—None.

• Boone County Coal Corp., Philadelphia, Pa.
June 25 (letter of notification) 10,000 shares of common stock (par $5) being offered first to common stockholders of record June 25 at rate of one new share for each eight shares held; rights to expire on July 24. **Price**—$25 per share. **Proceeds**—For working capital. **Underwriter**—Janney, Dulles & Co., Inc., Philadelphia, Pa.

★ Braniff Airways, Inc. (8/2)
July 12 filed 1,105,545 shares of common stock (par $2.50) to be offered for subscription by common stockholders on the basis of three new shares for each five shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—Together with funds to be derived from $40,000,000 long-term loan, and with company funds, to defray cost of new aircraft, flight equipment and other facilities. **Underwriter**—F. Eberstadt & Co., New York.

Brewster-Bartle Drilling Co., Inc.
July 2 (letter of notification) 25,000 shares of common stock (par $2). **Price**—$7.75 per share. **Proceeds**—To two selling stockholders. **Office**—Esperson Bldg., Houston, Texas. **Underwriter** — Rowles, Winston & Co., Houston, Texas.

★ Brown Investment Co., Ltd., Honolulu, T. H.
July 11 filed 60,075 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Business**—A diversified, open-end investment company of the management type. **Underwriter**—None.

★ California Eastern Aviation, Inc. (8/2)
July 13 filed $2,900,000 6% convertible sinking fund debentures due Aug. 1, 1969. **Price**—To be supplied by amendment. **Proceeds** — For new equipment, working capital and general corporate purposes. **Underwriter**—Cruttenden & Co., Chicago, Ill.

• California Interstate Telephone Co.
June 28 filed 50,000 shares of 5¼% cumulative convertible preferred stock (par $20). **Price**—$20 per share, plus accrued dividends. **Proceeds**—To discharge current short term bank borrowings aggregating $1,000,000. **Underwriter**—William R. Staats & Co., Los Angeles, Calif. **Offering**—Expected today (July 19).

Canadian Husky Oil Ltd., Calgary, Alta., Canada
June 29 filed 71,363 shares of 6% cumulative redeemable preferred stock (par $50) and 1,069,231 shares of common stock (par $1) to be offered in exchange for the outstanding stock of Husky Oil & Refining Ltd. on the following basis: One share of Canadian Husky common for each Husky Oil common share of $1 par value and one share of Canadian Husky preferred stock for each Husky Oil 6% cumulative redeemable preference share of $50 par value. The exchange will become effective if, as a result of the exchange offer, Canadian Husky will hold at least 90% of the shares of each class of stock of Husky Oil; and Canadian Husky reserves the right to declare the exchange effective if less than 90%, but more than 80%, of such shares are to be so held.

Champion Paper & Fibre Co. (7/26)
July 3 filed $20,000,000 of debentures due July 15, 1981. **Price** — To be supplied by amendment. **Proceeds** — To prepay $3,500,000 of term notes currently outstanding and for general corporate purposes. **Underwriter**—Goldman, Sachs & Co., New York.

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.

★ Christian Fidelity Life Insurance Co.
July 12 filed 20,000 shares of common stock (par $10) to be offered first and for period of 30 days to stockholders. **Price**—$26 per share. **Proceeds**—For capital and surplus, including $200,000 to be invested in securities common to the life insurance industry. **Office**—Waxahachie, Tex. **Underwriter**—None, sales to be made through Albert Carroll Bates, President of the company.

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.

Colonial Utilities Corp.
June 4 (letter of notification) $109,245.50 principal amount of 6% convertible subordinate debentures, due June 1, 1966 to be offered for subscription by holders of common stock at the rate of $1.30 for each share held. (Each $100 of debentures is convertible into 18 shares of common stock.) **Price**—At 100% of principal amount. **Proceeds**—For working capital, construction, purchase of Dover plant, etc. **Office**—90 Broad St., New York, N. Y. **Underwriter**—None.

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.

● **Commercial Life Insurance Co. of Missouri**
June 21 (letter of notification) 50,000 shares of common stock being offered initially to stockholders (par $2). **Price**—$5.50 per share. **Proceeds**—To be added to general funds and for expansion of business. **Office**—5579 Pershing Ave., St. Louis, Mo. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo.

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., 335 Broadway, 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.

★ **Consolidated Industrial & Agricultural Chemicals, Inc.**
June 29 (letter of notification) 300,000 of 6% debentures dated July 1, 1956, maturing $20,000 each year beginning the fifth year after issuance. **Proceeds** — For working capital and construction. **Office**—1517 Fifth St., Sandusky, Ohio. **Underwriter**—None.

● **Consolidated Water Co., Chicago, Ill. (7/23-27)**
June 18 filed $330,000 of 5% convertible debentures due June 1, 1976 and 26,000 shares of class A common stock (par $10). **Price**—Of debentures, 100% of principal amount; and of stock, $12 per share. **Proceeds**—For payment of bank loans and other obligations totaling $184,000, and for the purchase of securities of company's subsidiaries. **Underwriters** — The Milwaukee Co., Milwaukee, Wis.; Harley, Haydon & Co., Inc., Madison, Wis.; and Indianapolis Bond & Share Corp., Indianapolis. Ind. Debentures reported sold to Massachusetts Life Insurance Co.

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.

Copeland Refrigeration Corp. (7/24)
July 2 filed 125,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures and working capital. **Underwriter**—Baker, Simonds & Co., Detroit, Mich.

Crater Lake Mining & Milling Co., Inc.
March 8 (letter of notification) 575,000 shares of common stock. **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office** — 1902 East San Rafael, Colorado Springs, Colo. **Underwriter** — Skyline Securities, Inc., Denver, Colo.

★ **Crestmont Oil Co.**
June 28 (letter of notification) 8,000 shares of common stock (par $1). **Price**—$6.25 per share. **Proceeds**—To selling stockholders. **Office** — 2201 West Burbank, Calif. **Underwriter**—Neary, Purcell & Co., Los Angeles, Calif.

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.

● **Devall Land & Marine Construction Co., Inc. (8/1)**
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.

Diversified Resources, Inc.
July 5 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For mining expenses. **Office** — Suite 16, Uranium Center Bldg., Grand Junction, Colo. **Underwriter**—Columbia Securities Co., Denver, Colo.

Doctors Oil Corp., Carrollton, Tex.
Feb. 23 filed 500,000 shares of common stock (par 10 cents). **Price** — $1 per share. **Proceeds** — For working capital, to be devoted mainly to acquiring, exploring, developing and operating oil and gas properties; and to pay off $13,590.80 liabilities. **Underwriter** — James C. McKeever & Associates, Oklahoma City, Okla.

Douglas Corp., Fort Collins, Colo.
March 26 (letter of notification) 2,997,800 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—155 North College Ave., Fort Collins, Colo. **Underwriter** — Columbia Securities Co., Denver 2, Colo.

Eastern-Northern Explorations, Ltd., Toronto, Canada
June 4 (regulation "D") 50,000 shares of common stock (par $1). **Price**—60 cents per share. **Proceeds**—For general corporate purposes. **Underwriter** — Foster-Mann, Inc., New York.

★ **Edison Bros. Stores, Inc.**
July 11 filed 45,000 shares of common stock (par $1) to be offered under the company's Restricted Stock Option Plan for sale to key employees of the company and its subsidiaries.

● **El Paso Natural Gas Co. (8/1)**
July 3 filed 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—White, Weld & Co., New York.

★ **Federated Plans, Inc., Worcester, Mass.**
July 12 filed (by amendment) an additional $20,000,000 Systematic Investment Plans.

★ **First Colony Life Insurance Co., Inc.**
July 12 filed 315,000 shares of common stock (par $2.25). **Price**—$12.50 per share. **Proceeds**—For working capital, etc. **Office**—Lynchburg, Va. **Underwriter**—Scott, Horner & Mason, Inc., also of Lynchburg.

First National Mutual Fund, Inc.
June 27 filed 50,000 shares of common stock (par $1), of which 10,000 shares are to be offered for sale at $10 per share to not more than 25 people, whereupon the company will declare itself an open-end investment company and change the offering price of the remaining 40,000 shares to net asset value plus a distributing charge. **Investment Adviser**—First National Investment Corp., San Francisco, Calif. **Underwriter**—First National Securities Co., same city, of which Wiley S. Killingsworth is President.

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.

Food Machinery & Chemical Corp. (7/25)
June 28 filed $30,000,000 of sinking fund debentures due July 15, 1981. **Price**—To be supplied by amendment. **Proceeds**—To repay $15,500,000 of promissory notes and for modernization and expansion of facilities. **Underwriter**—Kidder, Peabody & Co., New York.

Gas Hills Mining and Oil, Inc.
Jan. 4 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price** — 25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Kemmerer, Wyo. **Underwriter**—Philip Gordon & Co., Inc., New York 6, N. Y.

● **General Precision Equipment Corp.**
June 20 filed 59,445 shares of $1.60 cumulative convertible preference stock (no par) and 59,445 shares of common stock (par $1) being offered in exchange for 5% preferred stock and common stock of Graflex, Inc. in the ratio of one-quarter share of General preference and one-quarter share of General common stock in exchange for each Graflex common share, with each share of Graflex preferred stock being treated as if it were five shares of Graflex common stock. The offer will expire on Aug. 6. **Underwriter**—None.

General Tire & Rubber Co., Akron, O.
July 5 filed 134,717 shares of $5 cumulative preference stock (par $100) and 134,717 warrants to purchase a like number of shares of common stock (par $2.50) to be offered in exchange for common and preferred stock of A. M. Byers Co. on the basis of one share of General's preference stock and a warrant to purchase one common share for each 3⅓ shares of Byers common stock. The exchange ratio in respect to the Byers preferred stock is to be supplied by amendment. The General company has also agreed to purchase from J. F. Byers, Jr., and B. M. Byers a total of 60,000 shares of Byers common stock for an aggregate price of $1,800,000. If certain conditions are not met, the company is obligated to purchase the 60,000 shares for an aggregate of 18,000 shares of General's cumulative preference stock of a series containing similar terms and provisions to the company's outstanding $5.50 series A shares.

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.

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NEW ISSUE CALENDAR

July 23 (Monday)
Allis (Louis) Co.________Debentures
(Robert W. Baird & Co., Inc.) $3,000,000
Allis (Louis) Co.________Common
(Offering to stockholders—to be underwritten by Robert W. Baird & Co., Inc.) 47,729 shares
Armstrong Rubber Co.________Debentures
(Reynolds & Co., Inc.) $9,250,000
Consolidated Water Co.___Debens. & Class A Stk.
(The Milwaukee Co.; Harley, Haydon & Co., Inc.; and Indianapolis Bond & Share Corp.) $642,000
Popular Plastic Products Corp.________Common
(Lepow Securities Corp.) $300,000

July 24 (Tuesday)
Copeland Refrigeration Corp.________Common
(Baker, Simonds & Co.) 125,000 shares
Illinois Power Co.________Bonds
(Bids 10 a.m. CDT) $20,000,000
Leeds & Northrup Co.________Common
(Smith, Barney & Co.) 115,000 shares
Meadowbrook National Bank________Common
(Offering to stockholders—to be underwritten by Lee Higginson Corp.) $2,194,500

July 25 (Wednesday)
Food Machinery & Chemical Corp.____Debentures
(Kidder, Peabody & Co.) $30,000,000
Missouri-Kansas-Texas RR.____Equip. Trust Ctfs.
(Bids noon CDT) $3,645,000
Northern Indiana Public Service Co.___Preference
(Central Republic Co. Inc.; Blyth & Co., Inc.; and Merrill Lynch, Pierce, Fenner & Beane) $14,837,760

July 26 (Thursday)
Champion Paper & Fibre Co.________Debentures
(Goldman, Sachs & Co.) $20,000,000
National Research Corp.________Debentures
(Paine, Webber, Jackson & Curtis) $6,000,000

July 30 (Monday)
Gold Seal Dairy Products Corp.________Class A
(All State Securities Dealers, Inc.) $1,000,000
Mica & Minerals Corp. of America______Common
(Peter Morgan & Co.) $570,000

July 31 (Tuesday)
Jersey Central Power & Light Co.________Bonds
(Bids 11 a.m. EDT) $10,000,000
New York, New Haven & Hartford RR. Equip. Trust Ctfs.
(Bids noon EDT) $2,500,000

August 1 (Wednesday)
Devall Land & Marine Construction Co., Inc.__Com.
(Vickers Brothers) $300,000
El Paso Natural Gas Co.________Preferred
(White, Weld & Co.) $25,000,000
Michigan Wisconsin Pipe Line Co.________Bonds
(Bids 11 a.m. EDT) $25,000,000
Minerals, Inc.________Common
(Gearhart & Otis, Inc.) $3,750,000
Republic Cement Corp.________Common
(Vickers Brothers) $9,650,000

August 2 (Thursday)
Braniff Airways, Inc.________Common
(Offering to stockholders—to be underwritten by F. Eberstadt & Co.) 1,105,545 shares
California Eastern Aviation, Inc.______Debentures
(Cruttenden & Co.) $2,900,000

August 14 (Tuesday)
Consumers Power Co.________Bonds
(Bids 11:30 a.m. EDT) $40,000,000

August 16 (Thursday)
Central Illinois Light Co.________Preferred
(May be Union Securities Corp.) $8,000,000

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

August 29 (Wednesday)
New England Telephone & Telegraph Co.__Com.
(Offering to stockholders—no underwriting) $61,301,000
Tampa Electric Co.________Bonds
(Bids to be invited) $10,000,000

August 31 (Friday)
Illinois Bell Telephone Co.________Common
(Offering to stockholders—no underwriting) $58,053,100

September 5 (Wednesday)
Southern California Edison Co.________Bonds
(Bids to be invited) $40,000,000

September 10 (Monday)
Gulf States Utilities Co.________Bonds
(Bids to be invited) $13,000,000
Gulf States Utilities Co.________Common
(Bids to be invited) 90,000 shares

September 11 (Tuesday)
Carolina Power & Light Co.________Bonds
(Bids to be invited) $15,000,000

September 12 (Wednesday)
General Telephone Co. of California________Bonds
(Bids to be invited) $20,000,000
Northern States Power 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)
American Telephone & Telegraph Co.____Common
(Offering to stockholders—no underwriting) about $575,000,000

October 2 (Tuesday)
Columbia Gas System, Inc.________Debentures
(Bids to be invited) $30,000,000

October 9 (Tuesday)
California Electric Power Co.________Bonds
(Bids to be invited) $8,000,000

October 17 (Wednesday)
Ohio Power Co.________Bonds
(Bids 11 a.m. EDT) $28,000,000
Ohio Power Co.________Preferred
(Bids 11 a.m. EDT) $6,000,000

November 13 (Tuesday)
Metropolitan Edison Co.________Bonds
(Bids to be invited) $10,000,000

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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.

Gold Seal Dairy Products Corp. (7/30-8/1)
June 22 filed 200,000 shares of class A stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion and to repay outstanding obligations. **Office**—Remsen, N. Y. **Underwriter**—All States Securities Dealers, Inc., New York.

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.

★ Greenbluff Uranium Co., Inc., Rockford, Wash.
June 29 (letter of notification) an undetermined number of shares of common stock. **Proceeds**—For mining expenses. **Underwriter**—None.

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.

★ Hamilton Funds, Inc., Denver, Colo.
July 11 filed (by amendment) 2,000,000 shares of Series H-C7 and 2,000,000 shares of Series H-DA; also $50,000,000 Hamilton Fund Periodic Investment Certificates. **Price**—At market. **Proceeds**—For investment.

★ Handy & Harman
June 25 (letter of notification) 7,400 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—For general corporate purposes. **Office**—82 Fulton St., New York 38, N. Y. **Underwriter**—None.

Hard Rock Mining Co., Pittsburgh, Pa.
Feb. 20 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—To purchase machinery and equipment and for working capital. **Office** — 377 McKee Place, Pittsburgh, Pa. **Underwriter**—Graham & Co., Pittsburgh, Pa.

★ Haydock Fund, Inc., Cincinnati, O.
July 11 filed (by amendment) 50,000 shares of capital stock (no par). **Price**—At market. **Proceeds**—For investment.

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.

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.

Illinois Power Co. (7/24)
June 27 filed $20,000,000 first mortgage bonds due 1986. **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. **Bids** — Expected to be received up to 10 a.m. (CDT) on July 24 at Room 1567, No. 231 So. La Salle St., Chicago 4, Ill.

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) being first offered to stockholders of record June 30 on a 1¾-for-1 basis (with an oversubscription privilege); rights to expire in 20 days. **Price**—$1.70 per share. **Proceeds**—For construction of an absorption type gasoline plant. **Office**—11950 San Vincente Blvd., Suite 207, Los Angeles 49, Calif. **Underwriter**—Bennett & Co., Hollywood 28, Calif.

★ Institutional Income Fund, Inc., New York
July 16 filed (by amendment) 800,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

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.

● Insurance City Life Co., Hartford, Conn.
June 28 (letter of notification) 15,805 shares of capital stock (par $10) being offered for subscription by stockholders of record June 8, 1956 on the basis of one new share for each share held; rights to expire on Aug. 3. **Price**—$16 per share. **Proceeds**—For capital stock and surplus. **Office**—750 Main St., Hartford, Conn. **Underwriter**—Putnam & Co., Hartford, Conn.

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.

Investment Life & Trust Co., Mullins, S. C.
July 9 filed 1,800,000 shares of common stock (par $1), of which 1,200,000 shares are to be offered publicly and 600,000 shares on exercise of options. **Price**—$2 per share to public. **Proceeds**—To be added to general operating funds to enable the company to maintain proper insurance reserves required by law. **Underwriter**—None.

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.

Jersey Central Power & Light Co. (7/31)
July 2 filed $10,000,000 first mortgage bonds due 1986. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Lehman Brothers; White, Weld & Co.; Kidder, Peabody & Co.; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair & Co. Incorporated. **Bids**—Expected to be received up to 11 a.m. (EDT) on July 31 at the offices of General Public Utilities Corp., 67 Broad St., New York, N. Y.

★ Johnston (Robert A.) Co.
July 2 (letter of notification) 5,000 shares of common stock (no par) to be offered to employees. **Price**—$9 per share. **Proceeds** — For working capital. **Office** — 4023 W. National Ave., Milwaukee, Wis. **Underwriter**—None.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of nonassessable 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.

Knox Corp., Thomson, Ga.
June 20 filed 150,000 shares of class A common stock (par $1). **Price**—To be supplied by amendment (expected at $4 per share). **Proceeds**—To pay loans from banks and factors; and for working capital and other corporate purposes. **Business**—Prefabricated homes, house trailers and lumber. **Underwriter**—Ira Haupt & Co., New York.

Kropp Forge Co.
June 4 (letter of notification) 18,804 shares of common stock (par 33⅓ cents). **Price**—At market (estimated at $3.50 per share). **Proceeds** — To selling stockholder. **Underwriter**—Sincere & Co., Chicago, Ill.

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.

Leeds & Northrup Co., Philadelphia, Pa. (7/24)
June 28 filed 115,000 shares of common stock (par 50 cents), of which 100,000 shares are to be offered to the public and 15,000 shares to employees. **Price**—To be supplied by amendment. **Proceeds**—To reduce short term bank loans and for general corporate purposes. **Underwriter** — Smith, Barney & Co., New York. **Meeting**—Stockholders on July 23 will vote on the proposed two-for-one split of the present $1 par shares.

★ Leetronics, Inc.
July 3 (letter of notification) up to 25,000 shares of common stock (par 50 cents) to be issued upon exercise of stock option warrants. **Price**—$4 per share. **Proceeds**—For general corporate purposes. **Office** — 30 Main St., Brooklyn 1, N. Y. **Underwriter**—S. D. Fuller & Co., New York.

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.

★ Levitz Credit Corp.
June 29 (letter of notification) $250,000 of 6% subordinated debentures, series A, due July 1, 1963, and 2,500 shares of class A stock (par $5) to be offered in units consisting of $100 of debentures and one share of class A stock. **Price**—$100 per unit. **Proceeds**—For working capital. **Office**—618 Cumberland St., Lebanon, Pa. **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. **Offering**—Postponed.

Lithium Developments, Inc., Cleveland, Ohio
June 21 filed 600,000 shares of common stock (par 10 cents), of which 600,000 shares are to be sold for account of the company and 90,000 shares for selling stockholders. **Price**—$1 per share, by amendment. **Proceeds**—For exploration and development and other general corporate purposes. **Underwriter**—George A. Searight, New York City.

Lone Star Fund, Dallas, Texas
June 1 filed 125,000 shares of Balanced Income Series; 125,000 shares of Insurance Growth Series; and 125,000 shares of Industrial Growth Series. **Price**—At market. **Proceeds** — For investment. **Underwriter** — All States Management Co., Dallas, Texas.

Long Island Lighting Co.
April 5 filed 120,000 shares of cumulative preferred stock, series G (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co., all of New York. **Offering** — Postponed because of present unsatisfactory market conditions.

Los Angeles Airways, Inc., Los Angeles, Calif.
April 23 (letter of notification) 645 shares of common stock (par $10). **Price** — $54 per share. **Proceeds** — To Clarence M. Belinn, the selling stockholder. **Office**—5901 West Imperial Highway, Los Angeles 49, Calif. **Underwriter**—Dean Witter & Co., Los Angeles, Calif.

Lost Canyon Uranium & Oil Co.
Oct. 6 (letter of notification) 3,000,000 shares of nonassessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

Lumberman's Investment & Mortgage Co.
May 2 filed 50,000 shares of common stock (par $10). **Price**—$12 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — Denver, Colo. **Underwriter**—None.

Mammoth 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.

★ Markwood Industries, Inc.
July 28 (letter of notification) 280,000 shares of Class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For purchase of property and construction of two buildings; machinery and equipment; and working capital and general corporate purposes. **Business**—Humus and potted soil. **Office**—45 Commerce St., Newark, N. J. **Underwriter**—Daggett Securities, Inc., Newark, N. J.

Marquardt Aircraft Co., Van Nuys, Calif.
June 25 filed 42,000 shares of capital stock (par $1) to be offered for subscription by stockholders of record about July 18 on a pro rata basis; rights to expire on or about Aug. 7. **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with funds from private placement of $2,000,000 of first mortgage 5¼% bonds, for capital improvement, equipment and general corporate purposes. **Underwriter**—None. Unsubscribed

shares will be bought by Olin Mathiesen Chemical Corp., and Laurence S. Rockefeller, the two principal stockholders.

Mica & Minerals Corp. of America (7/30)
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.

Michigan Wisconsin Pipe Line Co. (8/1)
July 2 filed $25,000,000 of first mortgage pipe line bonds due 1976. **Proceeds**—To pay off short term bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Blyth & Co., Inc. **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 1 at 165 Broadway, New York 6, N. Y.

Mid-Continent Uranium Corp.
May 31 (letter of notification) 100,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—728 Symes Bldg., Denver 2, Colo. **Underwriter**—General Investing Corp., New York, N. Y.

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.

★ **Milgo Electronic Corp.**
June 28 (letter of notification) 35,000 shares of common stock (par $1), to be offered to employees under a stock option plan at 10% less than market price at time of employment or to be offered at market price at time of option agreement. **Office**—7601 N. W. 37 Ave., Miami, Fla. **Underwriter**—None.

Minerals, Inc., New York (8/1)
June 22 filed 2,500,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To acquire for $2,400,000 the Chavin lead-zinc-copper-silver mine located in South Central Peru, and for general corporate purposes. **Underwriter** — Gearhart & Otis, Inc., New York.

★ **Minnesota Mining & Development Co.**
June 28 (letter of notification) 25,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Address**—7721 Marie Ave., LaMesa, Calif. **Underwriter**—None.

Mission Appliance Corp. of Mississippi
April 23 (letter of notification) 7,475 shares of preferred stock (par $20) and 29,900 shares of common stock (par $5) to be offered in units of one preferred and four common shares. **Price**—$40 per unit. **Proceeds** — For purchase of machinery and equipment. **Office**—New Albany, Miss. **Underwriter**—Lewis & Co., Jackson, Miss.

Modern Pioneers' Life Insurance Co.
May 24 (letter of notification) $300,000 of trust fund certificates. **Price**—At par ($2 per unit). **Proceeds** — To provide capital and surplus funds for the activation of this insurance company. **Underwriter**—Arizona Mutual Benefit Insurance Co., Phoenix, Ariz.

Mohawk Silica Co., Cincinnati, Ohio
March 23 (letter of notification) 3,000 shares of 8% cumulative convertible preferred stock (par $50) and 3,000 shares of common stock (no par) to be offered in units of one share of preferred and one share of common. **Price** — $60 per unit. **Proceeds** — For mining expenses and processing silica. **Office**—2508 Auburn Ave., Cincinnati, Ohio. **Underwriter**—None.

★ **"Montecatini" Societa Generale per l'Industria Mineraria e Chimica, Italy**
July 12 filed 250,000 American depositary receipts for capital stock through J. P. Morgan & Co., Incorporated, New York.

Mormon Trail Mining Corp., Salt Lake City, Utah
Feb. 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—223 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Frontier Investment, Inc., Las Vegas, Nev.

Nash Finch Co.
June 7 (letter of notification) 1,000 shares of common stock (par $10). **Price**—At market (estimated at $18.50 per share). **Proceeds**—To selling stockholder. **Underwriter**—J. M. Dain & Co., Inc., Minneapolis, Minn.

National By-Products, Inc.
June 19 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To pay Federal estate taxes. **Office**—800 Bankers Trust Bldg., Des Moines, Iowa. **Underwriter**—T. C. Henderson & Co., Inc., Des Moines, Iowa.

National Consolidated Mining Corp.
May 9 (letter of notification) 87,000 shares of common stock (par one cent). **Price**—$3 per share. **Proceeds**—For mining expenses. **Address** — Salida, Colo. **Underwriter**—Pummill Enterprises, Houston, Tex.

National 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.

● **National Research Corp. (7/26)**
June 21 filed $4,000,000 of convertible subordinated debentures due July 1, 1976. **Price** — 100% and accrued interest. **Proceeds** — $3,000,000 in payments of capital stock of NRC Metals Corp., a wholly-owned subsidiary; for advances to said subsidiary and for general corporate purposes. **Business**—Scientific research and the commercial development of the results obtained. **Office**—Cambridge, Mass. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass., and New York, N. Y.

Niagara Uranium Corp., Salt Lake City, Utah
April 3 (letter of notification) 2,400,000 shares of common stock (par 3⅓ cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — 345 South State St., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Nicholson (W. H.) & Co., Wilkes-Barre, Pa.
Jan. 16 filed 20,000 shares of common stock (par $5) **Price**—$25 per share. **Proceeds** — For working capital **Underwriter**—None. A. E. Nicholson Jr. of Kingston, Pa is President.

North American Finance Co., Phoenix, Ariz.
July 9 filed 500,000 shares of class B non-voting common stock (par $1). **Price**—$3 per share. **Proceeds**—To expand business operations. **Underwriter**—None, sales are to be made by Eugene M. Rosenson, President, of Phoenix, and Marcus T. Baumann, Vice-President and Treasurer, of Tucson, Ariz.

Northern Indiana Public Service Co. (7/25)
July 10 filed 370,894 shares of cumulative preference stock (convertible through Dec. 1, 1966—par value $40 per share) to be offered for subscription by common stockholders of record July 13 on the basis of one preferred share for each 10 common shares held; rights to expire Aug. 8. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for construction program. **Underwriters**—Central Republic Co. Inc., Chicago, Ill.; and Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

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.

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. **Offering**—Indefinitely postponed.

Pacific Power & Light Co.
June 7 filed 341,550 shares of common stock (par $6.50) being 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**—$27 per share. **Proceeds**—For construction program. **Underwriters**—Lehman Brothers, Union Securities Corp., Bear, Stearns & Co. and Dean Witter & Co. (jointly).

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.

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 Plastic Products Corp. (7/23)**
July 9 (letter of notification) 150,000 shares of Class A stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—East Northport, L. I., N. Y. **Underwriter**—Lepow Securities Corp., New York.

Prestole Corp.
July 3 (letter of notification) $300,000 of 6% convertible sinking fund debentures due July 1, 1971 to be issued in denominations of $20 or any multiple thereof. **Price**—100% and accrued interest. **Proceeds**—To pay short term note and to buy equipment. **Office**—1345 Miami St., Toledo, Ohio. **Underwriter**—Baker, Simonds & Co., Detroit, Mich.

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.

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.

Radium Hill Uranium, Inc., Montrose, Colo.
June 14 (letter of notification) an undetermined number of shares of common stock which when sold at the market will bring in an aggregate amount of $42,500. **Proceeds**—For mining expenses. **Office**—Bryant Bldg., Montrose, Colo. **Underwriter**—Shaiman & Co., Denver, Colo.

★ **Ramonelli Products, Inc.**
July 12 (letter of notification) 5,000 shares of Class B stock. **Price** — At par ($10 per share). **Proceeds**—For working capital. **Business**—To develop new type toothbrush. **Office** — 775 High St., Newark, N. J. **Underwriter**—None.

● **Rare Metals Corp. of America**
June 15 filed 1,425,000 shares of capital stock (par $1) being offered for subscription by common stockholders of El Paso Natural Gas Co. and Western Natural Gas Co. of record July 16 on the basis of one share of Rare Metals stock for each five shares or portion thereof of El Paso common stock and one share of Rare Metals stock for each 11 shares or portion thereof of Western Natural Gas Co. common stock held; (with an oversubscription privilege); rights will expire on Aug. 1. **Price**—$5 per share. **Proceeds**—$1,250,000 to be used to pay outstanding 4% short-term notes and the then outstanding 3½% and 3¾% subordinated notes of El Paso and Western. The remainder will be used to pay for exploration, acquisition and development of mining and milling properties and for working capital. **Underwriter**—White, Weld & Co., New York.

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.

★ **Realty Interests, Inc.**
July 10 (letter of notification) 2,890 shares of 5½% cumulative preferred stock (par $100) and 10,390 shares of common stock (par $1) to be offered in units of 10 shares of preferred stock and 10 shares of common stock. **Price**—$1,010 per unit. **Proceeds** — For working capital and general corporate purposes. **Office**—86 Lincoln Ave., Pelham, N. Y. **Underwriter**—None.

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. (8/1)**
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 Mining & Development, Inc.**
July 2 (letter of notification) 1,375,000 shares of common stock (par 10 cents). **Price** — 20 cents per share. **Proceeds**—For mining expenses. **Office**—982 Meadow St., Reno, Nev. **Underwriter**—None.

Ross Builders Supplies, Inc.
June 29 (letter of notification) 10,000 shares of common stock (par $10). **Price**—$26.75 per share. **Proceeds**—For land; siding; building; inventory, et al. **Office**—227 Pendleton St., Greenville, S. C. **Underwriters**—Alester G. Furman Co., Inc., Edgar M. Norris, H. T. Mills and Vivian M. Manning, all of Greenville, S. C.; and Klugh & Co., Inc. of Anderson, S. C.

● **San Jacinto Petroleum Corp.**
June 20 filed 300,910 shares of common stock (par $1) being offered for subscription by common stockholders of record July 12 on the basis of one new share for each four shares held; rights to expire on July 23. **Price**—$15 per share. **Proceeds**—To discharge certain obligations and for general corporate purposes. **Office**—Houston, Tex. **Underwriter**—White, Weld & Co., New York.

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.

★ **Searle (G. D.) & Co.**
July 6 (letter of notification) an undetermined number of shares of common stock (par $2) to be offered to employees. **Proceeds** — For general corporate purposes. **Address**—P. O. Box 5110, Chicago 80, Ill. **Underwriter**—None.

★ **Sears, Roebuck & Co.**
July 16 filed 15,000 memberships in the company's Savings and Profit Sharing Pension Fund for employees, and 2,000,000 shares of common stock which represents

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the maximum number of shares not previously registered which, it is anticipated, may be purchased by the Fund within the next 12 months.

Security Casualty Insurance Co.
May 10 (letter of notification) 30,000 shares of common stock (par 30 cents) and 90,000 shares of participating preferred stock (par 50 cents) to be offered in units of one share of common and three shares of preferred stock. **Price**—$4 per unit. **Proceeds**—For working capital, etc. **Office**—257 Josephine St., Denver, Colo. **Underwriter**—Intermountain Securities. Inc., Denver, Colo.

Shangrila Uranium Corp.
Dec. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Underwriter**—Western States Investment Co., Tulsa, Okla.

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.

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.

Sperry Rand Corp.
June 14 filed 2,570,846 shares of common stock (par 50 cents) being offered for subscription by common stockholders of record July 9, 1956, on the basis of one new share for each 10 shares held; rights to expire on July 25, 1956. **Price** — $20.50 per share. **Proceeds** — To reduce bank loans and for capital expenditures. **Underwriters**—Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Statesman Insurance Co., Indianapolis, Ind.
July 3 filed 200,000 shares of common stock (par $2.50) to be offered to agents and employees of Automobile Underwriters, Inc., "Attorneys-in-Fact for the Subscribers at the State Automobile Insurance Association." **Price**—Proposed maximum is $7.50 per share. **Proceeds**—To obtain a certificate of authority from the Insurance Commissioner of the State of Indiana to begin business. **Underwriter**—None.

Sterling Precision Corp., New York
July 9 filed 379,974 shares of 5% cumulative convertible preferred stock, series C, to be offered for subscription by holders of outstanding common stock and series A and series B preferred stock in the ratio of one share of new preferred stock for each four shares of series A or series B preferred stock and one share of new preferred for each 10 shares of common stock held. **Price**—At par ($10 per share). **Proceeds**—To repay a $1,400,000 note held by Equity General Corp., a subsidiary of Equity Corp.; to liquidate existing bank loans and for general corporate purposes. **Underwriter**—None, but Equity General Corp. has agreed to purchase at par, plus accrued dividends, up to 290,000 shares of the new preferred stock not subscribed for by stockholders. Latter already owns 137,640 shares (3.23%) of Sterling common stock, plus $1,800,000 of its convertible debentures.

● Stevens (J. P.) & Co., Inc., New York
June 28 filed $30,000,000 of debentures due July 1, 1981. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term loans, to retire $950,000 of 4¾% first mortgage bonds and $368,679 of 6% preferred stock of subsidiaries. **Underwriter**—Goldman, Sachs & Co., New York. **Offering**—Temporarily deferred.

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.

Supercrete, Ltd., St. Boniface, Manitoba, Canada
June 28 filed 245,000 shares of common stock (par 25 cents). **Price**—Expected at about $5.50 per share. **Proceeds**—Approximately $675,000 for acquisition of stock of Thomas Jackson & Sons, Ltd. and repayment of advances to Supercrete by John Jackson; approximately $200,000 for expansion of production facilities; $90,000 for payment of term bank loans; and approximately for working capital. **Business** — Manufacturer of concrete building blocks, concrete pipe, pre-cast and prestressed concrete building products, and other items. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

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.

Texas Calgary Co., Abilene, Texas
June 29 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For drilling for oil and gas expenses. **Underwriter**—Thomson Kernaghan & Co., Ltd., Toronto 1, Ont., Canada.

★ Thermoray Corp.
June 29 (letter of notification) 380,000 shares of common stock (par 10 cents). **Price** — 75 cents per share. **Proceeds**—For inventory, working capital, etc. **Business**—Electrical heating. **Office**—26 Avenue B, Newark, N. J. **Underwriter**—Eaton & Co., Inc., New York.

Tipton County Utilities Co., Inc.
June 21 (letter of notification) $115,500 of 5½% first mortgage bonds dated Jan. 1, 1956 and due 1958-1980, inclusive. **Price**—100% and accrued interest. **Proceeds**—For construction program. **Office**—Dyersburg, Tenn. **Underwriter**—The First of Arizona Co., Phoenix, Ariz.

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.

★ Trans-Graphic Corp.
July 5 (letter of notification) 48,000 shares of 8% cumulative convertible preferred stock (par $1) and 9,600 shares of common stock (par one cent) to be offered in units of five shares of preferred stock and one share of common stock. **Price**—$5 per unit. **Proceeds**—To repay debt and for supplies and working capital. **Address**—Jay Flaxman, President, 34 East 92nd St., New York, N. Y. **Underwriter**—None.

● U-Kan Minerals, Inc., Topeka, Kansas
June 19 (letter of notification) 599,600 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—204 Central Bldg., Topeka, Kan. **Underwriter**—E. R. Bell Co., Kansas City, Mo.

Union Chemical & Materials Corp.
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. **Offering**—Temporarily postponed.

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.

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.

Universal Investors, Inc., Shreveport, La.
June 27 filed 300,000 shares of common stock (no par). **Price** — $5 per share. **Proceeds** — To organize a new wholly-owned legal reserve life insurance company under Louisiana laws. **Underwriter**—Frank Keith & Co., Inc., Shreveport, La.

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.

★ Utco Uranium Corp.
June 29 (letter of notification) 116,667 shares of common stock (par one cent). This includes 50,000 shares subject to option at one cent per share. **Price**—At market (estimated at 12 cents per share). **Proceeds**—For mining expenses. **Office**—310 First National Bank Bldg., Denver, Colo. **Underwriter**—None.

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.

Washington Natural Gas Co.
June 18 (letter of notification) 187,500 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds** — For working capital. **Office** — 217 Washington Ave., Clarksburg, W. Va. **Underwriters**—Barrett Herrick & Co., Inc., New York, N. Y. and Ross, Borton & Simon, Inc., Cleveland, Ohio.

★ Western Acceptance Corp.
July 3 (letter of notification) 100,000 shares of class A common stock (par $1). **Price**—$3 per share. **Proceeds**—To form a small loan company. **Office**—509 Roosevelt St., Phoenix, Ariz. **Underwriter**—None.

★ Western Credit Corp.
June 29 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.35 per share. **Proceeds**—To increase working capital for loans and discounting paper. **Office**—3304 North Third St., Phoenix, Ariz. **Underwriter**—None.

Western Securities Corp. of New Mexico
Feb. 13 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To start a dealer or brokerage business. **Office**—921 Sims Bldg., Albuquerque, N. M. **Underwriter**—None.

Wheland Co., Chattanooga, Tenn.
May 23 filed $2,000,000 of convertible subordinated debentures due June 1, 1976, and 136,000 shares of common 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. **Offering** — Temporarily postponed. Not expected until sometime in September or October.

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.

Wisconsin Wood Products, Inc.
June 25 filed 74,016 shares of common stock (par $5) to be offered initially for sale to the present stockholders. It is not expected that more than 42,500 shares will be sold immediately. **Price**—$10 per share. **Proceeds**—For lease of plant and purchase of equipment. **Office**—Phillips, Wis. **Underwriter**—None.

★ Wonderland, Inc.
July 16 (letter of notification) 16,000 shares of Class B common stock (no par). **Price**—$10 per share. **Proceeds**—For buildings, improvements and working capital. **Business**—Amusement park. **Office**—41 Bustleton Pike, Feasterville, Pa. **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, Fredrichs & Co., both of New Orleans, La. **Offering**—Tentatively deferred. Statement effective Feb. 28.

★ World Publishing Co.
July 5 (letter of notification) 1,800 shares of common stock (no par) to be offered to employees. **Price**—At mean between highest and lowest on the Midwest Stock Exchange on the date preceding the public offer. **Proceeds** — For working capital. **Office** — 2231 West 110th St., Cleveland, Ohio. **Underwriter**—None.

Wycotah Oil & Uranium, Inc., Denver, Colo.
Nov. 10 filed 1,500,125 shares of common stock (par one cent) to be offered only to the owners of percentages of working interests in certain oil and gas leases and to the owners of certain uranium properties, and in exchange for such working interests and properties. **Price**—Shares to be valued at an arbitrary price of $4 per share. **Proceeds**—To acquire properties. **Underwriter**—None.

★ Wyoming Oil & Gas Co.
July 9 (letter of notification) 200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For development of oil and gas properties. **Office**—1529 South Forest St., Denver, Colo. **Underwriter**—Wayne Jewell Co., Denver, Colo.

● Yale & Towne Manufacturing Co.
July 14 filed 269,204 shares of capital stock (par $10) being offered for subscription by stockholders of record July 6 on the basis of one new share for each seven shares held; rights to expire on July 23. **Price**—$24.50 per share. **Proceeds**—For expansion program. **Underwriter**—Morgan Stanley & Co.. New York.

Youngstown Sheet & Tube Co.
June 5 filed 22,977 shares of common stock (no par) being offered in exchange for common stock of Emsco Manufacturing Co. on the basis of one share of Youngstown for each three shares of Emsco; offer will expire on Aug. 8. Youngstown presently owns 388,853 shares, representing 84.94% of the 457,786 outstanding shares of Emsco common stock. Statement effective June 25.

Prospective Offerings

Air-Vue Products Corp., Miami, Fla.
Feb. 20 it was reported early registration is expected of 150,000 shares of common stock. **Price**—Around $4.25 per share. **Proceeds** — For expansion program. **Underwriter**—Arthur M. Krensky & Co., Inc., Chicago, Ill.

American Louisiana Pipe Line Co.
July 2 it was announced company plans issue and sale of $15,000,000 of cumulative preferred stock. **Underwriter**—May be determined by competitive bidding. Probable bidders: White, Weld & Co.; The First Boston Corp. **Offering**—Expected in fourth quarter of 1956.

American Petrofina, Inc.
June 14 it was announced that following proposed merger with Panhandle Oil Corp., American Petrofina, Ltd. will offer to stockholders of Panhandle and Petrofina of Belgium and to Canadian Petrofina the opportunity to subscribe to additional "A" stock of American Petrofina. **Price**—$11 per share. **Underwriters**—White, Weld & Co.; Blyth & Co., Inc.; and Hemphill, Noyes & Co.

★ **American Telephone & Telegraph Co. (10/1)**
July 18 company announced stockholders will vote Sept. 7 on increasing the authorized capital stock from 60,000,000 shares to 100,000,000 shares of which about 5,750,000 shares are expected to be offered on or about Oct. 1 for subscription by stockholders on the basis of one new share for each 10 shares held on a record date in September to be fixed by the directors. Rights are to expire on Nov. 5, 1956. **Price**—$100 per share. **Proceeds**—For expansion of plant. **Underwriter**—None.

Appalachian Electric Power Co.
May 31 it was announced company plans to issue and sell in December $24,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Kuhn, Loeb & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc.

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.; Stone & Webster Securities Corp.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received sometime in July.

★ **Boulder Acceptance Corp., Denver, Colo.**
July 16 it was announced company plans to offer and sell 3,000,000 shares of its common stock. **Price**—At par ($6 per share). **Proceeds**—To construct hotel; set up instalment loan company; and for working capital and general corporate purposes. **Underwriter**—Allen Investment Co., Boulder, Colo. Stock to be sold in Colorado.

● **California Electric Power Co. (10/9)**
July 16 it was announced company plans to sell $8,000,000 of first mortgage bonds. **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. **Bids**—Expected to be received on Oct. 9.

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.

Central Illinois Light Co. (8/16)
July 5 it was announced company has applied to the Illinois Commerce Commission for authority to issue and sell 80,000 shares of cumulative preferred stock (par $100). **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.

Central Wisconsin Motor Transport Co.
July 9 it was reported early registration is expected of 34,600 shares of 6% convertible preferred stock (par $10) and 66,500 shares of common stock (the latter to be sold by certain stockholders). **Proceeds**—From sale of preferred to provide funds for expansion. **Office**—Wisconsin Rapids, Wis. **Underwriter** — Loewi & Co., Milwaukee, Wis.

★ **Chippewa Plastics, Inc.**
July 16 it was reported company plans to issue and sell 15,000 shares of 6% cumulative convertible preferred stock (par $10) and 28,000 shares of common stock. **Proceeds**—For expansion. **Underwriter**—Loewi & Co., Milwaukee, Wis. **Offering**—Expected late in July.

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.

Commercial National Bank, Shreveport, La.
June 26 stockholders approved a plan to issue and sell to stockholders 31,000 additional shares of capital stock (par $25) on the basis of one new share for each 4.8064 shares held as of record June 26, 1956. **Price**—$52 per share. **Proceeds**—To increase capital and surplus.

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.

Consumers Power Co. (8/14)
June 19 company filed an application with the Michigan P. U. Commission for authority to issue and sell $40,000,000 of first mortgage bonds to mature not earlier than June 1, 1986. **Proceeds**—For reduction of bank loans and 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). **Bids**—Scheduled to be opened at 11:30 a.m. (EDT) on Aug. 14. **Registration**—Expected on July 20.

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.**
July 16 it was announced that the company plans to offer to its common stockholders sometime in August $59,778,900 of convertible debentures on the basis of $100 of debentures for each 21 shares of stock held. **Price**—To be named later. **Proceeds**—Together with other funds, for additions and improvements to property. **Underwriter**—None.

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.

● **Fort Neck National Bank (L. I., N. Y.)**
July 9 Bank offered to its stockholders 79,560 additional shares of new capital stock (par $5) on the basis of one share for each 2½ shares owned as of July 9; rights to expire on July 24. **Price**—$14 per share. **Proceeds**—To provide additional banking facilities in Nassau and Suffolk Counties in Long Island, N. Y. **Underwriter**—Lee Higginson Corp., New York.

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 Telephone Co. of California (9/12)
July 10 company announced plans to issue and sell about $20,000,000 of first mortgage bonds, series F. **Proceeds**—To discharge bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly). **Bids**—Tentatively expected to be received on Sept. 12.

★ **Gulf States Utilities Co. (9/10)**
July 14 it was announced company plans to issue and sell $13,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Tentatively scheduled to be received on Sept. 10.

★ **Gulf States Utilities Co. (9/10)**
July 14 company announced that it intends to offer publicly 90,000 shares of common stock (no par). **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Carl M. Loeb, Rhoades & Co. **Bids**—Tentatively scheduled to be received on Sept. 10.

★ **Haskelite Manufacturing Co.**
July 16 it was reported company may be considering sale of about $1,000,000 to $1,500,000 bonds or debentures. **Underwriter**—May be G. H. Walker & Co., St. Louis and New York.

High Authority of the European Coal and Steel Community, Luxembourg
July 9 this Authority announced that an American banking group consisting of Kuhn, Loeb & Co., The First Boston Corp. and Lazard Freres & Co. has been appointed to study the possibility of a loan to be issued on the American market. The time, amount and terms will depend on market conditions. **Proceeds** — To be loaned to firms in the Community for expansion of coal mines, coking plants, power plants and iron ore mines.

Hollander (A.) & Son, Inc. (N. J.)
July 2 it was announced that stockholders of A. Hollander & Son, Inc. (Del.) will be afforded an opportunity to subscribe, pro rata, for shares in the New Jersey company, which has just been organized to acquire a substantial part of the operating assets of the Delaware company. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Expected early in August.

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.

Hudson Pulp & Paper Corp.
June 25 it was reported company may in the Fall do some public financing. **Proceeds**—For expansion. **Underwriter**—Lee Higginson Corp., New York.

Illinois Bell Telephone Co. (8/31)
June 29 it was announced the company plans to offer to its stockholders 580,531 additional shares of capital stock at rate of one new share for each eight shares held as of Aug. 31; rights to expire on Sept. 28. About 99.3% of the presently outstanding stock is owned by American Telephone & Telegraph Co. **Price** — At par ($100 per share). **Proceeds**—To repay advances from parent. **Underwriter**—None.

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).

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.

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Marsh Steel Co.
July 3 it was reported company plans to issue and sell some additional common stock. **Proceeds**—For expansion program. **Underwriter**—The First Trust Co. of Lincoln, Neb. **Stock Increase**—Stockholders will vote on increasing authorized common stock from 100,000 to 200,000 shares.

● **Meadowbrook National Bank, West Hempstead, New York (7/24)**
July 12 stockholders approved a proposal to offer to stockholders 104,500 additional shares of capital stock (par $5) on a basis of one new share for each 13 shares held as of July 12; rights to expire on Aug. 13. Warrants will be mailed on July 24. **Price**—$21 per share. **Proceeds**—For expansion. **Underwriter**—Lee Higginson Corp., New York.

Metropolitan Edison Co. (11/13)
July 2 it was reported that company is considering the sale of $10,000,000 first mortgage bonds due 1986. **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. **Bids**—Expected on Nov. 13.

Metropolitan Edison Co.
April 16 it was reported company may issue in July or August, 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.

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.

Missouri-Kansas-Texas RR. (7/25)
Bids will be received by the company up to noon (CDT) on July 25, for the purchase from it of $3,645,000 equipment trust certificates to be dated Sept. 1, 1956 and to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 England Telephone & Telegraph Co. (8/29)
June 20 directors authorized an offering to stockholders of 613,010 additional shares of capital stock (par $100) at the rate of one new share for each five shares held as of Aug. 29. American Telephone & Telegraph Co. owns 69.21% of outstanding stock. **Proceeds**—To repay temporary borrowings. **Underwriter**—None.

★ **New York, New Haven & Hartford RR. (7/31)**
Bids are expected to be received up to noon (EDT) on July 31 for the purchase from the company of $2,500,000 equipment trust certificates to mature annually up to 1971. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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**—Morgan Stanley & Co., New York.

Northern Natural Gas Co.
March 12 it was reported company plans to finance its 1956 construction program (costing about $40,000,000) through issuance of debt securities and treasury funds. **Underwriter**—Probably Blyth & Co., Inc.

Northern States Power Co., Minn. (9/12)
July 2 it was reported company plans to issue and sell $15,000,000 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. **Bids**—Expected to be received on Sept. 12.

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.

Ohio Power Co. (10/17)
July 2 it was reported company plans to issue and sell $28,000,000 of first mortgage bonds due 1986. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co. Inc.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Oct. 17.

Ohio Power Co. (10/17)
July 2 it was reported company proposes to issue and sell 60,000 shares of cumulative preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly); Lehman Brothers. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on Oct. 17.

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)
July 6 the California P. U. Commission authorized the company 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.
July 6 company was authorized by 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.

★ **Post Publishing Co., Boston, Mass.**
July 16 it was announced that a public offering of $4,000,000 5% three-year notes is planned if John S. Bottomly, a Boston attorney, does not exercise his option to purchase the physical assets of the Boston Post by July 31. **Underwriter**—Lamont & Co., Inc., Boston, Mass.

★ **Procter & Gamble Co.**
July 16 the company announced plans to negotiate the borrowing of $70,000,000 probably through a public offering of 25-year debentures sometime after Labor Day (Sept. 3). **Proceeds**—For expansion program. **Underwriter**—Goldman, Sachs & Co., New York.

Public Service Electric & Gas Co.
April 16, Lyle McDonald, Chairman, estimated that requirements for new capital this year will be approximately $80,000,000 to $85,000,000. The types and amounts of the new securities to be issued and the time of sale have not been determined. **Proceeds**—To help finance construction program. **Underwriters**—For any debenture bonds — may be determined by competitive bidding; probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co., and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly).

Puget Sound Power & Light Co.
Feb. 15 the company announced that it estimates that its construction program for the years 1956-1959 will amount to $87,000,000, including $20,000,000 budgeted for 1956. This large expansion, the company says, can be financed wholly by debt and from internal sources. **Underwriter**—If determined by competitive bidding, may include Halsey, Stuart & Co. Inc.; The First Boston Corp.

Racine Hydraulics & Machinery, Inc.
July 9 it was reported that company plans to issue and sell some additional common stock. **Underwriter**—Loewi & Co., Milwaukee, Wis.

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.

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 California Edison Co. (9/5)
July 5 it was announced company plans to sell not exceeding $40,000,000 of first and refunding mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Dean Witter & Co. (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. **Bids**—Tentatively expected to be received on Sept. 5.

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 Nevada Power Co.
June 27 it was announced company plans to sell in the Fall of 1956 an estimated $4,000,000 of first mortgage bonds, series C, due 1986. **Proceeds**—For construction. **Offering**—May be placed privately.

Southern Union Gas Co.
April 19 it was announced company is considering issuance and sale to stockholders later this year of some additional common stock on a pro rata basis (with an oversubscription privilege). **Underwriter**—None.

Spencer Telefilm Corp., Beaumont, Texas
Jan. 16 it was announced company plans to offer publicly to Texas residents 75,000 shares of capital stock. **Price**—$1.50 per share. **Business**—To produce, sell and distribute syndicated films for television. **Underwriter**—Porter-Stacy Co., Houston, Tex.

Tampa Electric Co. (8/29)
July 9 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1986. **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. **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 29. **Registration**—Planned for Aug. 1.

Tennessee Gas Transmission Co.
May 10, Gardiner Symonds, President, announced that company plans to sell 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.

★ Texas International Sulphur Co., Houston, Texas
July 18 M. A. S. Makris, Chairman, announced that noon on July 24 has been set as the deadline on which the directors will accept offers from investment syndicates to finance the company's operations in Mexico. Stockholders on July 25 will then vote upon the permanent financing of the company. Vickers Brothers, New York, handled last public stock financing.

United States Rubber Co.
June 29, H. E. Humphreys, Jr., Chairman, stated that issuance of convertible debentures is one of several possible methods the company has been considering for raising $50,000,000 to $60,000,000 which may be needed for plant expansion and working capital. He added that, if convertible debentures are issued, they will be offered pro rata to common stockholders. **Underwriter**—Kuhn, Loeb & Co., New York.

University Life Insurance Co., Norman, Okla.
June 21, Wayne Wallace, President, announced company plans in near future to offer to its 200 stockholders 500,000 additional shares of common voting stock at rate of not more than 2,500 shares to each stockholder. Unsubscribed stock will be offered to public. **Price**—$2 per share.

★ Universal Match Corp.
July 12 it was announced company plans to market about $6,500,000 in subordinated convertible debentures. **Proceeds**—For expansion. **Underwriters**—A. C. Allyn & Co. Inc., Chicago, Ill., and Scherck, Richter Co., Inc., St. Louis, Mo.

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 Gas Light Co.
June 7 it was announced company proposes to finance proposed new construction of pipeline in Virginia to cost about $3,380,000 from funds generated by operations, sale of common stock and temporary bank borrowings. **Underwriter** — The First Boston Corp., New York; and Johnston, Lemon & Co., Washington, D. C.

Foreign Bonds' Debt Service Payment Rate Up

N.Y.U. International Finance Institute's survey shows 78.58% debt service in 1955 was paid in full of the total of publicly offered foreign bonds outstanding. Data are broken down for different geographic areas and specific countries, and difference between actual and contractual interest rates is analyzed.

In 1955 debt service was paid in full on $3,353,463,694, or on 78.58% of the total $4,267,800,440 of publicly offered foreign dollar bonds outstanding on Dec. 31, 1955, according to a bulletin entitled "Statistical Analysis of Publicly Offered Foreign Dollar Bonds," recently issued by Dean G. Rowland Collins, Director, and Dr. Marcus Nadler, Research Director, of the Institute of International Finance of New York University.

Marcus Nadler G. Rowland Collins

Increased Proportion of Bonds Serviced

The increase in proportion of bonds serviced in full from 76.46% in 1954 was due to the growing number of bonds assented to the various debt-service resumption plans and to the flotation of new issues: the City of Montreal ($35,000,000), Union of South Africa ($25,000,000), Norway ($15,000,000), and Cuba ($8,000,000). The new issues and the funding bonds issued in settlement of interest arrears have partly offset the reduction in the total principal amount of outstanding bonds caused by amortization, calls, and maturities. The total principal amount of German bonds has been reduced by $58,918,000 by the cash settlement offers for various bond issues, which in effect render the relevant bonds callable when the offers are approved by the Foreign Bondholders Protective Council, Inc., or by the United States Committee for German Corporate Dollar Bonds.

Data on the status of all publicly offered foreign dollar bonds as of Dec. 31, 1954 and 1955, are summarized in Table I.

On Dec. 31, 1955, European and Latin-American obligors accounted for 99% of defaulted bonds. Of the total Latin-American bonds in default, Bolivia accounted for 65.59%, while German issues represented 59.41% of total European defaulted bonds. Latin America accounted for 9.9% of total defaulted bonds, as compared with 10.6% on Dec. 31, 1954. Europe's percentage increased from 88.3% at the end of 1954 to 89.1% on Dec. 31, 1955. The Far East accounted at the end of 1955 for 1% of total defaulted bonds.

The geographical distribution of foreign dollar bonds in default in regard to interest on Dec. 31, 1955, is shown in Table II.

At the end of 1955, 13.2% of the Latin-American bonds, 70% of the European, and 4% of the Far Eastern bonds outstanding were in default. For the year 1954, the percentages were 15 for Latin America, 73.3 for Europe, and 4.7 for the Far East. Canadian defaulted bonds amounted to only $25,100 of total outstanding bonds in the amount of $1,516,645,595.

In analyzing interest payments, the Institute's study states:

Actual vs. Contractual Interest Return

The actual rate of interest return in 1955, based upon the amount of cash interest received for 1955 coupons on the nominal amount of publicly offered foreign dollar bonds outstanding at the end of the year, was 2.65% as compared with the average contractual rate of 4.02%. In 1954 the amount of cash interest received constituted 2.6% as against the contractual rate of 4.06%. The increase in the actual amount of interest paid as compared with the corresponding figure for 1954 is due to the increase in the total principal amount of new fully serviced issues and to the rise in the percentage of bonds assented to the various debt-service resumption plans.

For 1955 an actual rate of return of 2.14% was received on Latin-American bonds as compared to a contractual rate of 3.06%, while for 1954 the rates were 2.09 and 3.09%, respectively. In 1955 Europe paid at the rate of 1.18% instead of 5.61% contractual rate. In the preceding year Europe paid 1.03% instead of 5.66%. The North American issues in both years paid the full contractual rate of interest. The return on the Far Eastern issues was 4.03% against a contractual rate of 4.25%. The amount received in cash in respect to 1955 coupons was 65.85% of the contractual amount due, as against 64.02% in 1954.

The contractual amount of interest due and the amount received for 1955 coupons on bonds outstanding on Dec. 31, 1955, are shown in Table III.

Dollar Bonds Deposited for Validation

Under the heading "Recent Developments," the NYU study presents current information of importance to holders of foreign dollar bonds, including offers for resumption of debt service, progress and changes made in default settlement plans, redemptions before maturity, and new issues. The resumption of debt service by offering adjustment bonds and cash settlements by 21 German obligors are discussed. According to the Validation Board for German dollar bonds, in the period from Sept. 1, 1953, through Aug. 31, 1955, the face amount of dollar bonds deposited for validation amounted to $137,589,900, of which total $93,732,600, or 68.1%, were deposited by holders in the United States and its territories and dependencies, and the balance of $43,857,300 was registered by non-United States residents. As of the end of 1955 the principal amount of dollar bonds registered with the Validation Board, including bonds registered with the courts and bonds collectively validated, aggregated $222,472,800, of which $212,783,500 have been validated.

An analysis of the results of the Brazilian Government debt adjustment plan of Nov. 23, 1943, shows that during 1955 the principal amount of dollar bonds was reduced by $11,569,430. Since the inception of the plan, the total Brazilian dollar debt (exclusive of the State of Ceara bonds) has been reduced from $284,560,645 outstanding on Nov. 1, 1943 to $95,988,975 at the end of 1955. Thus in the 12 years from Jan. 1, 1944, through Dec. 31, 1955, the outstanding amount of Brazilian dollar bonds was reduced by 66.27%.

TABLE I

Status of Publicly Offered Foreign Dollar Bonds

	December 31, 1954 (000,000)	%	December 31, 1955 (000,000)	%
Debt service paid in full	$3,415.8	76.46	$3,353.5	78.58
In default in regard to interest	1,028.2	23.02	912.1	21.37
In default in regard to sinking fund or principal	23.2	0.52	2.2	0.05
Total	$4,467.2	100.00	$4,267.8	100.00

TABLE II

Geographical Distribution of Bonds in Default in Regard to Interest on Dec. 31, 1955

	Amount Outstanding (000,000)	Amount in Default (000,000)	% of Total Defaulted Bonds
Latin America	$687.1	$90.6	9.9
Europe	1,160.7	812.6	89.1
Far East	223.4	8.9	1.0
North America	1,516.6	*	----
Africa	25.0	----	----
International Bank for Reconstruction and Development	655.0	----	----
Total	$4,267.8	$912.1	100.0

*Less than $30,000.

TABLE III

Contractual Amount of Interest Due and Amount Received in Cash for Coupons of Bonds Outstanding Dec. 31, 1955

	Nominal Amount Outstanding (000)	Contractual Amount of Interest Due (000)	% of Aver. Contractual Rate of Int. Due	Actual Amount Rec'd in Cash (000)	% of Aver. Rate of Return
Latin America	$687,149	$21,056	3.06	$14,717	2.14
Europe	1,160,759	65,155	5.61	13,696	1.18
Far East	223,246	9,481	4.25	9,000	4.03
North America	1,516,646	54,762	3.61	54,761	3.61
Internatl. Bank of Reconstruction & Development	655,000	20,188	3.08	20,188	3.08
Total*	$4,242,800	$170,642	4.02	$112,362	2.65

*Exclusive of $25,000,000 of Union of South Africa bonds issued on Dec. 1, 1955, on which no coupon matured in 1955.

Ways of Boosting Homebuilding Rate

Reporting housing starts off 13 to 14% first half of 1956 compared to 1955, but expenditures down only 6%, two staff members of U. S. Savings and Loan League suggest stimulating home buyers' interest by: (1) building new models capable of attracting buyers able and willing to buy better housing but who are not compelled to buy or trade up; (2) easier monetary policies, and (3) flexible interest rates for both insured and guaranteed mortgages.

The "best hope" for boosting the rate of homebuilding is the development of "new models" that will excite customer interest, according to two top officials of the United States Savings and Loan League.

Norman Strunk, League Executive Vice-President, and Arthur M. Weimer, League Economist, expressed their views in the "Quarterly Letter" of the national trade organization for the savings and loan business.

And the two officials made it clear that they believed that "easier credit," while it would help, is not the whole answer to the present decline in the volume of home building.

"Even if mortgage credit should ease in the months ahead, there is no assurance that the rate of homebuilding will advance to any marked degree," said Strunk and Weimer.

They noted that while home buyer interest remains strong, purchasers are becoming increasingly selective, and that houses that do not provide attractive design and styling, and are not located on large, well-planned lots, tend to sell slowly.

"The best hope for advance in the rate of housebuilding is the development of new models that will stimulate the interest of home buyers who are able and willing to buy better housing but who are not compelled to buy or trade up," said Strunk and Weimer.

They added that other factors that would help to stimulate the rate of homebuilding would be (1) easier monetary policies, and (2) the adoption of flexible interest rates for insured and guaranteed mortgages.

"Current trends suggest that money markets may be easing but it will take some time for builders to adjust to such changes," said the League officials. "Flexible interest rates would be helpful to builders in giving buyers more for their housing dollar."

Strunk and Weimer reported that housing starts in the first half of 1956 were off approximately 13 to 14% when compared with the same period of last year. Dollarwise, they reported, the decline was much less pronounced, with expenditures for residential construction down only about 6% below 1955 levels.

Since November, they said, the rate of homebuilding has remained in the annual range of 1.1 to 1.2 million units, the exception being February when the seasonally adjusted annual rate equaled last year's 1.3 million units.

Joins Proctor, Cook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Samuel B. Adelberg has joined the staff of Proctor, Cook & Co., 10 Post Office Square, members of the New York and Boston Stock Exchanges.

Two With Carr & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Bruce H. Boyson and Charles J. Spencer are now with Carr & Co., Penobscot Building, members of the Detroit Stock Exchange.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Robert W. Herdman is now with King Merritt & Co. Inc., 576 First Avenue, North.

Joins Daniel Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Stanley R. Morse has joined the staff of Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard.

Mutual Funds

By ROBERT R. RICH

Short Steel Strive To Have No Bad Effect

The current steel strike will cause dislocations and great inconvenience but it is unlikely to have a serious disruptive effect on the economy unless it is prolonged for an unexpected length of time, A. Moyer Kulp, Vice-President and Executive Director of the investment committee of Wellington Fund stated in a review of business conditions. He pointed out that inventories of steel on hand are substantial.

The third quarter seasonal letdown is now in its early stages, but, as is often the case, well advertised developments may not be as bad as first feared. Among the favorable developments in recent weeks has been the stabilization in automobile sales at a rate well above current production. Consequently, the large amount of cars in dealers hands is being reduced steadily.

Residential building, likewise, continues to remain stabilized at a satisfactory level, moderately below last year's peak, the Wellington executive stated. Consumer credit has continued to rise but at a more gradual rate than last year. All these factors reflect a desirable change to a more normal and sustained tempo.

Strong areas in business have offset lower automobile and residential building activity. Overall construction activity, commercial, industrial, state and local, is at a good level. Most important of all has been the strong support received from high and rising business spending for new plant and equipment. New legislation also lends encouragement to the hope that the long decline in farm income may at last be checked.

Touching on the labor picture, Mr. Kulp stated that high employment at good wage levels has brought weekly take-home pay to a new high point. Spendable income is running strong, enabling consumers to repay debts rapidly. This may pave the way for some pick-up in consumer spending this fall, including automobiles and appliances.

The Wellington Fund investment committee continues to view the year 1956 as a consolidating period in which a base is being established for later resumption of the country's long term growth trend, Mr. Kulp added.

Washington Mutual Has 20% Industry Investment Limit

Shareholders of Washington Mutual Investors Fund, Inc., reelected the board of directors at the annual meeting July 16 and adopted the recommendation of the Advisory Board increasing the maximum investment which the Fund is allowed to hold in any one industry to 20% of its assets.

Shareholders also approved renewal of the investment advisory contract with Capital Research and Management Company of Los Angeles, the business management contract with Johnston, Lemon & Co., and ratified appointment of Price Waterhouse & Co. as auditors of the Fund.

Directors reelected for the ensuing year were as follows: James M. Johnston, James H. Lemon, George E. Allen, Jonathan B. Lovelace and Davis Weir.

Following the annual meeting of shareholders, the board of directors reappointed the following members of the advisory board of the Fund: Robert C. Baker, Barnum L. Colton, Leo Goodwin, Robert P. Smith, Frederic N. Towers, William T. Vandoren, Dr. Charles S. White and Roger J. Whiteford.

The following officers were reelected: James M. Johnston, Chairman of the Board and President; Vice-Presidents—James H. Lemon and D. J. Needham; Executive Secretary—Bernard J. Nees; Treasurer—Harvey B. Gram, Jr.; and Assistant Secretary and Assistant Treasurer — Ralph S. Richard.

A dividend in the amount of 8c per share was declared payable on Sept. 1, 1956, to stockholders of record at the close of business Aug. 1, 1956. Total dividends from investment income for the past 12 months were 31c per share and capital gain distributions amounted to 42c per share.

Total assets of the Fund are now in excess of $7 million—an 80% increase over a year ago. The Fund holds 74 common stock issues representing 22 different industries. All investments of the Fund are required by its charter to be selected from the List of Legal Investments for Trust Funds in the District of Columbia.

Broad Street Fund At 27-Year High

Bulk of second quarter investments limited to bonds and preferred stocks. Common stockholdings cut from 85% to 82% of net assets.

Net assets of Broad Street Investing Corporation reached $91,179,981 on June 30, the highest reported total in the mutual fund's nearly 27 years, it was announced by Francis F. Randolph, Chairman of the Board and President. This was a gain from $81,646,781 at the beginning of the year, and included the assets of Brae Tarn Corporation, a private investment company, which were purchased in June.

Dividends paid by the fund, which has not missed a quarterly payment in 26½ years, totaled 39 cents per share for the first six months of 1956. This compared with 36 cents in the corresponding period of 1955, and dividend income was 12% higher so far this year for shareholders who took the December distribution from realized gain in additional shares, the Chairman stated.

Asset value was $22.75 per share, down from $23.11 on March 31, but higher than the $21.71 at the first of the year. The June 30 asset value represented a 12-month increase of almost 8%, after adding back the December 1955 distribution of 74 cents from realized gain.

Mr. Randolph reported that there had been a 20% increase in the number of shareholders systematically adding to their investment by regular purchases and by plowing back dividends and distributions since announcement in the first quarter report of the new and simplified Accumulation Plan. More than 550 new plans were opened in the second quarter to raise the total to 3,323.

The risks inherent in the high level of the national economy are such that a conservative investment policy seems prudent, the Chairman stated, and Broad Street Investing continued its gradual build-up of backlog, fixed-income bonds and preferred stocks in the second quarter. Money received from the sale of new shares was used primarily for this purpose. At June 30, common stock holdings stood at 82% of net assets, compared with 85% at the first of 1956 and 87% at June 30, 1955. Most noteworthy change during the second quarter was a further increase in emphasis on the public utility industry.

New common stock positions were established through acquisition of 20,200 shares of Iowa Public Service and 25,000 shares of San Diego Gas & Electric. More important additions to holdings were 6,700 shares of Johns-Manville, 3,000 Oklahoma Gas & Electric, 2,000 Central Illinois Light, 1,100 Atlantic City Electric, and 1,000 shares each of American Cyanamid, General Electric and Standard Oil of New Jersey. A holding of 10,000 shares of Southern California Edison was eliminated, and reductions were made of 3,000 shares each of Chicago, Rock Island & Pacific and Florida Power & Light, and 300 shares of E. I. du Pont de Nemours.

Long Issues Study On Reinvestment Of Dividends

Hugh W. Long & Company Incorporated has issued a study showing how dividend reinvestment affects results of a monthly investing program. The study reveals that over the last 10 years, reinvestment of income dividends in a $100 a month program would have added 39% to total share accumulation. When such a program is started with an additional $3,000 investment (25% as much as the investor will put in the plan over the 10 years), share accumulation due to reinvestment of dividends is increased by 50%.

The study is based on systematic investment in shares of Fundamental Investors, Inc., a mutual fund investing in common stocks. It is published in a new folder which tells how to build a supplementary retirement income through systematic investing in Fundamental Investors.

Peak Assets Gain For United Funds

Net assets of the four mutual funds in the United Fund group of investing companies rose nearly $41½ million in the first six months of 1956, the largest gain for any like period on record, Cameron K. Reed, President, announced. In the corresponding 1955 period net assets gained $39¼ million.

More than half of the gain in net assets this year was accounted by the periodic investment plan, as purchase of the United Accumulative fund produced more sales than the combined of the other three funds—United Income, United Science and United Continental, Mr. Reed said.

Total net assets of the four funds June 30 were $314,508,045, compared with $236,662,995 a year ago, and $273,066,148 at the start of 1956.

United Income fund's assets of $152,942,537 were equal to $10.39 a share, compared with $125,987,313, or $9.66 a share, a year ago. The number of shares outstanding increased from 13,045,332 to 14,716,447.

United Accumulative fund's assets aggregated $102,635,831, equal to $11.65 a share, against $64,611,929, or $10.53 a share, a year ago. The number of shares outstanding was 8,811,278, against 6,133,793 a year earlier.

United Science fund's assets amounted to $34,698,826, or $11.11 a share, against $28,090,691, or $9.98 a share, a year ago. The number of shares outstanding was 3,123,548, against 2,815,616.

United Continental fund's assets totaled $24,230,851, equal to $8.53 a share, against $17,973,062, or $7.53 a share, a year ago. The number of shares outstanding was 2,943,735, against 2,386,251.

More than 10,000 shareholders were added in the first half of

1956, bringing the total to more than 100,000, Mr. Reed said. A total of 29,595,008 shares represented the assets of the four funds in contrast to 24,380,992 shares a year earlier.

The amount received from new sales was $32,925,694, against $24,820,991 a year ago. Shares repurchased in the six-month period totaled $9,633,275, against $9,347,077.

Dividends and distributions to shareholders of United Income fund amounted to $2,916,270 in the six months, compared with $2,326,240 a year ago, when securities profits totaled $128,828 of the distributions.

Of the $579,232 paid to shareholders of United Science fund, $428,524 was from investment income; in the 1955 period the distribution totaled $440,953, with $386,311 represented by investment income.

United Continental paid $851,893 to shareholders in the first half, represented by $515,585 from investment income and $336,308 from securities profits; in 1955 the investment income was $311,-471 and securities profits were $154,325.

U. S. Foreign Assets Now $138 Million

United States & Foreign Securities Corp., closed-end investment company, reports net asset value of $138,410,515 as of June 30, 1956. This is equivalent to $41.80 per share on 3,310,815 shares of common stock outstanding and compares with $38.95 per share on Dec. 31, 1955. Dividends paid during the six months period totaled $2.40 per share, of which $2 was a capital gain dividend.

The report states that no allowance has been made for Federal capital gain tax on unrealized appreciation of $99,566,031 because the corporation expects to distribute substantially all net realized capital gains to stockholders. During the six months ended June 30 the net realized gain on investments amounted to $12,129,762, or approximately $3.63 per share of stock outstanding.

Of common stocks held by the company as of June 30, oil shares represented approximately 41% of net assets, chemical and drug 16%, metal and mining 15, manufacturing and miscellaneous 9, merchandising 3, natural gas 2 and electric utility 2.

* * *

National Shares Corp., a closed-end investment company managed by Dominick & Dominick, reports a net asset value of $23.33 per share as of June 30, 1956 after deducting a quarterly dividend of 12 cents per share payable July 14. The corporation paid dividends of 10 cents per share in previous quarters.

The net asset value of $23.33 per share on June 30, 1956 compares with net asset value of $21.09 per share on Dec. 31, 1955 and of $21.67 per share on June 30, 1955. The figures are based on 1,080,000 shares of capital stock outstanding.

Holdings of common stock on June 30 represented 88.8% of total net assets, Government obligations 10.8%, and net cash and receivables 0.4%.

Chemical Fund's Sales and Assets At Record Highs

Sales of Chemical Fund shares reached a record level of $15,242,-000 for the first six months of 1956, an increase of 60% over the same period of 1955, according to the June 30 quarterly report to stockholders. At the same time, it was reported that the ratio of redemptions decreased to 17% of gross sales from the 27% reported for the same period last year.

Net assets of Chemical Fund, Inc. as of June 30, 1956 topped those reported for any previous date in the fund's history, amounting to $134,085,347, equal to $17.56 per share compared with $98,-891,893 or $15.80 per share on June 30, 1955. The fund had 7,634,753 shares of capital stock outstanding on June 30, 1956 compared with 6,256,154 shares on the same date last year.

F. Eberstadt, Chairman, and Francis S. Williams, President, noted that "portfolio companies of the fund have reported average increases of approximately 13% in sales and 22% in net earnings for the first quarter of 1956 compared with the corresponding period of the previous year. The three months period ended March 31, 1956 was the most profitable first quarter in the history of many of the companies, and since the end of the first quarter the volume of sales in the chemical industry has continued at a high level."

Reports New Uses For Boron, Lithium

Boron and lithium, two of the glamour metals of the atomic energy program, are finding new uses as propellants for aircraft and missiles, Newton I. Steers, Jr., President of Atomic Development Mutual Fund, Inc., reports in the Fund's current atomic letter.

The comments followed a recent announcement by the Air Force that it was carrying out research on boron and lithium as propellants. The Navy is planning construction of a $38,000,000 plant in Oklahoma to produce such fuels.

The Navy previously has announced award of a contract to Metal Hydrides, Inc., to build a $4,400,000 plant to produce sodium borohydride. Lithium Corporation of America is expected to participate in the metal propellant program.

"Details are classified, but it is known that there are several ways lithium can be utilized in producing propellants," Steers said.

The Fund holds 44,900 shares of Lithium Corporation of America stock, 21,800 shares of Metal Hydrides, Inc., and 6,700 shares of American Potash and Chemical Corporation, which produces both lithium and boron.

Boron is especially valuable in the shielding of reactors because of its ability to absorb neutrons. It is being incorporated in reactor shielding materials.

Lithium is reputedly a component of the hydrogen bomb and has other uses in the atomic energy program.

Railroad Securities

By GERALD D. McKEEVER

Illinois Central Railroad

The bonds and the stock of the Illinois Central have regained the position of high regard which they enjoyed prior to the Great Depression, but with far greater reason now. This "come back" is remarkable not alone for the magnitude of the job which the road has accomplished in order to bring it about, but as much for the relatively short period in which it was achieved. The first stage has been the consolidation of the road's finances, most of which has been done since 1950 although the road had pursued an aggressive program of debt reduction for several years previously. The Illinois Central took advantage of its own weakness at that time by repurchasing large amounts of its bonds at greatly depressed prices. Some roads did not make as full use of similar opportunities.

The result has been a reduction of some $81 million of bonded debt since 1946, exclusive of equipment trust obligations which have increased, but in spite of the latter, there has been a decrease of over $9 million in annual interest charges in the same period. Of scarcely less importance was the elimination of a series of debt maturities ranging from 1950 to 1966 that had been a potential threat to the road's financial well-being at times and had beclouded the outlook for common stock dividends even when earnings themselves were good. The road's earliest bond maturity now is in 1974 and last but not least, the new consolidated mortgage has replaced 33 separate mortgages which had represented a full-time job for many an investment department.

The final act in the financial clean-up was the disposal of the road's 6% preferred, mostly in 1954. To prepare for the call of this stock the road sold $18 million 3½% debentures in the latter part of 1954 but as it turned out, this issue was scarcely necessary. The preferred stock was convertible share for share into common and most of the preferred was so converted prior to its call on March 1, 1955. The road needed only $343,000 to retire the small unconverted balance at that time and, as a result, it reacquired $13,245,000, or about 70% of the debentures that it had issued a couple of months earlier. The road's capitalization now is a simple one, consisting, as last reported, of about $187,000,000 funded debt and 3,082,945 shares of common stock. About 31% of the funded debt total is represented by equipment trust certificates in the approximate amount of $58 million.

With its financial housecleaning out of the way, and much of its capital needs having been taken care of by the $228 million spent for this purpose since the end of World War II, the Illinois Central is in a highly favorable position. This has been evidenced by the two dividend increases that have been put through since the beginning of 1954. However, the $20 million capital expenditures of 1955 were below the 10-year average and the 1956 budget has provided for a sharp increase in the $35 million authorization for this year. Part of this year's outlay, as in 1955, will go for another seventy 1,750 hp. diesel general purpose units. It should be commented in this connection that it was stated last month that two-thirds of the road's freight operations have now been dieselized and that passenger service is entirely dieselized except for one train which the road hopes to be permitted to discontinue. Present plans call for complete dieselization some time in 1958.

The Illinois Central has been one of the last to move toward dieselization for several reasons. One has been the priority that has been given to its financial clean-up as suggested above, but probably the most practical reason is that it has not been under the same pressure to do so as most other roads have been. Due to easy grades throughout most of the system and superb steam power and the availability of economical coal this road has been able to hold its Transportation Ratio around the 35% level for years, and this is a better showing than many fully dieselized roads can make. Very largely because of the historically favorable operating factors of the Illinois Central, benefits from dieselization thus far have not been striking, measured either by the Transportation Ratio or by the over-all measure of freight service efficiency-gross ton miles per freight train hour. It should be observed, however, that maximum benefits are not realized until dieselization becomes 100% complete and it is almost certain that more pronounced evidence of the economy of the change-over will be seen in the reports of the Illinois Central by this time two years hence. The road itself must be convinced of this in view of its decision now to go "all out" after having felt its way in tentative steps much of the time since 1951 and until last year.

While the traffic of the Illinois Central is generally well diversified, the road is particularly identified with the movement of bananas and soft coal. The latter has assumed increasing importance in recent years and reached a new high for the road last year. In fact, a further reason for the road's tardiness in dieselizing has been its reluctance to risk alienating coal producers on its lines who have contributed so much to the road's revenues. Bananas, which showed a decline last year, come through New Orleans which is second only to New York in the value of the foreign trade which it handles. The Illinois Central moves the greater part of the rail shipments to and from New Orleans and owns the mile-long Stuyvesant Dock through which passes the traffic interchange between ship and rail.

Important as the foregoing certainly is, it is nevertheless only one aspect of the road's function. The Illinois Central has been one of the most aggressive in selling its service generally and in locating new industries along its lines. In 1955 alone the road acquired 76 new industries and 25 existing industries were expanded. Over the past 10 years 1,300 new plants and additions to existing plants have accounted for a $5.1 million average annual revenue increase. Currently the erection of three large plants is in progress — Kaiser Aluminum between Baton Rouge and New Orleans, Pittsburgh Plate Glass at Decatur, Ill., and the plant of the Humko Co. at Champaign, Ill. In spite of all this, however, the revenue growth of the Illinois Central has been only about average—somewhat better than the Class I total, but trailing behind the trend of the Southern District by a small margin in recent years.

About half of the road's coal shipments go to steam-electric generating plants which provide relative stability. On the other hand, the other half goes to industries that are directly or indirectly affected by the current steel strike in many instances. The road has estimated that if the steel strike should last 60 days it will lose $3,335,000 in revenue. The estimate of the road's 1956 net earnings was officially placed at $8.65 per share in June of this year and unless the strike or other misfortunes upset this year's prospects too badly, another increase in the dividend rate could be in order. The present $3.50 rate representing a "pay-out" of only 40% of the prospective 1956 per share net is on the low side and an increase to the annual rate of $4 has been suggested as a reasonable possibility.

With Kalman & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Michael J. Halek, Jr. has become affiliated with Kalman & Company, Inc., McKnight Building.

Smith, La Hue Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Raymond G. Emerson has become connected with Smith, La Hue & Co., Pioneer Building.

Kalman Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — John J. Spindler has been added to the staff of Kalman & Co., Inc., Endicott Building, members of the Midwest Stock Exchange.

With Bankers Bond & Secs.

(Special to THE FINANCIAL CHRONICLE)

HANNIBAL, Mo. — Thomas T. Righthouse is now with Bankers Bond and Securities Co., B. & L. Building, members of the Midwest Stock Exchange.

Two With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — D. W. Conway, Jr. and Haven A. Greene have become connected with Bache & Co., 108 West Market Street.

With United Securities

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Paul A. Allsbrook is now with United Securities Co., Southeastern Bldg.

W. E. Hutton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Philip V. Schneider is now affiliated with W. E. Hutton & Co., Firat National Bank Building.

Joins Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Cecil J. Walton has become affiliated with Bache & Co., National City East Sixth Building.

Foster & Marshall Add

(Special to THE FINANCIAL CHRONICLE)

EUGENE, Oreg.—John H. Foster has joined the staff of Foster & Marshall, 89 West Broadway.

Three With Blyth & Co. Inc.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—George E. Cooley, Max R. Millis and Wallace G. Newhouse have become connected with Blyth & Co., Inc., Pacific Building.

Joins Marshall Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Granville O. Benson is now with The Marshall Company, 765 North Water Street.

Keller Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Ralph Levine has been added to the staff of Keller & Co., 53 State Street.

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)	July 22	§14.6	*12.9	93.0	91.(
Equivalent to—					
Steel ingots and castings (net tons)	July 22	§360,000	*317,000	2,290,000	2,195,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 6	7,085,850	7,034,350	6,997,650	6,596,900
Crude runs to stills—daily average (bbls.)	July 6	¶7,974,000	8,144,000	8,029,000	7,646,000
Gasoline output (bbls.)	July 6	27,736,000	27,482,000	27,142,000	26,478,000
Kerosene output (bbls.)	July 6	2,028,000	2,125,000	2,140,000	1,887,000
Distillate fuel oil output (bbls.)	July 6	12,434,000	12,358,000	12,092,000	11,474,000
Residual fuel oil output (bbls.)	July 6	7,677,000	7,962,000	8,041,000	7,583,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 6	178,549,000	*181,446,000	184,409,000	159,307,000
Kerosene (bbls.) at	July 6	26,760,000	25,779,000	22,963,000	30,456,000
Distillate fuel oil (bbls.) at	July 6	98,289,000	93,672,000	80,637,000	105,167,000
Residual fuel oil (bbls.) at	July 6	39,779,000	38,374,000	36,742,000	45,304,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 7	478,297	755,292	787,075	648,992
Revenue freight received from connections (no. of cars)	July 7	527,925	643,754	631,141	548,783
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 12	$657,377,000	$389,798,000	$511,922,000	$578,407,000
Private construction	July 12	437,272,000	191,410,000	319,619,000	371,880,000
Public construction	July 12	220,105,000	198,388,000	192,303,000	206,527,000
State and municipal	July 12	143,067,000	145,737,000	161,151,000	132,778,000
Federal	July 12	77,038,000	52,651,000	31,152,000	73,749,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 7	1,240,000	*7,300,000	9,850,000	7,358,000
Pennsylvania anthracite (tons)	July 7	52,000	672,000	529,000	365,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 7	90	105	124	87
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 14	10,878,000	10,391,000	11,425,000	10,440,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 12	251	208	286	224
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 10	5.179c	5.179c	5.179c	5.178c
Pig iron (per gross ton)	July 10	$60.61	‡$60.38	$60.29	$59.09
Scrap steel (per gross ton)	July 10	$44.83	$44.83	$44.83	$38.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 11	33.475c	45.425c	45.200c	35.700c
Export refinery at	July 11	34.950c	39.350c	41.925c	35.425c
Straits tin (New York) at	July 11	94.750c	92.875c	94.000c	95.125c
Lead (New York) at	July 11	16.000c	16.000c	16.000c	15.000c
Lead (St. Louis) at	July 11	15.800c	15.800c	15.800c	14.800c
Zinc (East St. Louis) at	July 11	13.500c	13.500c	13.500c	12.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 17	94.00	94.38	95.34	95.34
Average corporate	July 17	104.31	104.48	104.83	108.70
Aaa	July 17	108.16	108.34	108.34	112.19
Aa	July 17	106.21	106.39	106.74	110.52
A	July 17	104.14	104.31	104.48	108.88
Baa	July 17	99.36	99.52	99.84	103.80
Railroad Group	July 17	102.80	102.96	103.13	107.44
Public Utilities Group	July 17	104.66	104.83	105.17	109.24
Industrials Group	July 17	105.69	105.86	106.04	109.79
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 17	2.97	2.93	2.85	2.84
Average corporate	July 17	3.49	3.48	3.46	3.24
Aaa	July 17	3.27	3.26	3.26	3.05
Aa	July 17	3.38	3.37	3.35	3.14
A	July 17	3.50	3.49	3.48	3.23
Baa	July 17	3.79	3.78	3.76	3.52
Railroad Group	July 17	3.58	3.57	3.50	3.31
Public Utilities Group	July 17	3.47	3.46	3.44	3.21
Industrials Group	July 17	3.41	3.40	3.39	3.18
MOODY'S COMMODITY INDEX	July 17	412.6	416.5	413.4	405.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 7	273,007	257,108	284,576	225,732
Production (tons)	July 7	178,617	281,606	290,477	155,704
Percentage of activity	July 7	56	97	97	55
Unfilled orders (tons) at end of period	July 7	512,197	418,186	556,099	642,257
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 13	108.93	108.87	108.65	106.88
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	June 23	895,964	1,001,127	1,297,689	1,245,014
Dollar value	June 23	$47,241,503	$53,593,004	$68,176,848	$65,549,131
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 23	812,134	794,360	1,135,277	1,175,826
Customers' short sales	June 23	2,837	4,234	7,333	5,498
Customers' other sales	June 23	809,297	790,126	1,127,944	1,170,328
Dollar value	June 23	$40,563,965	$40,651,871	$61,011,108	$58,842,561
Round-lot sales by dealers—					
Number of shares—Total sales	June 23	209,510	182,600	295,000	331,530
Short sales	June 23				
Other sales	June 23	209,510	182,600	295,000	331,530
Round-lot purchases by dealers—					
Number of shares	June 23	327,240	433,030	467,070	396,010
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	June 23	307,080	415,260	387,030	471,180
Other sales	June 23	8,201,790	8,948,610	11,921,680	13,572,610
Total sales	June 23	8,508,870	9,363,870	12,308,710	14,043,790
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 23	1,111,680	1,316,350	1,713,070	1,716,720
Short sales	June 23	183,410	252,850	227,370	277,400
Other sales	June 23	839,360	1,065,650	1,370,040	1,436,760
Total sales	June 23	1,022,770	1,318,500	1,597,410	1,714,160
Other transactions initiated on the floor—					
Total purchases	June 23	233,870	280,500	308,660	368,920
Short sales	June 23	13,500	26,800	14,300	18,100
Other sales	June 23	221,450	251,960	287,710	371,330
Total sales	June 23	234,950	278,760	302,010	389,430
Other transactions initiated off the floor—					
Total purchases	June 23	435,800	490,697	654,655	658,745
Short sales	June 23	71,530	73,260	38,570	84,100
Other sales	June 23	477,374	508,375	612,884	701,407
Total sales	June 23	548,904	581,635	651,454	785,507
Total round-lot transactions for account of members—					
Total purchases	June 23	1,781,350	2,087,547	2,676,385	2,744,385
Short sales	June 23	268,440	352,910	280,240	379,600
Other sales	June 23	1,538,184	1,825,985	2,270,634	2,509,497
Total sales	June 23	1,806,624	2,178,895	2,550,874	2,889,097
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 10	114.1	113.9	114.2	110.3
Farm products	July 10	90.4	*89.2	91.4	89.1
Processed foods	July 10	102.5	*102.1	102.5	103.0
Meats	July 10	81.7	80.4	81.1	86.8
All commodities other than farm and foods	July 10	121.4	121.4	121.4	116.2

*Revised figure. ¶Includes 964,000 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. ‡Corrected figure.

	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of June	9,758,000	*10,490,376	9,746,467
Shipments of steel products (net tons)—Month of May	7,764,776	7,783,873	7,540,889
AMERICAN RAILWAY CAR INSTITUTE—			
Month of June:			
Orders for new freight cars	2,859	2,403	13,365
New freight cars delivered	5,550	6,667	3,015
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of June (in thousands)	$186,540,000	$185,584,000	$177,917,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—			
As of June 30 (000's omitted)	$476,000	$515,000	$572,000
COKE (BUREAU OF MINES)—Month of May:			
Production (net tons)	6,733,286	6,633,363	6,421,916
Oven coke (net tons)	6,467,080	6,379,919	6,286,982
Beehive coke (net tons)	266,206	253,444	134,934
Oven coke stock at end of month (net tons)	1,888,408	1,742,772	2,345,041
COPPER INSTITUTE — For month of June:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	107,596	*115,683	101,940
Refined (tons of 2,000 pounds)	133,543	142,445	130,881
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	128,573	140,587	132,730
Refined copper stocks at end of period (tons of 2,000 pounds)	57,546	53,443	38,533
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of June:			
Weekly Earnings—			
All manufacturing	$79.40	$78.40	$76.11
Durable goods	85.48	84.66	81.58
Nondurable goods	70.77	70.38	67.83
Hours—			
All manufacturing	40.1	40.0	40.7
Durable goods	40.9	40.7	41.2
Nondurable goods	39.1	39.1	39.9
Hourly Earnings—			
All manufacturing	$1.98	$1.96	$1.87
Durable goods	2.09	2.08	1.98
Nondurable goods	1.81	1.80	1.70
METAL PRICES (E. & M. J. QUOTATIONS)—			
Average for month of June:			
Copper (per pound)—			
Domestic refinery	45.056c	45.531c	35.700c
Export refinery	40.260c	43.118c	36.339c
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)	£113.226	£111.545	£102.815
††Three months, London (per long ton)	£111.071	£109.847	£102.702
Zinc (per pound)—East St. Louis	13.500c	13.500c	12.232c
‡‡Zinc, London, prompt (per long ton)	£94.006	£94.818	£91.398
††Zinc, London, three months (per long ton)	£92.387	£92.881	£89.955
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.464c	90.750c	89.688c
Silver, London (pence per ounce)	78.625d	78.892d	77.977d
Sterling Exchange (check)	$2.80217	$2.80758	$2.78977
Tin, New York Straits	94.635c	97.038c	93.625c
§§Tin—New York, 99%	93.635c	96.038c	92.625c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$258.115	$265.231	$283.269
¶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)	$105.000	$104.154	$79.077
†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	33.750c	28.500c
**Nickel	64.500c	64.500c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of June:			
Industrials (125)	3.82	3.97	3.71
Railroads (25)	5.35	5.41	4.66
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.68	4.73	4.53
Banks (15)	4.41	4.52	4.01
Insurance (10)	3.19	3.07	2.40
Average (199)	4.01	4.13	3.87
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of June	£20,046,000	£21,128,000	£23,921,000
PORTLAND CEMENT (BUREAU OF MINES)—			
Month of March:			
Production (barrels)	23,386,000	19,578,000	22,340,000
Shipments from mills (barrels)	22,222,000	15,929,000	22,604,000
Stocks (at end of month—barrels)	29,854,000	28,939,000	26,516,000
Capacity used (per cent)	87	78	89
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—			
Month of April:			
Net railway operating income	$94,159,390	$88,976,188	$87,303,609
Other income	18,902,599	20,540,212	17,639,697
Total income	113,061,989	109,516,400	104,943,306
Miscellaneous deductions from income	4,708,201	4,441,058	3,755,277
Income available for fixed charges	108,353,788	105,075,342	101,188,029
Income after fixed charges	77,808,903	74,443,240	70,696,643
Other deductions	4,118,719	4,365,044	4,467,001
Net income	73,690,184	70,078,196	66,229,642
Depreciation (way & structure & equipment)	45,351,346	45,401,420	44,267,525
Federal income taxes	32,205,730	39,284,167	32,245,390
Dividend appropriations:			
On common stock	25,732,922	21,135,676	20,590,455
On preferred stock	956,514	2,918,813	1,281,467
Ratio of income to fixed charges	3.55	3.43	3.32
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of April (000's omitted):			
Exports	$1,506,100	$1,574,500	$1,262,300
Imports	990,200	1,099,000	870,400
ZINC OXIDE (BUREAU OF MINES) — Month of May:			
Production (short tons)	7,966	13,750	14,810
Shipments (short tons)	11,061	11,760	13,885
Stocks at end of month (short tons)	15,826	18,921	15,748

*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.

Our Reporter's Report

Despite renewed heaviness in the Treasury list, as the big exchange offer closed out, the corporate issue market appeared to draw satisfaction from the success which greeted last week's American Telephone & Telegraph Co., financing.

This enormous undertaking, involving a quarter billion dollars, was decidedly well received and gave a much needed fillip to investment sentiment generally. One of the major elements of satisfaction was found in the fact that the offering went off vigorously in spite of the indisposition on the part of the major insurance companies to participate to any marked extent.

Once again it appeared that funds from other investment channels have been building up in a manner to offset in large measure the reluctance of the big life underwriters to become a bit more responsive to new issues.

Pension funds, both governmental and endowment organizations such as those of churches and colleges along with trust funds have been doing a better than fair job of helping to take care of industry's needs for capital.

While there is a rather general feeling that the investment market should do better the view seems to be that seasonal influences could deter such development for a spell. Certainly midyear reinvestment demand, once a substantial factor at this stage seems to have lost some of its zest though it may have contributed to the success of ATT's venture.

Union Electric of Missouri

Union Electric Co. of Missouri drew a total of three bids for its offering of $40 million of 30-year first mortgage bonds. And the competition was close though perhaps not what might be termed keen.

The winning bid was 101.639 for a 3¾% coupon. The runner-up bid 101.37 for the same interest rate, or only $2.69 per $1,000 bond off the best tender. Even the lowest of the three bids, 101.21 for the same rate was only $4.29 per $1,000 under the best.

But investors evidently were in no particular rush to take up the issue judging by reports that this one, like most others recently, got off to a slow start.

The Week Ahead

Next week promises a few interesting operations what with two of the three largest prospects scheduled to be marketed via the negotiated route, a circumstance which seemingly is pleasing both to the underwriter and prospective buyer.

Since realism enters into this type of operation more so than in the case of competitive bidding, the underwriter is able to price an undertaking more in relation to the market giving the investor a better break.

Illinois Power Co. will start things by taking bids for $20 million first mortgage bonds to provide funds for construction on Tuesday.

The following day bankers are scheduled to bring out $30 million of 25-year debentures for Food Machinery Corp. to provide for payment of outstanding notes and augment general corporate funds.

And on Thursday an issue of $20 million of 25-year sinking fund debentures of Champion Paper & Fibre Co. will be floated to repay notes and enlarge general funds.

Backlog Building Up

There have been much duller summers in the underwriting business, but investment bankers are looking more hopeful toward the Fall for a pick up in the pace.

Expectations along that line got a real lift from announcement by Proctor & Gamble Co., that it is planning to seek $70 million of capital through the sale of 25-year debentures early in Sept.

Meanwhile, Gulf States Utilities reveals plans to sell $13 million of bonds and 90,000 shares of common about the second week in September.

Black Hills Power Sells Bond Privately

Rights offering to stockholders terminates July 31.

The Black Hills Power & Light Co., it was announced on July 16, has placed privately $1,000,000 of 4% first mortgage bonds, series G, due July 1, 1986, with a financial institution. Dillon, Read & Co. Inc. acted as agent in arranging the financing.

The proceeds from this sale, together with the proceeds from an offering of 11,700 shares of the company's common stock currently being made to its stockholders at $24 per share will be used in part in connection with the organization of a new subsidiary which proposes to acquire and operate certain coal mining properties. The rights will expire on July 31. The remainder will be applied to the prepayment of $319,443 of purchase and serial notes and to carrying forward the company's construction program.

A. M. Kidder Adds

(Special to The Financial Chronicle)

TAMPA, Fla.—John R. Lindsay is now with A. M. Kidder & Co., 506 Florida Avenue.

Joins Nolting, Nichol

(Special to The Financial Chronicle)

PENSACOLA, Fla.—Jerome C. Dubourg is now with Nolting, Nichol & Co., West Garden Bldg.

King Merritt Adds

(Special to The Financial Chronicle)

MIAMI, Fla.—Jay L. Blanchard is now connected with King Merritt & Co., Inc., Chamber of Commerce Building.

EARNINGS REPORT

MacFadden Publications Inc.

The consolidated net profit of our Company for the first six month ended June 30, 1956, after taxes, amounted to $310,305, as compared with $205,135 for the same period last year, an increase of 51.2%. This amounts to 76.1¢ per share on 407,561 shares outstanding, as compared with 50.3¢ per share last year on the equivalent number of shares.

I. S. MANHEIMER
President

July 12, 1956

Riegel Paper Corporation has made generally available to its security holders, in accordance with the provisions of Section 11(a) of the Securities Act of 1933, as amended, an earnings statement on a consolidated basis for the twelve months' period ended July 1, 1956, such period beginning after the effective date of the Company's Registration Statement filed on May 3, 1955, with the Securities and Exchange Commission (SEC File No. 2-11567) relating to 190,960 Shares of Common Stock ($10 par value) and $15 million 25-Year 3¾% Sinking Fund Debentures due May 1, 1980. Copies of such earnings statement will be mailed to the Company's security holders and to other interested parties upon application to the Company.

RIEGEL PAPER CORPORATION
260 Madison Avenue
New York 16, N. Y.
By J. Bicknell Lockhart, Jr.
Secretary

July 19, 1956

DIVIDEND NOTICES

COMMON STOCK DIVIDEND

The Board of Directors of Central and South West Corporation at its meeting held on July 18, 1956, declared a regular quarterly dividend of thirty-five cents (35¢) per share on the Corporation's Common Stock. This dividend is payable August 31, 1956, to stockholders of record July 31, 1956.

LEROY J. SCHEUERMAN,
Secretary

CENTRAL AND SOUTH WEST CORPORATION
Wilmington, Delaware

AMERICAN-Standard

PREFERRED DIVIDEND
COMMON DIVIDEND

A quarterly dividend of $1.75 per share on the Preferred Stock has been declared, payable September 1, 1956 to stockholders of record at the close of business on August 24, 1956.

A quarterly dividend of 35 cents per share on the Common Stock has been declared, payable September 24, 1956 to stockholders of record at the close of business on September 4, 1956.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION
FRANK J. BERBERICH
Secretary

AVISCO® AMERICAN VISCOSE CORPORATION

Dividend Notice

Directors of the American Viscose Corporation at their regular meeting on July 5, 1956, declared a dividend of fifty cents (50c) per share on the common stock, payable on August 1, 1956, to shareholders of record at the close of business on July 18, 1956.

WILLIAM H. BROWN
Vice President and Treasurer

DIVIDEND NOTICES

HOOKER

Dividend Notice

The Board of Directors on July 18, 1956, declared dividends as follows:

Quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable September 28, 1956, to stockholders of record as of the close of business September 5, 1956.

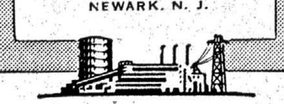
Quarterly dividend of $.25 per share on the Common Stock, payable August 30, 1956 to stockholders of record as of the close of business August 6, 1956.

ANSLEY WILCOX 2nd, Secretary

DUREZ® • NIALK® HOOKER CHEMICALS PLASTICS

HOOKER ELECTROCHEMICAL COMPANY
Niagara Falls, N. Y.

Public Service Electric and Gas Company
NEWARK, N. J.



QUARTERLY DIVIDENDS

The Board of Directors has declared the following dividends for the quarter ending September 30, 1956:

Class of Stock	Dividend Per Share
4.08% Cumulative Preferred	$1.02
4.18% Cumulative Preferred	1.045
4.30% Cumulative Preferred	1.075
$1.40 Dividend Preference	.35
Common	.45

All dividends are payable on or before September 29, 1956 to stockholders of record August 31, 1956.

F. MILTON LUDLOW
Secretary

NJ PUBLIC SERVICE
CROSSROADS OF THE EAST

DIVIDEND NOTICES

WOODALL INDUSTRIES INC.

A regular quarterly dividend of 31¼¢ per share on the 5% Convertible Preferred Stock has been declared payable September 1, 1956 to stockholders of record August 15, 1956.

A regular quarterly dividend of 30¢ per share on the Common Stock has been declared payable August 31, 1956 to stockholders of record August 15, 1956.

M. E. GRIFFIN,
Secretary-Treasurer

PUNTA ALEGRE SUGAR CORPORATION

The Board of Directors has declared a dividend of $1.00 per share on the capital stock of the Corporation, payable September 1, 1956, to stockholders of record at the close of business August 15, 1956.

WILLIAM C. DOUGLAS,
Chairman

July 12, 1956

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)

44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)

32 cents per share on its Common Stock ($15 par)

all dividends payable September 1, 1956, to stockholders of record August 15, 1956.

EDWARD L. SHUTTS,
President.

July 17, 1956

DIVIDEND NOTICES

TENNESSEE CORPORATION

TENNESSEE CORPORATION

July 10, 1956

A dividend of fifty (50c) cents per share was declared payable September 26, 1956, to stockholders of record at the close of business September 12, 1956.

JOHN G. GREENBURGH
61 Broadway *Treasurer.*
New York 6, N. Y.

R. J. Reynolds Tobacco Company

Makers of
Camel, Cavalier, Winston & Salem cigarettes
Prince Albert, George Washington smoking tobacco

QUARTERLY DIVIDEND

A quarterly dividend of 80 cents per share has been declared on the Common and New Class B Common stocks of the Company, payable September 5, 1956 to stockholders of record at the close of business August 15, 1956.

W. J. CONRAD,
Secretary

Winston-Salem, N. C.
July 12, 1956

RICHFIELD
dividend notice

The Board of Directors, at a meeting held July 10, 1956, declared a regular quarterly dividend of seventy-five cents per share on stock of this Corporation for the third quarter of the calendar year 1956, payable September 15, 1956, to stockholders of record at the close of business August 15, 1956.

Norman F. Simmonds, *Secretary*

RICHFIELD
Oil Corporation
Executive Offices: 555 South Flower Street,
Los Angeles 17, California

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Democrats, if they win the House again in next November's election, are likely to strike out boldly on a broad new course of taxation. This will involve a combination of "broadening the base" of taxation and a hefty cut in personal income tax rates.

By "broadening the tax base" is meant cutting down the three main areas in which personal and corporation income escapes the full rigors of corporate and surtax rates. These areas are those of (1) tax exempt income, (2) the whole capital gains field, and (3) depletion allowances.

Each of these three partially excluded areas has behind it a potent vested interest which, if they are all tackled at once, will make them difficult to knock over. For instance, the oil depletion allowance is the most spectacular instance of how some of the rigors of taxation are legally avoided in the depletion area. The tax exempt area's most notable case is the state and municipal bond. It is the contention of scores of "liberals" that numerous items are hit at the top capital gains rate of 25% into which the tax bite instead should come at the 52% corporate rate or the applicable surtax on personal income.

Two approaches may be made in "selling" this broad change. One of these is the possibility of a big cut in personal income taxation. The other is the adoption of the graduated tax on corporation income pitched at easing the burden of "small business," whatever that might turn out to be taxwise.

In other words, if the "small business man" and the individual can have their appetites whetted by the prospect of relief from taxation this would go a long way toward making it politically possible for the Democrats to break through the wall of obstacles to such partially excluded income groups.

Background of Philosophy

Some time in the last year the Democratic tax philosophy has undergone, in the House, a rather sweeping revolution.

Early in 1955, Speaker Sam Rayburn put through the House the $20 per capita income tax cut, coupled with the repeal of the 1954 law's dividend credit.

This failed to get very far in the Senate. Before long the reaction of the country convinced the House Democratic leadership that a small individual tax cut like $20, even though simple to advertise over the political counter, appeared to move the millions to no enthusiasm whatever.

As one outstanding Senate "liberal" told this correspondent later, he got very few letters from prospective beneficiaries of the $20 per capita cut urging that it be enacted. On the other hand, the people who collected a little on dividends can usually read and write and write they did. He got almost no letters favoring the tax cut but did get a lot of letters protesting against his vote in favor of dropping the dividend credit.

"Must Be Big"

So the leadership began to realize that a tax cut, to be appreciated in the lower brackets, must be genuinely substantial to get the attention of millions of voters. The sober judgment of the leadership was that not even a boost of $100 in exemptions, even though it would cost the Treasury $2.5 billion, was worth the trouble because in terms of a reduced payroll tax deduction over 52 weeks, it hardly amounted to more than smoking money.

Hence, the Democrats do not want to piddle around with tax reduction unless it can be made to look like something for the voters, plus something for "small business."

Undo "1954 Harm"

Another phase of the House Democratic leadership's 1957-58 program can well be to, so the thinking in the instant circles goes, "undo the harm of the 1954 tax cuts." Chief among these is the dividend credit. Another is the greater flexibility that act provided to business in taking depreciation. The Democratic group probably will hold prolonged hearings which will bring up instances in which business took more liberal depreciation, faster than the machinery or equipment actually depreciated, and then when selling fully tax-depreciated equipment paid off the Treasury at the capital gains rate of 25% instead of the going corporation income tax rate of 52%.

This cutting at the 1954 act, however, in terms of money in the Treasury bank, will amount to little and tacitly will be so recognized. The attack on the 1954 act will not be undertaken with the idea that a retreat therefrom will net much cash; the cash will come from cutting into the three partially excluded income areas. Nevertheless, the 1954 act will be assailed because it is thought necessary in the interests of good conventional partisan politics to try to prove that the other side made a sucker out of the voting people.

1957 Action Dubious

That the House Democratic leadership will get very far in 1957 in netting large chunks of dough from the partially-excluded income groups, is at this moment a rather dubious possibility. That is because the Senate Finance Committee under Chairman Harry F. Byrd (D., Va.) is likely to give this project something of a battle, although more and more the Finance Committee is coming to be "liberal" in its make-up.

Successful or not, however, 1957 will probably see the greatest drive to cut down on oil and other depletion, net more and more income under full corporate and individual surtax rates. There will probably be a terrific drive to propagandize the "inequity" of the present tax laws, to show that if the allegedly tens of billions of dollars now escaping taxation were hit, there could be so much more done to cut taxes for small business and individuals.

White House Reaction

It is not beyond the realm of conjecture that the White House may not seriously interpose objections to this tax approach, even if the present occupant is reelected. There are some who are willing to forecast privately that an Eisenhower reelection will be followed by complicity to get a cut in the oil depletion allowance.

However, if in spite of the patent interest of the White House in appealing over the heads of Republicans in Congress who do not think 100% as does Mr. Eisenhower, to show that their candidate is a "liberal," a Republican House nevertheless should be elected next November, then the Democratic project would fail.

Committee Studies

It is in the light of the foregoing that trained observers will regard the forthcoming studies by a subcommittee of the House Ways and Means Committee of the whole tax laws, with a view to remedying inequities therein.

Immediately with the announcement by the Ways and Means Committee that a subcommittee this fall would study the tax laws from stem to stern, the wishful thinkers among business representatives began to read great hopes that their own various inequities might as a consequence be ameliorated. Already enthusiasts were getting ready to present their special cases to the subcommittee, when, as, and if it gets around as it expects to, to public hearings.

Of course all the special pleaders will no doubt be allowed to file their briefs and statements, and a good many undoubtedly will be heard.

Relief Depends On Spending Cuts

However, the only true "inequities" which have a remote chance of being ameliorated are those which cost close to zero. So long as Federal spending keeps inexorably on the rise, the government has a vested interest, as it were, in the revenues which these inequities produce.

Far-seeing "liberals" already have got wise to the idea that spending is inexorably on the rise, and must be met ultimately by larger revenues to escape too rapid inflation. While Congress is occupying itself and the newspaper headlines with a tentative cut in foreign aid, a dozen little new welfare programs or special aids for special groups pass the Congress without being even mentioned in the daily newspapers.

Harkens To JEC Study

As a matter of fact, the drive began many months ago to lasso the income excluded in the three groups aforementioned. This was when the Joint Economic Committee, after a study of the tax laws, brought in a report which called the national shame to the fact that so many chunks of income were excluded from the tax base that the "compensatory fiscal policy" was negated to that extent in the scope of its operation.

It should be borne in mind that the JEC still lives by the fiction that expenses of government can be lowered in boom times as well as be raised in times of depression, and that taxes can be raised in boom times (other than war) as well as be lowered during depressions, although current history makes the compensatory fiscal policy ludicrous.

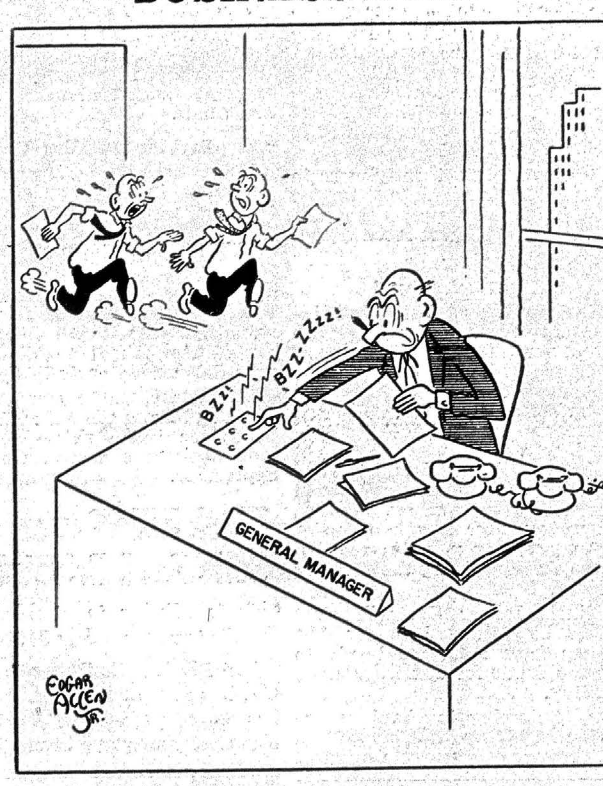
Nevertheless, the JEC reports, whilst keyed around compensatory fiscal policy, actually sounded the starting bell in the inexorable drive to raid the partially excluded income groups. The hearings and report of the Ways and Means subcommittee are expected to carry the gospel and propaganda farther.

Relief, If Granted, Would Be Temporary

It is the nature of the basic problem of an eventual need for many billions more of Treasury revenues, that the tax relief afforded individuals and small business would be "temporary." However, such a temporary relief could last long enough to bate the hooks to catch the now partially-excluded sources of income.

[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



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Business Man's Bookshelf

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World Economic Survey 1955 — United National Department of Economic and Social Affairs—Columbia University Press, 2960 Broadway, New York 27, N. Y. paper—$2.00.