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EDITORIAL

As We See It

It is now evident enough that both political parties will enter their election campaigns without the aid of any outstanding record in Congress this year, and so far as can be determined at this time of any new policy or program which ought to be of much benefit when the voters are approached. The behavior of the present Congress would have been definitely amusing were it not for the fact that serious matters were in the hopper. The "opposition" naturally did not particularly wish to help the Administration "make a record." It would have preferred to make one of its own to which candidates for office might point with pride. The trouble, or one of them, was that what the Administration proposed was frequently what the Democratic politicians themselves would have proposed, or actually had proposed at various times in the past. And when these suggested measures were not quite so exactly copied after Democratic models, they were so utterly in keeping with New Deal and Fair Deal ideas that it really was not feasible for the opponents of the Administration to object very strenuously or effectively.

The net of it all was a series of maneuvers which might be described as a sort of jockeying for position and which usually ended in giving the President a considerable, perhaps even the larger part, of what he asked for, but with modifications and often relatively minor changes of no basic significance. There were a few exceptions, of course. The school bill which the Administration wanted, got entangled with the segregation issue and faded from view. In the field of social security, so-called, the Democratic party (cer-

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Today's Stock Market

By ARTHUR WIESENBERGER*
Senior Partner, Arthur Wiesenberger & Co.
Members New York Stock Exchange

Mutual Funds authority asserts on basis of the three main influences on stock prices, namely money, sentiment, and profits, present market level embodies considerable risk. Emphasizes non-political character of Federal Reserve System, facilitating deflationary policies. Maintains analysis of "sentiment" fluctuation implies current over-valuation. Anticipating some shading in earnings and dividends, and their capitalization at normal yields, sees possibility of 25% decline to 390 by the Dow-Jones Average.

The factors affecting the stock market may be grouped under three main heads: money, sentiment, and profits. By money, I mean all the things that go to make for the level of interest rates and bond prices, that make it easy, difficult or something in between for investors, businessmen, corporations, and people generally, to borrow money.

Arthur Wiesenberger

By sentiment, I mean that intangible feeling pervading the people who buy and sell stocks. Generally, it fluctuates with stock prices, but sometimes it moves contrary to the market. Best expression of such sentiment is the prevailing yield on common stocks.

By profits, I mean everything that has to do with the profitability of corporations, and this includes such factors as business activity, consumer demand, costs, profit margins, etc.

Money and the Federal Reserve

Money is highly important to modern markets. It's a subject everyone talks about, but one that few, even among the experts, seem to understand. I don't pro-

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*A talk by Mr. Wiesenberger before British Isles & General Investment Trust Ltd., London, England.

New Look in the Cold War

By DAVID SARNOFF*
Chairman of the Board, Radio Corporation of America

General Sarnoff says Kremlin's latest tactics have cunningly lulled many into false sense of security. Cites democratic countries' reception of Kremlin dictators as honored guests. Maintaining we even dare not rule out the possibility of a surprise attack. Urges we remain militarily strong, keeping ahead in science and technology, with adequate supply of man-power. Asserting Soviet structure of power is termite-eaten by chronic fears, hatreds and oppressions; insists time is now propitious for clear-headed decision to fight and win the cold war.

I welcome the opportunity to voice some thoughts and feelings on the worldwide struggle between freedom and tyranny in which our country unavoidably plays a key role. There is a spreading opinion that this struggle—the Cold War, so-called—is tapering off. I believe, on the contrary, that it has entered a critical stage. I am therefore deeply concerned, as I know all of you are, over the recent decline of our sense of peril and urgency. I am disturbed by evidences of complacency, of a readiness to substitute wishful hoping for unpleasant facts.

David Sarnoff

It seems to me a complacency cunningly induced by the enemy through "new looks" that are not even new, and soporific slogans which have served to weaken the free world in the past. Too many free nations are today lapsing into a drowsy mood of false security. Too many leaders of free-world opinion, in defiance of the lessons of nearly forty years of Soviet manipulations, are again accepting a Communist change of tactics for a change of heart.

Liberty is not a set of laws and documents. It is a way of life based upon deep-rooted political, spiritual and moral values. Liberty is to our spirit what oxygen

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*An address by Gen. Sarnoff at Department of Pennsylvania, American Legion Convention, Philadelphia, Pa., July 21, 1956.

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

This Week's Forum Participants and Their Selections

CHARLES T. GREENE

All States Securities Dealers, Inc., New York City

Combustion Engineering Inc.

I recommend Combustion Engineering, Inc., as affording the investor a reasonable current income in association with a double-barrelled prospect of growth based (1) upon the expanding needs of its historic outlets which are among the fastest growing industries in the country, and (2) on the prospect of eventual and worthwhile additional profit from its atomic energy activities. Combustion Engineering, Inc., is one of the two largest domestic manufacturers of steam generating equipment. It has just successfully completed a long-term financing program with an offering of $15,000,000 of 3⅜% subordinated debentures, dated June 15, 1956 and due June 15, 1981. They are convertible into stock at $30 per share at any time, or if called, through the fifth day prior to the call date.

A comparison of sales and earnings in the first four months of 1956 and 1955 is given in Table I.

Joseph V. Santry, Chairman and Chief Executive Officer, recently stated: "We confidently expect that for the full year total shipments will approximate $180,000,000, which will compare with $136,000,000 last year."

Unfilled orders on the books as of April 1, 1956 totaled $250,000,000—a record high.

Approximately $6,000,000 was spent last year for new facilities, and further expenditures are budgeted for 1956. The management states that during the next two years estimated disbursements for new facilities will approximate $20,000,000 as a minimum.

The company's expansion program includes the following six important projects:

(1) The completion of new facilities at the main Chattanooga plant designed particularly for the production of nuclear reactor vessels.

(2) The completion, also at Chattanooga, of a mechanized foundry capable of producing more than 100,000 tons annually on practically an automatic basis.

(3) The purchase of a new plant in Chicago for the Raymond Pulverizer Division.

(4) Additional manufacturing capacity at Monongahela, Pa.

(5) Expansion at the St. Louis plant, and

(6) A Nuclear Engineering and Development Center in Windsor, Conn.

Leading Role in Atomic Power Development

The enlargement of the nuclear facilities at Chattanooga, and the completion of the new facilities at Windsor places the company in a position to assume a leading role in the atomic power industry. The cost will be $54,000,000 including $9,000,000 for research. The reactor will cost $41,000,000 and the boiler generator, $14,000,000.

Although I stress the importance of the company's nuclear activities, I offer this word of caution. Profits from these activities are not in immediate prospect. It is the consensus in the industry that any worthwhile realizable profits are from five to ten years off; but I deem it important to stress the probability that these activities virtually guarantee, along with the activities of the company in conventional lines, the prospect of growth in earning power over an indefinite period ahead.

60% of Company Business With Utilities

I am deeply impressed by this prospect of growth for approximately 60% of the company's business comes from the sale of steam generating equipment to the electric utilities.

What do you suppose has been the principal factor in lowering the cost of the electrical energy consumed in making the wheels of progress turn in this country? Why our electric bills have been steadily reduced over the years? Well, I'll tell you.

Table I

	Four Months to April 30	
	1956	1955
Net sales	$48,895,000	$46,339,000
Net before taxes	4,934,000	4,457,000
Income taxes	2,574,000	2,312,000
Balance before interest	$2,360,000	$2,145,000
Interest	156,000	156,000
Net income	$2,204,000	$1,989,000
Shares outstanding	3,183,744	3,141,357
Net per share	$0.69	$0.63

Table II

Period	New Orders Received During Period	Unfilled Orders End of Period
1951	$182,400,000	$205,100,000
1952	149,200,000	214,000,000
1953	125,100,000	170,300,000
1954	109,700,000	132,400,000
1955	218,100,000	216,000,000
12 Mos. Ended April 30, 1956	266,300,000	280,400,000

Table III

(Expressed in Thousands of Dollars)

Year	Earned Billings Net Sales	Operating Profit	Net Before Taxes	Net After Taxes	Net Per Share	(B) Shares Outstdg.
(a) 1956	$48,895	$4,442	$4,778	$2,204	$0.69	3,183,744
(a) 1955	46,339	4,114	4,301	1,989	0.63	3,141,357
1955	135,778	10,114	11,374	5,625	1.78	3,164,994
1954	150,462	12,969	13,744	6,611	2.11	3,129,384
1953	120,625	16,354	16,690	7,361	2.54	2,903,391
(a) 1952	137,846	13,265	13,637	5,935	2.05	2,896,323
1951	113,897	14,887	15,925	6,025	2.08	2,896,323

(a) Four months ended April 30. (b) Adjusted for 3-for-1 split, April 27, 1956.

Raising Temperatures and Pressures

It has been the constant and unremitting research in boiler pressures and temperatures, such as that in which Combustion Engineering has for years specialized. In the middle '20's, Combustion entered the boiler field and soon thereafter began developing designs for higher steam pressures and temperatures. The uptrend in these has continued through the years and has reached its present peak of a pressure of 6,000 pounds per square inch and a temperature of 1200F. These are the highest pressure and temperature conditions projected anywhere in the world. They were developed for the Eddystone Station of the Philadelphia Electric Company by Combustion Engineering.

The pressure used at Eddystone is ten times higher than was known in commercial use at the time Combustion entered the field of steam generation 30 years ago, and the steam temperature is twice as high. Indeed, the overall gains in power generation efficiency, due, in large measure, to the use of higher steam pressures and temperatures, have been of such magnitude that the cost of a kilowatt-hour to the residential user, in spite of increased labor and fuel costs has been more than cut in half in the past 25 years.

Other Lines Offer Protective Diversification

But we must hasten along. Combustion is engaged in other activities which afford it effective protective diversification. The company today is a major factor in other related lines of fuel burning and steam generation. Its marine boilers are suitable for every type of vessel from ferryboats to battleships. Smaller boilers for industrial applications form an increasing portion of the company's business. It has developed a highly successful unit for burning the black liquor residue of the pulp-making process of the paper industry, thereby recovering valuable chemicals for re-use, and, at the same time, generating large amounts of steam. Sales from this source alone last year totaled $7,500,000.

The company ranks as one of the foremost producers of coal pulverizers for power plants and cement mills, and its pulverizers for material other than coal are extensively used in the chemical industries.

Its Home Equipment Division, which has long been engaged in the production of gas and electric hot water heaters, has recently developed a combination heating and air conditioning wet system ideal for small- and medium-sized homes.

A new soil pipe foundry is in course of completion that will double the present capacity. It is the world's first fully mechanized foundry for the production of soil pipe and fittings. Pipe will be centrifically cast by a process that has taken more than a decade to perfect. Production costs, it is estimated, will be 20% less than

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The Financing of United States Foreign Trade

By AUGUST MAFFRY*

Vice-President, Irving Trust Company, New York

Prominent international trade expert exhaustively explores subject of foreign trade financing from twin approaches of analyzing how U. S. pays for its imports, and rest of world pays for our exports; and second, the method of financing trade in sense of terms, instruments, and banking techniques. Analyzes in detail financing techniques in connection with Export-Import Bank and International Bank loans with loans and grants under the American aid programs, and the sale abroad of surplus agricultural products.

I suppose there are two rather obivous approaches to my subject. One would deal with the financing of United States foreign trade in a balance-of-payments sense and would revolve around two main questions: How does the United States pay for its imports? and How does the rest of the world pay for United States exports? The second approach would deal with the financing of United States trade in the sense of terms, instruments, and techniques, with particular reference for present purposes to banking techniques. I propose to take both approaches even at the risk of being diffuse.

August Maffry

Let me begin with the financing of United States foreign trade from a balance-of-payments point of view and pose, first, the question as to how the United States pays for its imports. This is a question which rarely arises in the United States today because exports from the United States regularly exceed imports into the United States. In this sense, the United States has no problem of paying for its imports as do countries the imports of which tend to outrun exports. Another way of saying the same thing is that the dollars which the United States tenders in payment for its imports are universally acceptable because they command goods and services everywhere or may be used freely to acquire dollar assets.

The more familiar and presently more pressing question is how the rest of the would pays for United States exports. During the ten years since World War II (1946-1955), payments to the United States for goods and services and certain other payments totaled $176 billion. This aggregate utilization of dollars by the rest of the world during the period we shall take by definition to represent the world's requirements for dollars during the period. The question is: Where did the dollars come from and how adequate was the supply to meet the requirements?

Excess of Dollars Supplied

In actual fact, the amount of dollars supplied during the postwar period by the United States to the rest of the world by way of imports of goods and services, government grants and loans, military expenditures abroad, private investment in foreign countries, and other means has exceeded the world's requirements for, or utilization of, dollars by a considerable margin. Indeed, the dollar requirements, as we are using the term, arose in large part because the dollar supply was available, as has been clearly the case with grants and loans under the various American aid programs since the last war. The excess of dollar supply over dollar requirements during the last ten years has aggregated nearly $11 billion. The result has been an accumulation of foreign dollar assets, predominantly at short-term and mainly on official account. This has occurred, to be sure, under conditions of restricted foreign demand for American goods, that is, demand restricted by import and exchange controls.

Let me discuss briefly how each of the principal sources of dollar supply contributed during the postwar period to meeting the dollar requirements of the rest of the world and hence to financing United States exports in a balance-of-payments sense. Dollar payments for imports into the United States met more than 50% of the requirements, and payments for good and services, the latter consisting chiefly of ocean transporation and tourism, together accounted for 65%. Economic aid from the United States Government through its grants and loans to foreign countries provided 25% in addition.

Sources of Dollars

There were three other important sources of dollars for foreign countries during the period: (1) Military expenditures abroad consisting of troop pay and of purchases of goods and services in foreign countries for military use, which amounted to 8% of total dollar requirements; (2) New foreign investment abroad on private account, which amounted to 5% of requirements; and (3) Private remittances and pensions, which amounted to 3%. Thus, as we have already noted, the dollar requirements of the rest of the world were over-supplied through imports of goods and services into the United States, government aid,

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*A paper by Mr. Maffry delivered before the Ninth International Banking Summer School, Rutgers University, New Brunswick, New Jersey, July 16, 1956.

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Canadian Cement—Grinding Out New Capacity

By IRA U. COBLEIGH

Enterprise Economist

A topical look at cement production and use north of the St. Lawrence, with some notes on expansion.

The delayed postwar expansion of cement production in the U. S. has been repeatedly cited. Mindful of the substantial over-capacity built up in the 1920's (which led to the dreary 30's, with cement selling as low as 50c a barrel, and several companies in reorganization), American management approached the problem of plant expansion gingerly. At an increasingly rapid rate, however, since 1945, cement productive capacity in the U. S. has advanced from 100 million barrels in 1945, to reach 295 million at the 1956 year end—and the commodity is still in short supply.

Ira U. Cobleigh

Canadian cement experience has been along the same lines. The sales figure of 12¼ million barrels in 1929 slipped dismally to 3 million barrels in 1933; and it was not until 1948 that 1929 sales were surpassed. Moving from 14 million barrels in that year (1948) the dynamic expansion in the use of cement and the capacity of its producers carried output up to 25.1 million barrels for 1955. (In Canada a barrel is 350 lbs.; it is 376 lbs. in the U. S.)

The foregoing will serve to point up the perennial shortage of cement in Canada in the postwar years, and indicate some of the reasons why (1) there has been a substantial import of foreign cement from England, Belgium and Germany and (2) there is a large scale program for the building of new Canadian mills. This latter will be our topic for today.

In the period between 1928 and 1946, three principal producing companies, Canada Cement Company Ltd., St. Mary's Cement Company Ltd., and British Columbia Cement Company Ltd. provided, together, a plant capacity, more than sufficient to serve all of Canada (11,690,000 barrel capacity total in 1946). But postwar economic and population growth, sparked by the oil strike at Le Duc in 1947; vast mineral expansion in iron, nickel, copper, zinc, aluminum and uranium, subsequently, and huge upsurges in pulp, paper and heavy industry have created such urgent and persistent construction demand for cement that new, and expanded, plants were inevitable. Thus it is that, since 1946, Canada Cement Co., the dominant producer, has spent over $60 million increasing its capacity from 10 million barrels in 1945, to about 24 million by the end of 1956. St. Mary's Cement has expanded from 1¼ million capacity in 1946 to 3 million to be available in 1957; British Columbia Cement from 600,000 in 1946 to 3 million projected capacity in 1957. And there have been some newcomers we'd like to mention.

North Star Cement, a small plant in Newfoundland, began operations in 1952. It sold 400,000 barrels last year. Ciment Quebec Inc. at St. Basile, Quebec, was organized in 1950 and has a 2 million barrel capacity rating today. St. Lawrence Cement Co. started production in November 1954 with 1½ million barrels; and is now in process on a $27 million expansion, with a new plant at Clarkson, Ont., of 3 million capacity expected to be ready by January 1957. Out West, the Inland Cement Co. Ltd. has 900,000 barrels coming into production with a second unit doubling that output, ready in 1957.

Cement plants can't be located just anywhere. There should be a good quarry supply of the right kind of limestone and shale immediately at hand; accessibility to transport to receive coal, and to ship products; and finally, nearness to markets. The last factor is especially important, and it will be seen that most of the new plants mentioned have been located in Ontario and Quebec where roughly ⅔ of Canadian cement is sold and used. The most intense demand is in Ontario, where 7 million in new capacity is being "revved up" for 1957 delivery. We'd like to say a few words about the very newest one there—Lake Ontario Cement.

Lake Ontario Portland Cement Company Limited was incorporated on April 23, 1956 to build at Picton, Ontario, a 1,650,000 barrel (376 pounds) cement plant, and a 600,000 ton per year aggregate plant. Why at Picton? Because it has there a unique combination of extraordinarily favorable factors for plant construction, operation, and sales.

First, the Picton property is on Lake Ontario, and well situated for the building of a deep water dock. The land itself (700 acres) is a plateau of virtually solid limestone overlaid with clay. The limestone is of correct quality, and chemical composition, for cement and on but 165 acres (of the 700) tested by core drillings, there's enough limestone to run the new mill for 43 years. The clay, too, is a basic ingredient and in addition to that overlying the limestone at Picton, the company has several hundred acres of clay and shale land under option only nine miles away.

The cement mill itself, to be built virtually astride the quarry, will have two kilns, and be of the latest and most efficient design; and constructed by an internationally known engineering firm. Supplies of gypsum, needed for finishing the cement, and coal to fuel the plant, will be brought in economically by deep water vessels; and moved from dock to plant by a conveyor system which will serve equally well for loading aggregates, and cement, onto market-bound vessels. (Canada Steamship Lines will probably supply the cement boats.)

In addition to the completely functional facilities just outlined, the Picton location enjoys certain marketing advantages. It is only 150 water miles from Toronto and 90 from Rochester. These are choice markets and the company plans to build, at each point, bulk storage silos for 100,000 barrels, plus bagging facilities. (This, to continue customer supply, when winter closes Lake Ontario.)

The overall cost of this new cement mill, aggregate plant (crushed limestone right from the quarry), dock, plus the storage elements at Toronto and Rochester, is to be $16,300,000. When you consider that the standard going estimate of new cement mill is $10 a barrel, the cost of this facility is not out of line. And here there are an aggregate plant and storage terminals in addition.

The plant was recently financed by an impressive group of Canadian and American underwriting firms who offered, by prospectus, a unique investment package. The subscription unit consisted of $700 in 5½% debentures, 25 shares of 5% ($10 par) convertible (into 2 common) preferred, and 75 shares of common —all for $1,018.95 in U. S. currency. You are respectfully referred to the prospectus of June 27, 1956 for complete enlightenment respecting Lake Ontario Portland Cement Co. and its securities.

This panoramic treatment of certain Canadian cement supply and demand factors is necessarily swift and sketchy. It should, however, serve to describe some areas of present need, and the manner in which Canada proposes, in due course, not to have to import over 2 million barrels a year, as it did to meet its 1955 requirements. The St. Lawrence Seaway, extensive highway building in most Provinces, heavy plant and housing construction, and the new industrial impetus stemming from the Trans Canada Pipeline, all project new cement demands; while technological improvements such as pre-stressed concrete, and precast panels, walls, roof and floor slabs (replacing steel and other materials) add new dimensions to the future market. So while we are witnessing, in Canada, a dramatic upturn in cement productive capacity, the long-term demand gives promise of keeping pace. Each one of the plant expansions mentioned was decided on, not by whim or caprice, but only after the most careful research, and calculation of future demand. Some of the most rewarding American market equities of the past decade have been cement stocks such as Lehigh, Lone Star, Penn-Dixie or Dragon. Canada has some good ones, too. It may pay you to investigate them.

The State of Trade and Industry

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

A further decline was noted the past week in total industrial production due to the steel strike and to seasonal factors such as the closing of factories for the vacation period.

A report from the Federal Reserve Board discloses the fact that in the first week of July industrial production declined by 4% as a result of the steel strike.

On the employment front it is reported that transportation, mining and construction industries were largely responsible for the layoff of roughly 100,000 workers. Compared with the overall employment level of more than 66,000,000 persons these layoffs are not too significant.

Steel production plummeted below a year ago. Ingot output was at 15% of capacity, compared with 91% last year. The impact of the steel strike on the economy was not as sharp as past walkouts.

Initial claims for unemployment insurance benefits dropped by 58,500 to 258,200 during the week ended July 14, the United States Department of Labor's Bureau of Labor Statistics reports. The decline was attributed by the bureau to the passing of the vacation shutdown peak.

It also said the fewer layoffs in the auto industry helped bring about the decline. In the seven major auto producing states, the agency reported, new layoffs were down to 1,600—the smallest weekly volume in three months.

Since strikers are not eligible for unemployment benefits, the steel strike was not directly reflected in the figures. But a number of states, the bureau stated, noted effects of the strike on other industries. However, it added, the only significant one was Pennsylvania, where initial claims were up more than 5,300.

While the drop in initial claims reflected the passing of the vacation shutdown peak, it added, most of the layoffs came from the shutdowns as workers ineligible for vacation pay filed to determine their rights to insurance benefits. Layoffs from vacation shutdowns, it said, were about 65,000 above the level in late June, before the shutdowns started.

Insured unemployment rose by 135,000 to 1,226,900 during the week ended July 7, the bureau disclosed.

The country's gasoline stocks edged lower during the week ended July 13, states the American Petroleum Institute, trade organization for the oil industry.

Motor fuel in storage at the week end totaled 178,366,000 barrels. This was 183,000 barrels under the preceding week and compared with 158,822,000 barrels a year earlier.

In the steel industry, if the strike is not settled this week, negotiators will be called to Washington, where government pressure, already strong, will be intensified, states "The Iron Age," national metalworking weekly.

Neither side wants that to happen and that is why negotiations were resumed the past Tuesday, only three days after an apparently hopeless deadlock, adds this trade paper.

It will take a lot of compromising to end the strike, since the steel companies and steel labor are still far apart, perhaps as much as 11 to 12 cents on money and even more on principle.

The pressure from government and industry is hard to ignore. The Administration does not relish the thought of a long steel strike in an election year. And the pinch on industry is growing more serious by the day, continues this trade journal.

As of now, probably 30% of steel's customers are in serious trouble. A settlement this week would not be of much help to these consumers since steel supply pipelines will be slow to fill after production is resumed.

With the walkout in its fourth week and production losses certain to hit 9,000,000 ingot tons, the effect on industry will be felt as far away as December, or early 1957, it notes. Among those that will be short of steel by October or November are tinplate users, construction steel fabricators, wire and wire product customers, warehouses and auto and auto parts makers.

Each day of the strike compounds the start-up problems of the mills. Not to mention the matter of which customers get priority once shipments are resumed. It will take no less than two weeks, and probably three weeks, before steel production and supply lines are back to normal once the walkout ends, concludes "The Iron Age."

Business failures dipped 5% in June, in accordance with the usual seasonal downtrend. However, as in the previous five months of this year, a postwar record was established; the toll mounted 21% above a year ago to reach the highest level for any June since 1940.

Failures occurred at the rate of 49.2 for each 10,000 businesses listed in the Dun & Bradstreet "Reference Book," according to Dun's Failure Index. The index extends monthly mortality to an annual basis and is adjusted for seasonal fluctuations. Exceeding any month since May 1942, the June failure rate compared with 41 failures for each 10,000 listed enterprises last year. But it was considerably less severe than the prewar rate of 64 in 1940.

Liabilities involved in the June casualties fell 28% to $43,013,000. While this volume was exceeded in February and May this year, it is larger than any month of 1955.

Mortality was higher than in June 1955 in all industry groups except manufacturing. Some 24% more retail and service businesses failed than a year ago, while wholesale and construction

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Observations . . .

By A. WILFRED MAY

Soviet Industrial Progress and East-West Trade Implications

The vast advance made by the Soviets with their machine tool industry, consistent with their great increases in engineering manpower, harbors the broadest implications for us. The Russians' tripling of such facilities since World War II is important because of the resulting benefit to her war potential, and to her industrialization progress; as well as the connotations on the question of East-West trade possibilities.

A. Wilfred May

Hence a recent interview granted by A. I. Kostousov, Minister of Machine Tools of the Union of Soviet Republics, to Burnham Finney, Editor of *American Machinist*, is of considerable timely importance.

Total production of the Russian machine tool industry may even now be larger on a weight basis than that of the United States. Furthermore, Minister Kostousov claims that by 1960 the USSR's manufacture of machine tools will be at least double the present volume; which might give Russia within four years twice as much total tonnage of machine tool output as the U. S. tool industry now turns out. Russia's machine tool production in 1956 also will apparently outstrip Britain's tool industry, at 150,000 tons; and that of West Germany, at 160,000 tons.

A vitally important revelation made by the Russian Minister was that a considerable portion of the Soviet's current output is being allocated directly to her machine tool building industry itself, to enlarge *its* capacity to carry out the current Five-Year Plan.

Thus: were the West to accede to the pleas to remove the restrictions on exporting machine tools pursuant to some idealistic mirages about "East-West" trade, it would not only help the Russians to outstrip us in a vital area over, but as well enable the early turning-off of such "trade" by our newly-acquired "customers."

The Soviet's Growing Threat on Another Front

On the currency front, too, have the Iron Curtain countries emerged as a new threat, if the currently revealed analysis of an international monetary expert are to be credited. Franz Pick, in a news conference attending the launching of the second edition of *Picks Currency Yearbook* this week, disclosed his decisive findings of recent marked gains in the value of the Iron Curtain country currencies, in contrast to the worsening situation throughout the rest of the world. Whereas the pound sterling is allegedly becoming "shakier and shakier" with a total dollar and gold coverage of only $2.3 billion, his surveys plus official data lead him to the conclusion that the Russian ruble is now covered 25% in gold, and the satellites by 25% in gold-plus-the-dollar; and, furthermore, that the Soviet's gold production is almost up to South Africa's. Should this be true, the fillip to the Kremlin's imperialistic and satellite-acquisition and domination ambitions is obvious.

ATT's Prospective Success — Split-lessly

The American Telephone and Telegraph Co.'s prospective large offering of 6 million shares at the subscription price of $100 per share seems to be strongly welcomed by the stockholding subscribers-designate—as confirmed by the rise in the outstanding shares (which will carry the rights) to their highest price since the 1935 depression days.

Should such success materialize—without benefit of banker selling—it will empirically demolish the argument of the pro-split haranguers, who persist in their contention that the public simply will not buy stock at over $50 or so. (The statement through the daily press by Judge Goldstein, the split-crusader on behalf of the Grand Street Boys, that he "is pleased" with the offering arrangement, surely seems inconsistent.)

Institutional Portfolio Policy, Risk and That Variable Annuity

In an article, "The 'Variable' Common Stock and the Institutional Alternatives," in this space on July 12, we cited, on the basis of the demonstrated performance record, the risk attending investment in various types of non-equity securities, as well as in the

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Trust Investors' Viewpoint in Managing Individual Accounts

By WILLIAM R. BIERDEMAN*

Vice-President and Investment Officer, The First National Bank, Fort Worth

In ascertaining "economic, business and market levels are generally at all-time peaks," Texan trust-investment officer favors the issues of some companies undergoing a correction from their 1955-56 tops; sees further buying opportunities; recommends upgrading in quality—recession-prospect or not; believes capital gains tax no deterrent to sound investment exchange; and adopts neither a bullish nor bearish view in being cautious, conservative, and in not striving for dynamic growth. Mr. Bierdeman describes the factors influencing trust investment decisions including diversification formulas using a combination of income and growth issues of firms possessing aggressive—but not speculative—management, research departments; and record of dividends, and properly financed and capitalized issues. Delves into trust principles, meaning of "prudent" rule, need to check with outside sources, and the individuality of trust objectives.

At the risk of being too elementary, I would like to point out that there are about five major factors which influence the decisions of we so-called institutional investors. In order to narrow down the scope of my presentation, I would like to talk primarily about the various problems around these factors, which have so important a bearing on the investment of funds in trust accounts.

W. R. Bierdeman

These are:

(1) Business—Economic—Market Levels.

(2) The Investment Policy of our own institution.

(3) The legal, instrument, and moral requirements.

(4) The actual objectives of the individual account.

(5) The investment in specific industries in specific issues.

Taking up these in the order named—

I will only touch on the first — Economic — Business Levels. Suffice it to say that at this time, broadly speaking, we envision no depression, possibly a modest recession and probably are more concerned about the potentialities of inflation due to population growth and an ever increasing standard of living on the part of the American people — we have actually welcomed the recent stock market correction — I mean the correction prior to the President's most recent illness.

The Inexact Science of Investments

The investment policy and procedure of our own institution is predicated on the basic fact that we are not gifted with foresight; contrary to public opinion, we are **not** ensconced in an ivory tower and we do **not** have a crystal ball into which we can peer and foretell the future—we are human (I know that some do not give us credit for that at times). We recognize basically the fact that there is simply, in this complicated field of investment analysis and operations — that there is simply no one road to travel.

The science of investments, if you can call it a science, is probably the most inexact science there is. Bernard Baruch, whom, as you know, made millions in the market, has told how easy it is —he says "if you are ready and able to give up everything else, and will study the market and every stock listed there as carefully as a medical student studies anatomy, and will glue your nose to the ticker tape at the opening of every day of the year and never take it off till night; if you can do all that, and in addition have the cool nerve of a gambler, the sixth sense of a clairvoyant and the courage of a lion — you have a Chinaman's chance."

Basically, let me say that we are a firm believer in the well established doctrine of diversification. Certainly, this idea of diversification is no new one — going back to the letters of Pliny written about the year 100 A.D. found this statement — "it is safer to test the uncertainties of fortune by a variety of possessions."

Diversification Formulas

Briefly, we diversify investments not only as concerns industries and companies within those industries, but also, as practically every Trust Department does, we divide our investments between bonds, money rate preferreds and commons. Broadly speaking, we have a goal of approximately 2/3 in money rate paper and 1/3 in equities.

Immediately I should say — and you all know that any so called professional wants to hedge—immediately I would like to point out that that policy is subject, of course, to the needs, requirements, and objectives of each individual account.

That there are numerous ideas as to the percentage distribution between bonds, preferreds, and commons is most aptly illustrated in an article which appeared in the magazine "Trust and Estates" for December, 1953. A questionnaire had been sent to the various investment officers of banks and trust companies throughout the United States asking how they would invest a new fully discretionary trust fund of $100,000 in cash, with no specific claims of beneficiaries and no unusual circumstances. Replies were received from 26 institutions scattered from Maine to Florida, from New York to California, and included three from Texas. These replies, as may be expected, were most varied but seemed to center around a 50-50 distribution in bonds and preferreds vs commons. It should be pointed out, however, that some seemingly conservative institutions recommended as high as 65% in commons and 35% in bonds and preferreds, and yet other equally as conservative institutions recommended as low as 20% in commons and 80% in bonds and preferreds.

Wherever possible, we use a combination program of income and growth issues, and because of various factors which I will touch upon later, we have a preference of avoiding cyclical industries such as amusements, machine tools, and liquor.

As is probably obvious, we will avoid the use of industries and companies within those industries which appear to be stagnating or which appear to be in a declining stage of operations. We will immediately grant you fully that within the framework of a short time lapse, some stocks of companies which are in a long-term declining stage of operations, can produce substantial market appreciation and/or profits, but it would be in a short-term cycle within a long-term cyclical movement. We would prefer not to run the risk of attempting to pick that short-term cycle as far as our institutional operations are concerned.

Aggressive — Not Speculative — Management

It is obvious, at least to those of you who know me personally, or who are familiar with other investment officers of financial institutions, it is obvious that all of us, like you as individuals, definitely seek aggressive management — we desire to have no participation in companies where the management is stagnating with old

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*An address by Mr. Bierdeman before the Investment Seminar, Eppler, Guerin and Turner, Investment Bankers, Dallas.

Our Rosy Outlook

By SAMUEL CHERR*

Senior Vice-President in Charge of Merchandising, Young & Rubicam, Inc.

Mr. Cherr denies possibility of critical depression ever again hitting United States. Cites new and effective shock absorbers and stabilizers for our economy in the form of our dynamically growing population, the Federal Reserve System, the SEC, Government's taxing powers, research, labor unions, insurance and special benefits. Hence, anticipates many years of prosperity.

It is highly improbable that anyone ever again will see a depression in the United States. When I speak of a depression, I mean a crisis in which business falls off so sharply that there are millions of unemployed and there is a serious problem of providing people with enough food and other bare necessities of life. That situation, in my opinion, none of you will ever see. You will see business swings, up and down. They are as inevitable as your heartbeat. Life pulsates and so does the economy. Therefore, we are bound to have some years which are better than others. Adjustments, or rolling adjustments, as modern economists term them, however, are not likely to become even mild "depressions" because individual businesses are not as dependent as formerly.

Samuel Cherr

Former Chain Reaction

A quarter of a century ago a recession in one segment of the American economy usually produced a chain reaction. General business in the United States today is not so dependent on all of its parts. For example, Detroit department stores report gains in sales as unemployment in automotive and allied industries widens. Such a situation results from new shock absorbers built into the American economy or the more efficient use of existing economic stabilizers.

Some of these new economic shock absorbers, which I propose to discuss, include: a dynamically growing population, each year we are adding a new market the size of Philadelphia; the Securities and Exchange Commission, which has given the public confidence in the future of American investments; the Government's constructive new use of its taxing powers; the sharp growth of applied product-service research; and numerous comparatively recent innovations; such as, Unemployment Insurance, Old Age Insurance, Veterans' Pensions and Health Services.

Existing economic safeguards of a quarter century ago also are better understood and, therefore, more efficiently employed as, for example, the Federal Reserve System.

Basic to the better use of existing shock absorbers and the utilization of the many new ones are America's philosophy and psychology. Individual initiative is encouraged more than in any other place on earth. As a result, Americans enjoy free enterprise and all of its advantages. They have produced the highest standard of living ever known anywhere.

Coupled with optimism, which causes Americans to buy on the instalment plan and risk the capital in promising new ventures, is the aggressive, competitive spirit of our people. Americans compete against each other more than do any other nationals because people in the United States are convinced that they only have to excel in their work to become rich or really enjoy a bright future.

These assumptions are basic to our beliefs in the long-term prosperity of the United States. For the last five years they have guided our agency in formulating and preparing the merchandising, advertising and promotion plans of our clients. In view of this fact you may be interested in some figures and thought processes leading to the above conclusions.

Statistics are convincing so I cite a few on Gross National Product, discretionary spending and the nation's backlog of personal assets to substantiate my confidence in the long-term general business outlook.

We are projecting Gross National Product (the total spending of everybody in the United States—business, Government and consumers) upwards to at least $513 billion by 1965 and that estimate allows for the possibility of an intermediate setback. (In 1955 Gross National Product was $387,200,000,000 and this year is running at an average rate of $398,600,000,000.) There may be a period of gestation about 1959. By then we shall probably have had five years of relatively uninterrupted progress. Then, I think, there is going to be a visible but temporary settling down period which may last about two years.

Bullish as this long-term prediction of $513 billion gross National Product by 1965 may appear, it results from a formula we have worked out, which is much more conservative than many others I have seen. Indeed, many accredited economists are even more optimistic about the long-term future of the United States.

Discretionary Income

Of particular significance also, I believe, is the fact that along with the rapid growth in population in the United States, there has been a disproportionately rapid increase in what the economists refer to as "discretionary income." By that, as you know, they mean the amount of money which people have left over, to save or to spend as they please, **after** they have bought and paid for the basic necessities of life—namely, food, clothing, shelter and, of course, taxes!

Discretionary income of America's 165,000,000 people in 1955 approximated $141 billion. The corresponding figure was only **$107.5 billion** as recently as six years ago and eleven years ago in 1945 it was only **$91 billion.** As a matter of fact, way back in 1929 the nation's **total** gross personal income **before** paying for the basic necessities of life was only $83.1 billion. Even though due allowance is made for the growth of population and for the decrease in the value of the dollar which have taken place since then, the average American, apparently, has about as much money available to spend in any way he pleases—for the luxuries of life—as he had to spend in **total** back in 1929.

As a result of the steady increase in discretionary income, the nation's backlog of personal liquid assets—that is of cash, plus E and other Government Savings Bonds and Life Insurance — has increased steadily. This backlog probably is in the neighborhood of more than $285 billion today. I say "probably" because there is a difference of opinion about what actually constitutes personal savings. I happen to subscribe to the economists' theory that personal savings are those assets which people put aside that are readily available for use at some future time.

The annual **rate** of savings was lower in 1955 than it was for several years past, probably because the public felt more secure and, therefore, believed that their savings need not be as large as in the past. Even so, the cumulative total of personal liquid assets approximating $285.4 billion was an all-time record, and a figure one-fourth higher than that of 1950—just five years earlier.

Statistics, though convincing, are but reflections of beliefs, thoughts, decisions and acts of people.

Why do I have the temerity to predict that none of you will ever again see a depression in the United States?

My reasons for predicting a far greater long haul prosperity than any we have seen spring — not from statistics—but from a profound realization that the present economy and spirit of the American people are totally different from any others that now exist or ever **have** existed anywhere else in the entire world.

Never, in the world's history, have so many people shared so generously in the fruits of the nation's productivity. I do not mean to imply that everybody in the United States is getting his or her just rewards—that would be nothing short of Utopia! Yet, never before has the average citizens received so large a share of the wealth which he or she helps to create.

I wonder how many of you realize that the United States literally is the only country in the world today where a capitalistic economy like ours—an economy free from undue governmental control—actually is at work. Elsewhere, most people have lived their entire lives under the domination of the state or the church. It is not so many years ago, for example, that it was a criminal offense to loan money at a prescribed rate of interest. The church frowned on that practice and called it usury.

Perhaps you remember that Old Testament passage in Exodus—22nd Chapter—25th Verse which says "If you lend money to any of my people with you who is poor, you shall not be to him a creditor, and you shall not exact interest from him. If ever you take your neighbor's garment in pledge, you shall restore it to him before the sun goes down; for that is his covering, it is his mantle for his body; in what else shall he sleep?"

You and I—who are fortunate enough to enjoy the advantages of America's free enterprise—are apt to take for granted that for the average man to make money through individual initiative and daring is a universally accepted and age-old practice. But it is not. Free enterprise and individual initiative are relatively new. Everywhere, until comparatively recently, the average citizen either was under control of the church or of some reigning monarch—and he transacted business under the Guild system, or some other set of rigidly enforced controls.

The traditional controls lead me to point out that the rules of the old school professional economists—as some of you may have studied—were not predicated on the type of economy which we enjoy in the United States today. Those rules were laid down, for the most part, on the basis of what had happened in the **past**, not on what is happening, nor on what may be expected to happen. Most prognostications undertaken on the basis of those now outmoded ruled definitely have not come true.

In earlier days, for example, we heard a lot about the so-called Malthusian theory — the theory that population, when unchecked, goes on increasing in a much higher ratio than the means of subsistence can be increased and that the inevitable result is a population that cannot be fed adequately.

Today, of course, the Malthusian theory does not make sense here. The number of American mouths to be fed has more than doubled since the turn of the century. Meanwhile, productivity of American farms has increased so much faster than our population that we are limiting the acreage planted to crops, while shipping our surplus farm products to the rest of the world.

Witness the 1955 performance of American cotton growers. They produced two million more bales than they did in 1954—and six million more than they did, on an average, in the preceding **ten** years—and all this despite a four million acre reduction in their total plantings.

The type of economy which makes farm productivity possible—and thereby upsets the formerly accepted Malthusian dogma of economic text books—is not too well understood today even in the United States where it has all come to pass. One reason for this, it seems to me, is that so many of us were taught economics in terms of such inanimate objects—production statistics, earning figures, flow charts, trend tables, and so forth—without giving any weight to that one priceless and indispensable ingredient in the whole formula for our national success—namely, the forward looking attitude of our people. And of course that optimistic psychology is the very **key** to our whole economy!

Nowhere else in the world, that I have ever been or heard of, is there such an optimistic psychology on the part of the people, as that which we enjoy in America today.

"True," you may say, "but didn't we have the same sort of economy; the same kind of people; and the same psychology among the people of this country back in 1929—at the start of the last big depression?"

My answer to that is "Yes—to a degree—but we lacked certain economic instruments or safeguards then, which we are fortunate enough to enjoy today."

These economic safeguards are like shock absorbers of an automobile. Early automobiles, just imitations of horse-drawn buggies, did not have shock absorbers. A ride in such early open touring cars nearly broke your back. If you hit the slightest depression in the road you nearly bounced out of the car. Then Hartford invented a shock absorber. This was an enormous advance. However, the shock absorber was hooked up to the two front wheels as a single unit, so if one wheel hit a hole, the other wheel also was affected. Next we developed separate shock absorbers for each wheel, such as those commonly used today. If one wheel hits a bump you go down, but you still keep moving along in comparative equilibrium. Then one car maker developed, and many other cars soon will have it, a whole new system of shock absorbers. A car so equipped rides along on the level, no matter **what** its wheel may hit.

In much the same manner, the business economy has had injected into it a whole new system of shock absorbers. Some of them existed before the bleak depression days of the early 'thirties, but either they were not used properly or used too late—so they are comparatively new. Let me enumerate a few of these.

Population Growth

Our dynamically **growing population** probably is the most important shock absorber. This is so because, unlike in China and India, America's expanding population is comprised of individuals who **want** things. They are reared from infancy to strive for more and better products and services, of every conceivable kind, than their parents had. Naturally, these almost insatiable desires make for greater and greater sales opportunities. Every year for example, at the present rate of population growth, there is brought into our economy a new market the size of Philadelphia. That means, of course, that many present American business concerns are destined to become enormously rich.

Another important shock absorber to our economy is inherent in its very complexity and **size;** for it has grown to a point where individual businesses no longer are as dependent on one another as they were.

This is one of the truly remarkable phenomena of our particular type of economy which formerly was intermeshed so thoroughly that if anything happened to one segment all the others were thrown out of alignment. This is no longer necessarily so. In 1949 Ford had a long strike, and the entire steel industry was out for two months. In the past such strikes would have thrown the United States into a tailspin. Then in 1950 one of the most serious strikes in the history of organized labor shut down Chrysler, second largest automobile manufacturer in this country, for one hundred days. What happened? The nation's total output of goods and services held steady in 1949. And in 1950 it actually went ahead by no less than 10.8%.

The American economy, however, has developed to a point where it would take a series of disasters to disrupt it. Witness the fact that as a nation we wound up 1955 with one of the best year's businesses on record, yet important industries, like textiles and jewelry, were in the doldrums due to a variety of reasons. In the past their difficulties might have set off a chain reaction which would have had serious repercussions on us all. For example, sales of Detroit department stores a number of weeks this year showed gains over the like weeks a year ago. Such store sales in the first four months of 1956 were up 4% over the same period of 1955, thereby, matching the nation-wide percentage sales gains of department stores in the same months. And this Detroit department store sales showing took place despite widening unemployment in that city this year. Today, however, we keep riding along on a fairly even plane, even though one or more of our "wheels" may be hitting some rough spots along the way.

Shock Absorber

Another — and more specific shock absorber in America's economy, is the power of the **Federal Reserve System.** As you know, the Federal Reserve Board controls the flow of money in this country—both credit and cash—by controlling the rates of interest at which money is loaned. The Board also exerts many other beneficial influences on the nation's credit, through its supervision of the 12 regional Federal Reserve Banks and their 23 branches.

Some of you who have been building or buying new houses may have been directly affected by this regulatory action. On one occasion you may have been able to get mortgage money very easily—and on another you may have had trouble in getting it. Recently you may have had to pay 5% interest as compared with 4% a year ago. If you asked why, your banker may have replied "Read

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*An address by Mr. Cherr before the merchandising staff of Young & Rubicam, Inc., at the Yale Club, June 29, 1956.

Reflections on the Dangers of The Present Economic Situation

By FELIX SOMARY
Doctor of Law and Political Economy
Zurich, Switzerland

International monetary authority takes exception to the assumption that serious crisis in the U. S. is preventable by government intervention with inflation. Cites disastrous experiences in other countries, including France where they were also excused as constituting a "creeping" inflation. Decries our excessive spending in the non-defense area, and subsidies in housing. Insists America is living beyond its means, and if the boom is not stopped with the greatest energy—even with heavy losses and some unemployment—the result may be fatal to the economic system.

In the Summer of 1955 the "Frankfurter Allgemeine Zeitung" raised the question whether a crisis such as that of 1930 could occur again, and seemed to deny this possibility. At the time, I sent one of the publishers a short private note, in which I answered the question in the affirmative. The publication of this letter caused a flood of replies. I rejected numerous requests to discuss the matter in public, since official sources insistently urged me to remain quiet in order not to shake public confidence. Three decades ago I had ignored similar warnings. This time I wanted to proceed more cautiously and follow the advice of the Prince de Ligne, who was considered the wisest man of the eighteenth century—when you see a crisis coming, remain silent.

Felix Somary

The change in my attitude did not stem from advancing age or increasing cowardice; nor from having learned the price of frankness: that one's cry of danger first makes enemies of eighty men in a hundred whose peace of mind or interests have been threatened—and then, should one be proven right, of the remaining twenty as well. But in view of the strained international conditions I remained silent, to the disappointment of many.

Then in December, 1955, the New York "Times" in a prominent place carried a kind of manifesto by Sumner Slichter, in which he said, "The days when this country can experience anything worse than moderate or possibly mild depressions are gone forever."

I had not read it myself, but it was brought to my notice by numerous American acquaintances, sometimes with questioning and sometimes with sarcastic comments. A declaration of such far-reaching scope demanded a reply.

Whatever the consequences of warnings of impending crisis, they seem slight to me when compared with the tremendous dangers of false security. I have therefore resolved to reject all counsel of caution, and to discuss, here at the citadel of American science, the question: are crises a thing of the past?

(1) We are not, as you know, dealing with a new problem. At the turn of the century, when I was 17 years old, our seminar group in Vienna struggled with the same question; many of my colleagues there — Schumpeter, Mises, Lederer — later came to teach in America. At that time, our thinking was dominated by the French economist Juglar's theory of regular cycles. Do not fear, I shall not bore you with antiquarian rubbish, but permit myself only one brief glance backward, which may perhaps be of interest to you.

At that time, around 1900, one looked upon the crisis of 1873, with its destruction of the stock market and total paralysis of economic life, as something dreadful and unique; and it was generally thought that so much experience had been gained thereby as to exclude the possibility of any repetition of such a catastrophe.

(2) This crisis of 1873 had ended the "Grunderperiode"—the period of expansion initiated by Napoleon III. In his pamphlet of 1847 he had proclaimed four guiding principles for economic policy: elimination of poverty; the rule of the masses; replacement of the liberal program by the new social program, reducing the claims of the state—the new question being, "what does the state owe me?"; this program to be financed by debts, on the argument that the public debt was not a liability but an asset to the economy. I believe we have recently heard similar arguments propounded as a new theory. And perhaps Joly's critique may strike us as even more modern—that Napoleon was basing his tyranny on an economic boom resting on three factors: war preparation, large scale construction and full employment. These were the slogans which preceded the greatest crisis of the 19th century—echoes of the past with a strangely modern ring.

Old Slogans

(3) The slogans of the late twenties of our century also sound as though written today. I quote them verbatim:

The stockmarket reflects nothing but technical progress. The victory of the Republican party assures another four years of prosperity. Poverty will disappear from the earth. All that needs to be done is to extend consumption and satisfy the last consumer. One car for every household would not suffice; the goal should be two. One ought to invest one's savings in stocks and never sell them. To provide the inexperienced with opportunities for participation, investment trusts ought to be formed—and in short order no less than 500 appeared. To offer the middle classes opportunities for speculation, stocks were to be split more frequently. To maximize consumption, instalment buying should be indefinitely extended.

Shortly after the crash, Frederic Lewis Allen humorously described this boom:

"The American envisioned an America set free from poverty and toil. He saw a magical order built on the new science and the new prosperity, airplanes darkening the skies—and smartly dressed men and women, spending, spending, spending with the money they had won by being farsighted enough to foresee, way back in 1929, what was going to happen. The everlasting reiterated phrase of the day was: Conditions are fundamentally sound."

And some of you would remember the prediction of the Harvard Economic Society of October '29:

"We believe that the slump in stock prices will prove an intermediate movement and not a precursor of a business depression. If recession should threaten serious consequences for business (as is not indicated at present) there is little doubt that the reserve system would take steps to check the movement."

All this sounds so familiar—and in the past few months I have received unsolicited reassurances from at least 15 brokers that "conditions are fundamentally sound." And just as then, industrialists and labor leaders claim the trend as their own personal handiwork.

Agriculture Lagging Again

(4) And precisely as was the case 25 years ago, agriculture is lagging behind. My warnings in 1928, addressed to the Verein fur Sozialpolitik in Zurich, were countered by the argument that the cost of living had not risen. The tension between agricultural and industrial development is growing steadily, on both sides of the iron curtain. To this we must now add differences of tempo between a war and a peace sector; 1930 was a time of international peace, whereas today the war budgets of Washington and Moscow give the postwar economy its dynamic impetus.

(5) In the war sector the demand is unlimited, depreciation is rapid, weapons are replaced as soon as one or the other side discovers better ones, the products at times become outdated in the interval between order and delivery. Here the inventive spirit receives unlimited subsidies. More inventions are created and developed within a handful of years than would ordinarily be the case in decades, because progress is not restrained by cost. Official statistics include these products as "goods" or even "durable goods"—which is a mistake, since these are not assets but liabilities to the national economy.

The inventions succeed one another more rapidly than they can be digested by the civilian economy; they provide unique opportunities for businessmen and their workers, but exert a severely destructive effect on the productive system.

To cite the drastic example of aviation: of the American aviation corporations, one sector works exclusively, another 80% to 95% for the armed services. The producers are at the top of the boom, the carriers, in contrast, at the bottom.

(6) The hectic pace of rearmament is transmitted to the civilian sector: a few weeks ago, all transatlantic airlines placed vast orders for planes of a model which as yet does not even exist and whose dangers are totally unknown. It is startling to see how casually risks are assumed. Since already today the transatlantic passenger does not lose a single working hour, leaving Europe in the evening and arriving in America early in the morning, this expensive reduction of his travel time by half is without economic value; but it forces all companies in their quest for speed records, to premature write-offs.

(7) If high military expenditures are indispensable, because they are forced by the opponent, elementary rules of economy would demand that all other expenditures be drastically curtailed. But precisely the opposite is happening. Governments try to hasten the tempo of development in all major areas. Consider, for instance, the immense sum expended on guarantees for veterans' housing—which do not appear in the budget — long-term credit for cheaply built houses, extended almost to full value and without real test of creditworthiness. And this is only one of several instances. If one for once were to add up all these extra-budgetary guarantees, I would estimate—and I do not think this is an exaggeration—that they would approach the level of the national debt.

Two potential dangers inhere in this artificial promotion of the peace economy through guarantees and subsidies; their consequent development would depend on the situation. First, America's financial advantage *vis a vis* Russia is narrowing; and secondly, if it should ever come to limitation of armaments, it would not be easy to compensate for the curtailment of war industries by stimulating peace production.

(8) Even more dangerous to the condition of the market than guarantees and subsidies is the policy of cheap money. Low interest rates drive up the value of securities and the price of real estate. In 1955, common shares in New York rose on the average by 25%—at loan rates between 3% and 4%. Some singularly impertinent building speculators considered these terms still not sufficiently low; they asserted their "right" to cheap credit.

(9) Whence then came this extraordinary expansion of the credit market? Essentially from that part of the national debt from the second world war which had to be taken up on short terms. Today, ten years after the end of the war,

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Dealer-Broker Investment Recommendations & Literature

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

Appliance Manufacturing in North Mississippi—Report—North Mississippi Industrial Development Association, West Point, Miss. Also available is a report on **Upholstered Furniture Manufacturing in North Mississippi.**

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.

Banks and Trust Companies of the United States—Comparative figures as of June 30, 1956 on leading banks and trust companies—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Base Metal Stocks—Analysis with particular reference to **Coldstream Copper Mines, Ltd., Consolidated Sudbury Basin Mines, Ltd., Geco Mines, Ltd., La Luz Mines, Ltd., Maritime Mining Corporation, Ltd., Merrill Island Mining Corp., Ltd., Opemiska Copper Mines (Quebec) Limited,** and **Sherritt Gordon Mines, Ltd.**—L. S. Jackson & Company Limited, 132 St. James Street, West, Montreal, Que., Canada.

Canadian Portfolio—Analyses of **Shawinigan Water & Power, Minnesota & Ontario Paper, Aluminium Ltd., Great West Life Assurance** and **Falconbridge Nickel** in current issue of "Financial Planning"—(subscription $36 per year)—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

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

Government of Canada and the Provinces—Comparative condensed statements for fiscal year ended March 31, 1955—A. E. Ames & Co. Incorporated, 2 Wall Street, New York 5, N. Y.

Indian Securities — Bulletin — Harkisondass Lukhmidass, 5 Hamam Street, Bombay, India.

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

New England Public Utilities—Analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

New York City Bank Stocks—Comparison and analysis for second quarter—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Comparative figures at June 30, 1956—First Boston Corporation, 100 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 Securities—List, price grouped and industry designated—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Pocket Guide for Today's Investor—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Road Building Program—Analysis—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

Tax Exempts for Individuals—Circular—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

Treasure Chest in the Growing West—Booklet describing resources of the area served—Utah Power & Light Co., Box 899, Dept. K, Salt Lake City 10, Utah.

The Woman and Her Money—Sidney S. Ross Company, 3070 Hull Avenue, New York 67, N. Y.

* * *

American Smelting & Refining Co. — Memorandum — Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

American Telephone & Telegraph Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Bank of Nova Scotia—Analysis—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada. Also available is an analysis of **Hiram Walker-Gooderham & Worts, Ltd.**

Chattanooga Gas Company—Study—A. G. Becker & Co. Incorporated, 120 South La Salle Street, Chicago 3, Ill.

Columbia Pictures Corporation—Study—Bond, Richman & Co., 160 Broadway, New York 38, N. Y.

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

Eastern Air Lines—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

General Contract Corporation — Analysis — Yates, Heitner & Woods, 320 North Fourth Street, St. Louis 2, Mo.

General Dynamics Corp. — Analysis — Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

General Dynamics Corporation — Bulletin — Bache & Co., 36 Wall Street, New York 5, N. Y.

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

Gimbel Brothers—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y. Also available is a bulletin on **Eastern Gas & Fuel Associates.**

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

Harnischfeger Corporation — Analysis — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Ironrite Inc.—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich.

Kaiser Steel Corporation — Analysis — Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Maine Turnpike—Bulletin—Tripp & Co., Inc., 40 Wall Street, New York 5, N. Y.

P. R. Mallory & Co., Inc. — Analysis — Abraham & Co., 120 Broadway, New York 5, N. Y.

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

Mohawk Airlines, Inc.—Analysis—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

National Telefilm Associates, Inc.—Report—Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive, Beverly Hills, Calif.

Olin Mathieson Chemical Corporation — Report — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Chas. Pfizer & Company, Inc.—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **W. R. Grace & Co.**

Poor and Company — Analysis — Boettcher and Company, 105 East Pikes Peak Avenue, Colorado Springs, Colo.

Sayre & Fisher Brick Co.—Study—General Investing Corp., 80 Wall Street, New York 5, N. Y.

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

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

Sun Ray Mid Continent Oil Company—Review and forecast—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Telechrome Manufacturing Co.—Card memorandum—All States Securities Dealers, Inc., 79 Wall Street, New York 5, N. Y.

Union Gas Company of Canada Ltd. — Analysis — McLeod, Young, Weir & Company, Ltd., 50 King Street, West, Toronto, Ont., Canada. Also available is a bulletin on **Asbestos Corporation Limited,** and a brochure on **Canada's Chartered Banks.**

U. S. Vitamin Corporation—Bulletin—DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **American Tractor Corporation.**

NSTA Notes

BOND CLUB OF DENVER

The Bond Club of Denver and Rocky Mountain Group of the Investment Bankers Association will hold their Annual Summer Frolic and Golf Tournament at the Columbine Country Club Aug. 2 and 3.

Orville Neeley, Vice-President of the Denver Bond Club is the General Chairman of the Summer Frolic.

Selected Inv. Adds

(Special to THE FINANCIAL CHRONICLE)

WILMINGTON, N. C.—Paul A. Allen has become connected with Selected Investments, Insurance Building. He was formerly local representative for Kirchofer & Arnold, Inc.

With Green, Erb Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Henry T. Pobiega has been added to the staff of Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

COMING EVENTS

In Investment Field

Aug. 2-3, 1956 (Denver, Colo.)
Bond Club of Denver-Rocky Mountain Group Investment Bankers Association annual summer frolic and golf tournament at the Columbine Country Club.

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 Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Irwin B. Lauder has become connected with Bache & Co., 445 North Roxbury Drive.

Joins T. R. Peirsol

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—William R. Dolan has become affiliated with T. R. Peirsol & Co., 9645 Santa Monica Boulevard.

Daniel Reeves Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Finley A. Narmore is now with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

With Shelley, Roberts

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Geo. S. Kieffer has joined the staff of Shelley, Roberts & Co., 9486 Santa Monica Boulevard.

Two With Aronson Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Douglass M. Hodson and Willard Leabman have become associated with Aronson & Co., 426 South Spring Street. Both were formerly with Shelley, Roberts & Co., and Marache, Dofflemyre & Co.

McCormick Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — Abraham Kaplon and Ernest W. O'Loughlin are now with McCormick and Co., Security Building.

Enforcing the Securities Acts

By ANDREW DOWNEY ORRICK*
Commissioner, Securities and Exchange Commission

Commissioner Orrick notes it is the function of neither the securities acts nor the Commission to prevent public's speculation, or to protect it from its cupidity and get-rich-quick gambling in untested promotional ventures; but rather to reduce the operations of "free-wheeling pencil bandits," "Stockateers," and "hoods," who contribute to uninformed risk-taking. Cites work of SEC in prosecuting dishonest salesmen making fantastically fraudulent misrepresentations. Detailing numerous fancy schemes, including spurious intentions, notes regulatory authority's difficulties in coping with them. Concludes there is close correlation between active enforcement, investor confidence, and needed flow of capital necessary to prosperous America.

My remarks will be directed to a discussion of the enforcement activities of the Securities and Exchange Commission with the view to considering the effectiveness of our job in protecting the public interest. The Commission, as an independent regulatory agency entrusted with the administration of the securities acts, performs its duties in three distinct but interrelated capacities. It has quasi-legislative and quasi-judicial powers, in addition to its executive and administrative responsibilities, in enforcing the seven statutes under its jurisdiction. The vigorous discharge of each of these functions is essential to the protection of public investors from the schemes of unscrupulous promoters and dishonest broker-dealers and salesmen.

A. D. Orrick, Jr.

In considering the functions of the Commission, it is well to be mindful that a federal agency, operating within the American system of free enterprise and limited by the full disclosure theory of the securities acts, cannot, and should not, protect the public from its own cupidity "to get rich quick" by gambling in untested promotional ventures. The securities acts are designed to prevent neither the popular pastime of speculation nor the exercise of poor judgment by individual investors. However, through the vigorous conduct of its law enforcement responsibilities, the Commission effectively reduces the operations of free-wheeling "pencil bandits" and the area of uninformed risk-taking.

It should not be overlooked, in assessing the work of the Commission, that the clearance of a securities offering or the listing of securities on a national securities exchange does not denote that the Commission considers such securities to be safe investments. Paternalism, in the sense of cloaking publicly distributed or publicly traded securities with a seal of governmental approval as to their quality, is as alien to the philosophy of the securities acts and to our administration of the statutes as would be a mandate by the government that an individual had to buy particular securities.

The most difficult and persistent enforcement problem with which the Commission is currently concerned involves the sales of the securities of promotional mining and oil companies, from both Canada and within the United States. The distribution of many of these issues has been, and are being, made in violation of the registration provisions of the Securities Acts of 1933 and through high pressure sales campaigns conducted by telephone, in which pertinent information about the securities being offered is fraudulently misrepresented.

By reason of the expanding American economy, high employment and record national income, the public apparently has sufficient funds to speculate in such promotional enterprises and has been readily susceptible to the provocative inducements of "stock-pushers" promising miraculous profits. Unprincipled salesmen make their sales pitches by telephone because they can reach a greater number of victims with the least effort through this media. By avoiding the use of written material and face to face contact with the investor, they make criminal prosecution for fraud more difficult.

Literature From the "Stockateers"

The initial contact of the "stockateers" with their intended victims is frequently by mail. The touting literature extravagantly describes the wealth of ore contained in the company's claims and the unusual investment opportunities afforded by purchasing its securities. Prospective investors then receive a series of telephone calls in which the salesmen embroider their deceitful stories. The prospects are assured that by investing promptly they can double or triple their investment within a few weeks or months.

Many of these telephone campaigns are conducted by salesmen located in Canada where they operate behind a wall of jurisdictional immunity. The physical distribution of unregistered Canadian issues is commonly effected by so-called "bagmen" who use little black bags to transport the securities across the border and to carry back the funds paid for the securities. Other telephone campaigns are directed by "hoods" running boiler shops in the United States. Salesmen pushing the sale of securities through the use of telephones are referred to as "hoods" because the cubicles from which they customarily make their calls are protected by a hood or cover to insure privacy.

Telephone campaigns are most difficult for the Commission to control. To a great extent, it necessarily must rely on the complaints of investors for its information about such fraudulent activities, and even with the full cooperation of defrauded investors, legal proof of dishonest practices in the sale of securities is not easy to establish. Upon learning of the existence of a telephone campaign, an investigation is immediately started with the view to enjoining further sales of the securities and to prosecuting the salesmen for criminal fraud. Where such high pressure sales campaigns are conducted by broker-dealer firms registered with the Commission, an administrative proceeding to revoke the registration would also be instituted. If the securities being sold are part of a distribution of a Canadian issue which has not been registered with the Commission, the name of the issuer would be added to the Commission's restricted list. This list, which the Commission recently reactivated, is distributed periodically to all brokers and dealers registered with the Commission and serves as a warning that trading in such securities may be illegal.

Most of the fraudulent and misleading presentations that occur in the sale of securities are made orally, by personal contact or telephone, and in touting literature that has not been processed by the Commission. Since it is impossible to regulate in advance what promoters or salesmen may say orally or in written material that has not been filed with the Commission, the investor has usually parted with his money before the Commission is able to enforce the anti-fraud provisions of the securities acts against the crooked. Nevertheless, the threat of investigation and of administrative, civil or criminal proceedings instituted by the Commission against wrongdoers in the securities business constitutes an immeasurable protection to the public by deterring many malpractices.

Spurious Inventions

In recent years, the Commission has successfully prosecuted many dishonest salesmen who have cheated the public of large sums of money through the use of fantastically fraudulent misrepresentations concerning the assets of the company whose securities are being hawked. For example, a conviction was obtained in connection with the sale of unregistered securities of a company purportedly manufacturing a so-called "magnetic logger" device which was misrepresented to investors as assuring 100% accuracy in the location of oil pools. In another case, the spurious invention consisted of an alleged fuelless self-energizing power unit and a machine which would keep people alive forever. Recently, a promoter was convicted for fraud in selling unregistered securities of a company which he misrepresented as successfully manufacturing and marketing a number of ingenious electronic devices, one of which would enable the blind to see, and another being a cigarette lighter requiring no fuel, flint or wick.

An unusual promotion successfully prosecuted by the Seattle Regional Office involved the alleged rediscovery of a famous and rich legendary mine. The promoter broadcast by radio that he had found a decaying wheelbarrow containing large pieces of gold-bearing ore, an old, rusty rifle, and the skull and bones of a human being, all of which he represented as conclusively proving his rediscovery of this fabulous mine. He falsely represented to investors that the property was one of the richest mines in America and that its ore assayed at $8,000 per ton, when in fact it was merely an undeveloped prospecting claim with no commercial ore. Recently, the promoter of a California company, which purportedly could manufacture a wingless aircraft capable of flying 4,000 persons non-stop around the world, cheated the public out of about $200,000.

Considering the outrageously fanciful nature of these schemes and the marked success of promoters in peddling such securities to a gullible public, it is evident that the Commission has a most difficult job in protecting public investors from their own follies. It is sad but true that many members of the public are willing to throw away their money on any type of enterprise that the ingenuity of crafty promoters can conjure up.

In addition to such imaginative contrivances, the Commission encounters fraudulent activities in more conventional enterprises. Securities of mining promotions are being sold upon oral representations that engineering tests have disclosed the presence of specified large quantities of ore when no real tests have been made—someone has simply dug a hole in the ground and found a trace of some mineral. Salesmen talk glowingly of dividends and stock splits by promotional companies which in fact are losing money. Assets are written up and manipulated, and there is a calculated failure to mention such interesting facts as the insolvency of the company. Investors are led to believe that they are providing capital for a promising enterprise when in fact they are buying promoters' stock, and their money goes straight into the promoters' pocket without the company ever seeing it.

These types of frauds present more difficult enforcement problems. On the surface, there may be little or nothing to arouse the suspicion of the investor. Once suspicion is aroused and the Commission learns of the deceit, long, careful and painstaking work may be required to develop the facts in a form which will stand up in court. The books and records of the company, the promoters, and others must be examined and discrepancies detected and explained. Investors must be interviewed and prevailed upon to reveal the details of their transactions. The explanations of participants must be obtained and checked against other sources of information. Not infrequently, investigation shows that a complaint or suspicion is unfounded, and, consequently, our investigators must be careful to

Continued on page 22

*An address by Commissioner Orrick before the Investment Securities Dealers of Portland, Oregon, July 17, 1956.

Economics for Teen-Age Students

By THOMAS J. SHELLY
The Foundation for Economic Education, Inc.,
Irvington-on-Hudson, New York

Having taught high school students Economics for over 27 years, and appalled by non-free enterprise views of high school students revealed in economic literacy survey polls, Mr. Shelly suggests high schools better their Economics program and explore the possibility of offering Economics as a "special subject." Agrees students must be informed so they can decide which system is best.

Should economics be taught in our secondary schools? This is an especially significant question at this time in our history when so many young Americans are trying to make up their minds as to whether the American economic system, or some other system — either existing or proposed — is best.

Thom. J. Shelly

I speak from my own experience of 27 years' teaching of economics in a high school classroom when I say that I believe economics should be taught in our secondary schools.

By economics I mean, of course, the study of the basic facts and the fundamental principles of our economic system. I mean the acquiring of an adequate understanding of such components of economics study as: production, capital, labor, the corporation, the free market, money and banking, profits, taxation, socialism, communism, and fascism.

By economics I do not mean "consumer economics." That subject has to do, primarily, with the shopping activities of consumers. It does not concern itself, usually, with the problems confronting the producer—problems such as taxation, inflation, and other forms of governmental interference with productivity; problems, however, to which the producers have to find solutions if there are to be any goods and services for the consumer to consume.

By economics I do not mean "social studies," either, which in many high schools is a "combination" of World history, American history, Economics, Sociology, and Problems of Democracy. The difficulty about such a "combination," or "fusion," or "integration," of subjects is that the study of economics tends to become submerged. It, therefore, does not receive the time and study which its importance deserves.

Why Economics in High School?

Economics should be taught in our high schools because, in my opinion, the principal function of our high schools is to give young Americans an adequate understanding of Americanism. The function of the high school is to equip young Americans with such knowledge and understanding of basic facts and principles as will enable them to adapt themselves to the environment in which they are destined to live and help them to face the problems of life with intelligence, self-reliance, and the zest of keen interest. An essential part of such an education is to provide an adequate understanding of our heritage of freedom. This means that the high school should give its students an adequate understanding of our system of private capitalism, because it is such an important part of their heritage of freedom.

Americanism includes, among other things, the freedom to keep the fruits of one's labors, i.e., the freedom of private persons to own property. It means the freedom of individual persons to buy and sell at prices agreeable to both buyer and seller. It means the freedom to make other economic decisions of a similar nature. It means the responsibility of the individual person to support himself and his family.

Americanism is that philosophy of life, the practice of which has made America "the breadbasket, the factory, the bank, and the hope of the world."

Why has America reached so high a place among the nations of the world? Some persons think that our possession of natural resources is the reason. It isn't. Others believe it's because Americans have worked harder than other peoples. We haven't. Is it because Americans are more intelligent than foreigners? Again the answer is "no."

Individual Energy Generating In America

America has achieved world prominence because Americans—beginning with the early colonists—have made more effective use of human energy than any other people on the face of the globe—anywhere or at any time. However, only an **individual person** can generate human energy. Only an individual person can control the energy which he generates. Individuals generate energy only when to do so seems to them worth while. Are we not—all of us — most likely to generate the most energy—day after day and year after year—i.e. to be continuously most productive when government leaves us freest to produce?

Of course America did not become "the breadbasket, the factory, the bank, and the hope of the world" overnight. It began to happen long, long ago. It began to happen on those days in 1619 when the Jamestown colonists, and the Plymouth colonists in the year 1623, set their feet in the path of a free economy. Their communistic experiments had only made them poorer and more wretched than they had been before. So they decided that the best way for them to become better off would be for their government to allow each one to keep the fruits of his labors i.e. to own private property. Thus, the colonists set their feet in the path of freedom and a higher standard of living. Later on, however, the British government by such restrictive measures as the Acts of Trade and the Navigation Acts made that path a difficult one for the colonists to follow. In fact that government placed so many obstacles in the way of the colonists that they were able to generate but little human energy. Their standard of living declined. They felt stymied. It was not long, however, before they began to take action to get their energies released from governmental chains. In 1773 came the Boston Tea Party. This was a revolt by citizens of Boston, and New England, against the attempt by the British Government to control the price of tea. It must have been "some party," because the colonists succeeded in throwing both the tea and the British "O.P.A." into the waters of Boston harbor.

The American colonists were determined to get and to maintain a free market—i.e. a market free from governmental interference—not only in tea but in other things, as well. Therefore, on July 4, 1776 they declared their independence from England. By this act the colonies became the United States of America. This declaration, however, did not give them the economic freedom to which they believed they were entitled as free men. In fact, war became their lot because of this belief.

Keeping the Fruits of One's Labor

The war over, and their independence having been established, what would these new Americans do now? Would they be as much interested in private enterprise as their colonial forbears had been? Yes! How else could they continue to be free men? Were they not endowed by their Creator with the gift of life? Did they not believe it to be their responsibility not only to defend their lives against their human enemies—both foreign and domestic—but also to work to produce a living for themselves and their families? In short, they believed they had the duty to acquire property. They believed that property was an extension of their lives. Consequently, when in 1787 these forefathers of ours — George Washington, Benjamin Franklin, James Madison, Alexander Hamilton and their colleagues — devised the Constitution of the United States, the people of the United States experienced a greater incentive to work and to own property because this Constitution states that the government cannot seize the people's property without good reason and without just compensation. This idea that the government should allow the people to keep the fruits of their labors helps us to understand the amazing growth of the United States from 13 toddling colonies to being "the breadbasket, the factory, the bank, and the hope of the world."

Can young Americans understand this amazing achievement without an adequate understanding of the economic system which made this achievement possible? Of course not. And if any school does not give its students such a course, how can it claim to be giving its students an adequate understanding of Americanism?

An Adequate Understanding

I believe that our secondary schools exist for the purpose of helping their students become good citizens. As a result of such training, high school seniors should, in my opinion, be able to give intelligible explanations of their answers to such questions as the following:

(1) Has the problem of production in the United States been solved?

(2) Does war create prosperity?

(3) Is inflation good for the poor?

(4) Is the fixing of prices by government good for the poor?

(5) Do labor unions really raise wages?

(6) Is the profit incentive necessary for the survival of freedom in the U. S.?

(7) How does private capitalism (the free economy) make the consumer King?

(8) Why is increased productivity the only way to increase everyone's standard of living?

(9) Why is the doctrine of taking, by compulson, "from each according to his ability," and giving "to each according to his needs" not a good plan of compensation in industry?

(10) Why are savings important to the survival of freedom?

(11) In what ways are taxation, and, inflation, destructive of savings?

(12) What is inflation? What is the role played by government in the inflationary process? Why is inflation harmful to persons living on "social security" payments?

It is possible that some social studies or economics teachers may want to discuss these 12 questions with their senior students—as they progress through their economics course. As a result of such discussion, both teachers and students will, more than likely, have an increased interest in the following description of some recently made surveys.

Opinion Poll Survey of High School Knowledge

Mr. Lawrence Fertig gave a summary of one of these surveys in his article entitled "Job for Education," published in the New York "World-Telegram" on June 6, 1955. He says: "Opinion Research Corp. of Princeton, N. J. questioned high school seniors in 86 schools scattered throughout the U. S. about the free enterprise system.

"Here are some of the results: (1) 61% said that the profit incentive is not needed for the survival of our system. (2) On the question of what is the best way for workers to raise their living standards, only 43% said produce more, while 56% said get more of the company income. (3) On the question should a worker produce all he can, 62% said no. (4) 55% of the students endorsed the doctrine (originated by Karl Marx) from each according to his ability, to each according to his needs, as a good plan of compensation in industry. (5) 76% said the most of the gains from new machinery go to the owner. (6) 60% said owners get too much of the profits of production, while 82% said we have practically no competition in business."

U. S. Chamber of Commerce Survey

Mr. Fertig also reports that a U. S. Chamber of Commerce survey of 39,000 high school students of 12 states revealed the following facts: "(1) 50% felt that steel, coal and oil industries should be regulated by the government. (2) Only 37% felt that the schools were properly teaching understanding of American economy."

I agree with Mr. Fertig when he says that the understanding of the students is not as good as it ought to be. I agree with him, also, when he says: "It is highly important that a basic training in sound economics should be a prime pre-requisite for graduation from high school."

In another article: "Economics in Schools" which was published in the June 27, 1955 issue of the New York "World-Telegram," Mr. Fertig says: "Judging by the many interesting letters we received about this column (i. e. in the June 6, 1955 issue) we would say that it touched a sore spot in the public mind, and that parents want something done about it."

Continuing, Mr. Fertig says: "Courses in 'Social Studies' with a **smattering of economics** are no substitute for a sound basic training program in economics." I, of course, agree with him, completely.

I have before me, as I write, a copy of an editorial entitled: "Don't Schools Teach Any Basic Economics?" This editorial appeared in the Akron "Beacon Journal" of Akron, Ohio on June 12, 1955. Like Mr. Fertig, the writer of this editorial is disturbed by the results of similar surveys of the economic literacy of high school seniors. That editorial concludes with these words:

Suggests High School Course in Economics

"If our young people are as poorly informed about business, profits, and competition as the surveys indicate, on what basis can they decide whether our system, or some other system—either existing or proposed—is best?"

That is the thought with which I began this essay. It is the thought which I now wish to leave with you, not only to meditate upon, but also to do something about, provided you are of the belief that schools need a still better economics program.

If Mr. High School Principal and his faculty are not entirely satisfied with that program, I suggest that the possibility of offering economics as a **special subject** be explored. It could be taught for half of a school year, with five recitations per week, preferably during the senior year. If a principal were to do this, I believe all concerned would be very glad he did.

Are High School Students Capable?

I hope I have succeeded in making a case for the importance of the study of economics in secondary schools. Before I close, however, there is a question which may be on your minds at this moment, and to which you might like to have my answer. That question is: Are high school students capable of understanding the basic facts and the fundamental principles of economics? My answer to this question is an emphatic "yes." **I know**, because mine was the privilege and pleasure of having more than 4,000 students study economics with me during the 27 years I taught the subject. To the best of my knowledge and belief, nearly all of these students acquired a reasonably good understanding of the American economic system, **and**, if I may say so, they had a pleasant time while doing so. "A pleasant time?" Yes. I have found that nearly all of my students derived pleasure from coming into possession of the basic facts and principles of the economic system in which they were getting ready to earn their living. In fact, I found that they were eager to **think** about their economic system — something, however, which they could not even begin to do intelligently until they first acquired a knowledge of those basic facts and principles that are the tools of thought in the intellectual discipline which scholarly men call economics.

I agree with Professor Arthur Bestor when he says on pages 458 and 459 of his book "The Restoration of Learning," "To the study of American civilization we can bring the minds of antiquarians and annalists, or we can bring the disciplined imagination of men who can see in the blade of grass chemistry and biology and poetry, and in the smallest human event sociology and ethics and history. If we do the latter, no one will think to ask whether the study of American civilization can constitute a liberal education. The question rather will be, what the Renaissance humanists would have asked concerning the classics, can any other study be so liberating as this?"

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Charles A. Childs is now associated with Bache & Co., 556 Central Avenue.

Joins Curtis Merkel

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Joseph R. Keyes is now connected with Curtis Merkel Company, Inc., 601 First Avenue, North.

With Eastern Secs.

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Richard B. Flook has become associated with Eastern Securities Corporation of Jacksonville, N. C.

Will the Bubble Be Pricked?

By ROGER W. BABSON

Mr. Babson traces history showing how business and the stock market have been upset by the sudden occurrence of unexpected events, running the gamut from Lincoln's assassination to the panic of 1903 to the post-1929 European banking and business collapse. Concludes while there is nothing now in sight to cause a collapse; some "unexpected event" once again may prick the bubble.

Last night I finished Burton Crane's Guide to National Economics, entitled *"Getting and Spending."* It contains valuable statistics and notes. His conclusion is that if we will build up foreign markets "to keep the world safe," prosperity should continue, with an occasional dip now and then, for an indefinite period. He does not, however, mention "unexpected events." The very next day after I read this book, there occurred the great Wanamaker fire in New York City, which crippled its subway system. The following day Ringling Brothers announced the suspension at Pittsburgh, in the middle of its season, of the "Greatest Show on Earth." Certainly these were unexpected events, although perhaps not great enough to disturb stock markets. However, these events made me interested in studying anew the action of the stock market for the past 100 years. This is what I learned.

Roger W. Babson

Historical Shocks

Business was prosperous during the Civil War and started to boom directly afterward. The sudden death of President Lincoln, however, caused stocks to tumble and a year of depression followed.

Again business began to boom until 1869 saw the famous "Black Friday" come very suddenly due to the corner on the gold market. Stocks quickly rebounded, and again investors were looking forward to several years of prosperity when, in late 1871, the Chicago Fire occurred. This was followed by the great Boston Fire in November, 1872. These caused another panic.

The market had just about recovered when the failure of the great banking house of Jay Cooke and Company was suddenly announced. Then, for the first time, the leading Stock Exchanges closed for several weeks. This unexpected failure brought on the great depression beginning in 1873 and extending for some years.

Suddenly, on July 2, 1881, President Garfield was shot. This started a chain reaction of selling. During this second period the great banking house of Grant and Ward, plus the two leading "bulls," namely Henry Villard and James R. Keene, announced their failures. Depression, as usual, followed these unexpected events. Business began to correct itself in a few years, however.

Eighteen ninety-two was recorded as a year of great prosperity, when suddenly the failure of the National Cordage Company was announced in May, 1893. This was then one of the ten largest corporations and its stock would today be included in the "Blue Chip" group.

First Serious Strike

The following year the great Pullman Strike occurred. This was the first serious strike and it cast great fear and gloom over the country. This was accompanied by a series of crop failures and mortgage foreclosures.

Again in 1897 business steadily improved and permanent prosperity was prophesied, accompanied by stock splits, mergers, and large security offerings. Suddenly, in 1903, there came another panic due to the still more unexpected cause of "undigested securities." This panic resulted in the investigation of large life insurance and traction companies which were then very popular. The final crash came with the San Francisco earthquake which dragged prices way down.

Up to this time the national government has been friendly to business, with no commissions or other retarding factors. The Supreme Court had been content to decide questions between the states. Suddenly in the early 1900s it issued a decision forbidding the consolidation of the Great Northern Railroad and the Northern Pacific Railroad. This came out of a clear sky and took the zip out of the stock market until the First World War broke. After the closing of the New York Stock Exchange for more than four months, there followed some years of prosperity, then a series of surprise business failures, along with the sinking of the S. S. Lusitania and our entrance into World War I. All went well until 1920 when stock market prices, due to very high interest rates, had another collapse. This was quickly corrected and the stock market continued to advance until it reached an all-time high in 1929.

European Collapse

The unexpected events of this time were the business collapse in Europe with the continued withdrawal of gold, climaxed by the very sudden failure of the Austrian Credit-Anstalt with startling repercussions throughout the world. Then followed several years of depression, with which readers are well acquainted. The stock market for four years had a partial rebound up to 1937.

Beginning in 1938 there was a definite recovery in business throughout World War II, but this did not help the stock market much until 1942. With the exception of the severe short readjustment in 1945 and the 1952 steel strike, our country has enjoyed prosperity for about 19 years, with full employment. This has been due to the growth of the installment business, price and wage increases and guarantees, generous pensions, and the easy terms for building and purchasing homes.

I agree with Burton Crane that there is nothing now in sight to cause a collapse; but some "unexpected event" may prick the bubble as it has done so many times before.

With Allied Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Richard B. Langley has joined the staff of Allied Investment Company, Walton Building.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Bobby I. Moore and Donald A. Smith have become connected with King Merritt & Co., Inc., 849 Peachtree St., Northeast.

From Washington Ahead of the News

By CARLISLE BARGERON

President Eisenhower is just about the only influential friend that Harold Stassen can claim in Republican official circles which, of course, is enough. But now, in breaking over the traces and seeking to lead a revolt against Vice-President Nixon, he is jeopardizing that friendship and courting political disaster.

Carlisle Bargeron

He has gotten himself in controversy — in controversy within the party — and the President doesn't like that. It is a squabble within the official family. Mr. Eisenhower hasn't tolerated anything like this in the past and it is not to be expected that he will tolerate it in the future. The expectation is that the country will shortly be without the services of a "Secretary for Peace" which is what Stassen's job has been called.

Notwithstanding that Stassen is now approaching 50, he is apparently destined to always be a bumptious "young man." Eisenhower was not in the slightest obligated to him. His contribution to the 1952 Eisenhower campaign was annoying. He was running for the Presidential nomination himself and when he saw he was not getting anywhere, he announced that he was really just running for Eisenhower, that any delegates he got he would turn over to Eisenhower. He insisted upon continuing this sort of a campaign after the Eisenhower managers told him he was just muddying the waters.

Very likely he has told the President that he delivered the Minnesota delegation to him at the Chicago convention but nearly every observer at that convention knows that the delegation had caucussed and told Stassen they were not going to be "delivered" by anybody, that they were for Eisenhower period.

Notwithstanding this clear evidence that Stassen had lost what political strength he had ever had, Eisenhower made him the director of foreign aid. Stassen so rubbed Republican senators the wrong way, that Eisenhower had to get rid of him to continue to get any foreign aid. But still clinging to him, Eisenhower then created the post of "Secretary for Peace." In that position he has been getting in the hair of Secretary of State Dulles because peace is what he has been trying to accomplish.

To appreciate the gravity of what Stassen has done now, one must understand that Vice-Presidents don't run. Aspirants, of course, try to get their names in the newspapers, develop political strength with a view to bringing themselves to the attention of the President, but no one ever seriously runs for the vice-presidency. He is a man of the President's choosing.

Eisenhower has said many times over that he likes Nixon and prefers him to be again on the ticket. Naturally he has said that it will be up to the delegates to the convention. But it would be an amazing upset if, the President having expressed his preference, the delegates should do otherwise.

So what Stassen has now undertaken to do is to put the heat on the President, to arouse so much commotion about Nixon that Eisenhower will be forced to take somebody else. His undertaking at this stage is really an undertaking against his benefactor, the President. You can imagine how that will set with the President.

You wonder, too, what could have prevailed upon Stassen to attempt it. The only answer that I know of is his perpetual youthfulness and a cockiness which attends it. I suppose, too, that he can always catch on as the president of a university.

But he won't catch on with any Republicans. When he tells of how Nixon is a drawback to the national ticket, it is not a circumstance to how much of a drawback he has been to the Eisenhower Administration. The feeling among Republican senators towards him is such that if conceivably he had worked out "peace" as "Secretary of Peace," these senators would not have accepted it.

Harris, Upham Appoints Sharp As Analyst

Harris, Upham & Co., 120 Broadway, New York City, nationwide investment brokerage firm with 35 offices coast to coast and members of the New York Stock Exchange, has announced that Roger R. Sharp has joined the Harris, Upham Research Department as petroleum and chemical analyst.

Roger R. Sharp

A graduate of Harvard College with a Bachelor of Science degree, Mr. Sharp had previously been associated with the Old Colony Trust Company in Boston, and in New York with G. H. Walker & Co. and Wood, Struthers & Co.

Ivan Israel to Join McGrath Securities

Ivan Israel, of Israel and Company, will become associated with McGrath Securities Corporation, 70 Wall Street, New York City, Sept. 1 as General Manager in Charge of Sales. Israel and Company will be liquidated.

Two With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Ivan G. Dollar and Charles A. Roth have joined the staff of Walston & Co., Inc., Mile High Center. Mr. Dollar was formerly with Merrill Lynch, Pierce, Fenner & Beane; Mr. Roth was with Bosworth, Sullivan & Co.

Wayne Jewell Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Mrs. W. Kate Kimbell has been added to the staff of Wayne Jewell Company, 818 Seventeenth Street.

With Filosa Secs.

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo. — Ernest D. Filosa has joined the staff of Filosa Securities Company, 407 Main Street.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Christian F. Tornoe is now with King Merritt & Co., Inc.

World Trade: Gateway to Peace, Prosperity and Real Progress

By NICHOLAS J. CAMPBELL, JR.*

Vice-President and Director, Creole Petroleum Corporation

In taking stock of our vital stake and basic advantages in international trade, in terms of promoting peace, prosperity, and economic progress, Creole Petroleum official assails protectionist efforts to "sterilize" this country's trade policy including the disquieting amendments to the recent reciprocal trade act. Mr. Campbell takes issue with those who "believe in world trade *but* . . ." school of thought, deplores the recent decline in U. S. investment abroad, and questions whether growing population standard of living requirements can be met "behind an effective set of tariff curtains."

I

One of the problems with the familiar phrase **world trade** is not that it has no meaning; the problem is that it has far too many different meanings.

N. J. Campbell, Jr.

To some businessmen, world trade means the sale of goods manufactured here to people in other nations, nations anywhere in the world. To some, world trade has an almost regional or geographical connotation, as for one who trades in the Far East but has no interest in the West. To others, world trade means the "export" of intangible services, such as insurance, shipping, aviation and banking facilities. To still others, world trade means the export of American "know-how" — technical knowledge and skills that can help other people to help themselves. And of course there are a good many other meanings that I do not need to detail for an audience such as this.

"I Believe in Trade *But* . . ."

I like to be an agreeable man, and thus I am agreeably inclined to support all such meanings, so far as they go. But often I feel that they do not go very far or that they do not mean very much. Some of these concepts sometimes seem to be little more than intellectual cliches. As the scholars in psychology have pointed out, we are in danger when we come to think that words are the same things as the facts they are supposed to represent. A map, for example, is not the country it represents. Thus with the cause of world trade, it is sometimes possible to conclude that we have it, or that we are advancing it, even when the facts do not support the thesis. A typical trap, for example, into which some have lamentably fallen is represented by the "I believe in world trade **but** . . . " school of thought. When we get that "but" into the conversation we are hazardously close to those who are sometimes heard to say that the precepts of Cordell Hull were fine — for all businesses except, of course, their own.

Now Cordell Hull was not naive. He did not believe in the instantaneous abolition of all tariffs or all trade barriers. He did not believe that it would be possible to achieve in the future a world in which all tariffs could be forgotten and in which the citizens of all nations could trade freely with one another as, say, citizens of Baltimore and Cleveland trade with one another. This is why Hull used a word the meaning of which we so often forget — the word "reciprocal." It was reciprocity he had in mind, a kind of *quid pro quo* in the trade world.

*An address by Mr. Campbell at the World Trade Luncheon commemorating World Trade Week, New York City.

If all of us could keep remembering this word, I suggest our approach to the complex trade problems and opportunities we face might be much more logical.

This is a sophisticated audience, and we are not here today to convert those who are already converted. But perhaps we can help to advance our common cause if we probe behind the cliche "world trade" and try to find out what it means in real terms to some 160-million Americans, to their lives and their fortunes. This number I have just cited is a big number, but it is going to be very much bigger very soon. In less than a generation, we are reliably told, this already enormous population is likely to grow to the level of some 220-million people. The parents of these new 60-million citizens are already here and only a catastrophic war would be likely to interfere with the soaring rise of the population growth. At the same time, the population of the world at large is also growing at a rapid rate.

Can Not Progress With Higher Tariffs

All these people will need the things that our economists talk about — food and clothing and shelter. Providing these basic requisites is even now not a simple job, and it has been pointed out by others even more familiar with world conditions than I, that many millions of people in many different parts of the world have lived to maturity without ever having had a good meal in their lives. These millions of new people, I suggest, will also need something more than food and clothing and shelter. Increasingly they cry out for security, security against fear and security against the ravages of war. These cries I speak of, I need hardly point out, are not in any sense academic. They are responsible for much of the trouble we read of every day in the headlines.

In view of this changing world in which we live it is interesting to speculate as to whether all these people — even our own people in our own country — could reasonably expect to make progress in their standards of living behind an effective set of tariff curtains. I suggest that the answer is in the negative. But I suggest also that this negative fact is too often lost sight of as we become preoccupied with our own immediate problems.

If healthy trade can help lead to a more peaceful world by fostering economic security and raising living standards, it can also contribute substantially by building more harmonious relationships among the people of all nations. This, to put it somewhat colloquially, is simply a matter of "getting to know the other fellow." To me, one of the most important benefits of world trade consists in the exposure people have to each other — meeting and dealing with individuals of different backgrounds, different religions, different ideologies. For it is only when we truly begin to have mutual understanding and respect for each other's social, economic and political ways of life that real accomplishments in achieving world peace will become evident.

II

It is of course not enough merely to assert the desirability of freer trade. So let us ask why our rapidly-expanding population cannot hope to hide, ostrich-like, in its own economy. After all, some have said that we could or should.

American Jobs Depend on Trade

Here I should like to give you an example with which you may not be altogether familiar. It is an example drawn from the experiences of my own organization, the Creole Petroleum Corporation. You must forgive me for talking about our own affairs, but I am reminded here of the remark made by another in the same situation in which he explained that he would have to talk about his own experiences because after all they were the only ones which he had ever had.

It was during 1954 that President Eisenhower remarked in a memorable statement that some four million jobs in America were directly dependent on export trade. We at Creole were extremely interested in this, for as it happened, we were engaged in the task of pointing out that if import quotas were to be imposed on the shipments of Venezuelan oil to this nation — and such quotas were actively being pushed — that a good number of these four million jobs might be endangered. The problem of import quotas was of course only part of the overall trade problem the Congress then faced.

But, since our company produces oil entirely in Venezuela, we felt that we had a legitimate right to make the point if we could support it. At the time, we were engaged in a survey made for us by a professional economic statistical group, to see if we could pinpoint some of the areas of the country in which Venezuelan trade was of significant importance. When the survey was done, we were able to locate by name and location some 4,000 American companies which were engaged in export trade to Venezuela alone. These companies were located in 44 states out of the 48. Their exports ranged from packaged foods — many of the stores in Caracas look exactly like supermarkets here — to giant earth-moving equipment.

Most of you here will be interested in the importance of Venezuelan trade to New York. We found that New York State accounted for about 18% of all U. S. shipments to Venezuela, which totals some $525 million annually. Exports from New York City include food products, drugs, clothing, toilet goods, synthetic fibers, paper products, chemicals, paints, metal products and machinery. Exports from up-state cities like Rochester, Buffalo, Schenectady and Syracuse include photographic equipment, electrical equipment, machinery, office equipment, auto parts and accessories, medicine and, of course, a host of other products. Most of these products flow through the Port of New York, which last year handled more than $250 million of shipments to Venezuela.

The survey supported our thesis rather well, for it is a significant fact that the economy of Venezuela today, although efforts are being made in the direction of diversification, rests very largely on the sale of oil. Any interruption of these sales, it seemed clear, would directly affect jobs in this country, and without providing any parallel benefits.

Dollar Grants Are No Lasting Solution

You will recall that President Eisenhower had summed up the point in these words: "The United States stands ready and able to produce and sell more than the rest of the world can buy from us. The inability of many foreign countries to buy our goods in the volume we would like to sell does not arise from any lack of desire for these goods. Instead it arises out of an inability of these nations to pay—in dollars—for the volume we have to sell. Dollar grants are no lasting solution to this impasse. The solution is a higher level for two-way trade."

III

It is always well to put things into perspective, and it would seem to me a mistake to assume excitedly that the debate now going on over foreign trade is something brand new. The argument is an old one, and perhaps we could see some of the present problems more clearly if we recall at least the highlights of the history.

Free Trade vs. Protectionism

Now, let's take a look at the sharp conflict which for many years has existed in the U. S. between two movements—the movements for free trade and protectionism.

In some phases of our history, the high-tariff protectionists were dominant. At other times, the low-tariff advocates of expanded trade made inroads.

With some interruptions, there was a gradual growth of protectionism after the first tariff of 1789. This became a rising tide after the Civil War, reaching peaks in the McKinley Act of 1890 and the Dingley Act of 1897. Then came a period of moderation, beginning with the Payne-Aldrich tariff of 1909 and culminating in the Underwood Act of 1913.

After World War I there was a return to protectionism. The U. S. went through a revulsion against foreign entanglements and showed a desire to forget about the rest of the world.

Three successive acts of Congress raised high tariff walls against imports and no doubt contributed to the breakdown of trade which deepened the worldwide depression of the 1930's. The most drastic of these was the Smoot-Hawley bill, which passed in 1931 over the strenuous objections of some economists who foresaw disastrous repercussions.

Finally came the idea of a reciprocal trade policy. About 20 years ago Congress approved the reciprocal program under which we have been operating in recent years. The Trade Agreements Act of 1934 authorized the President to enter into agreements with other governments for the reduction of specific duties by as much as 50%. By 1951, agreements had been concluded with 53 nations and covered more than 80% of the U. S. foreign trade.

I do not wish to burden you with a lot of statistics, but I think these developments in trade policy reveal the deep roots in our history of the two forces — free trade and protectionism — with which we are currently concerned. Our problem is not a new one.

IV

Loopholes in Amended Reciprocal Trade Act

Because of the scope of the problem, it was more than comforting when Congress during 1955, following a controversial one-year expansion of the reciprocal trade agreements act of the previous year, finally passed the bill celebrated as HR-1. The effect of the bill was to extend reciprocal trade for three years, ending in 1958. The Act was a matter of national policy, and the President himself hailed it as a milestone. We were, as a nation, officially in favor of world trade. Our Friends and allies in every part of the world had reason to take comfort from the fact.

But it is here, again, that I come back to a basic question which is whether the world trade which we think we have today and which we think we are working for tomorrow is actually sufficient to promote peace, prosperity and progress for the entire world. One reason for the question is that the reciprocal trade agreements act, as passed, includes many amendments. These amendments, some of them quite important, had been reluctantly accepted by the bill's advocates as a way of getting it through and on the books. Among the amendments were those officially providing new channels through which industries which felt they were being injured could apply directly for relief through the facilities of the Office of Defense Mobilization.

In all the excitement, a good many people may have missed two points. The amendments made it clear that an unusual amount of protectionist sentiment existed throughout the country. And, perhaps more important, the bill as passed seemed to have the effect of removing a good many important policy matters from the halls of Congress to an already heavily loaded administrative agency.

Since that time, much has happened to provide a basis for real concern among those of us who believe that freer trade—note that I do not say free trade—is important to the world.

Despite last year's vote of confidence for world trade, some business organizations and industries are continuing their efforts to sterilize our trade program by seeking special tariff protection for their own particular products. Now I realize, of course, that in a few cases involving national defense there may be justification for special consideration; but often the thread of reasoning by some industries seems somewhat contrived when they go about proving their vital role to national defense.

Alarming Decline in U. S. Investments Abroad

Another cause for alarm, it seems to me, is the recent decline in U. S. investments abroad. Last year such investments dropped $75 million in total, in spite of a sizable increase in Latin America and Western Europe. While I hardly need go into the detailed advantages of such investments as a stimulus to world trade, I would particularly like to point out that such investments do more than generate increased trade. For one thing, they develop an increasing flow of services between nations — insurance, banking, shipping and other "invisible" exports. And more importantly, they provide economic progress for the people of the nations where American capital is put to work.

All these signs, I think provide us with continuing reason for continued interest in trade matters. I certainly have no right to assume that my views are necessarily more cogent than the views of others, and it is not my place to engage in a trade debate, but at the same time it is the responsibility of all of us to maintain a lively interest in the matter. None of us has any monopoly on being right, but I am reminded of the remark of Mr. Justice Holmes who said that the best test of an idea is its ability to get itself accepted in the market-place of public opinion.

The direction of American trade policy today is more important than it has ever been before in our history. The strength of the free nations and the preservation of peace depend to a very large degree on America's decision in this area. The newspaper headlines show how desperately the world community needs leadership, and cries out for integration, not disintegration. The standards of living, prosperity if you will, of all the peoples of the world depend on healthy trade among nations; and progress in the form of mutual understanding and friendly relations is heavily dependent on it.

It is fitting that at this time each year we take stock of our vital stake in international trade. But, I suggest, throughout the year—in our daily work—we also find time to reflect on some of the basic advantages of world trade:

(1) World trade is good for peace because it is one of the best ways to eliminate the economic pressures which, if unchecked, might readily lead to another world conflict.

(2) World trade is good for prosperity, because it can foster higher standards of living, **everywhere.**

(3) World trade is good for progress because it leads to mutual understanding among people as well as to interchange of material resources.

Continued from page 2

The Security I Like Best

with any other process presently in use.

How Business Is Growing

Table II sets forth the new orders received during the periods indicated and the volume of unfilled orders at the end of such periods. For a summary of earnings, reference should be made to Table III which is lifted, in substance, from the company's prospectus covering the new $15,000,000 of subordinated debentures.

Conclusion

It is customary to allude to the iron and steel industry as "basic"; but nothing is more basic or so basic as the production of power. Cheap power is the one single basic factor in the development of our varied industries in mass production. Evident, then, isn't it, that a company like Combustion Engineering, through its research and management, is super-basic? Hence, I recommend its stock as affording a guarantee, in so far as anything can be guaranteed beyond death and taxes, of continual year-to-year growth as our population increases and its needs multiply. The stock is listed on the New York Stock Exchange and is selling, at this writing, at a price of 30⅛.

ARTHUR MARX
Andrews, Posner & Rothschild, New York City
Members: New York Stock Exchange and American Stock Exchange

Marlin Rockwell Corporation

At this time it is most unusual to find a stock that appears attractively priced even though one uses the yardstick of evaluation that we used 20 or 30 years ago. *Marlin Rockwell Corporation* is such a stock. It sells at 17, pays $1 dividend and four years average earnings 1952-55 was $1.78 per share. Marlin manufactures ball and roller bearings for a highly diversified line of customers and is part of a very vital industry which has never been static.

Arthur Marx

It is a fairly large corporation, there are 1,356,980 shares outstanding with no senior securities, employs over 3,000 people, has a gross operating profit of almost $9 million and a net working capital of more than $13 million. Property account carried on the books of the corporation at $8 million has been depreciated by almost $10 million. Plants are located at Jamestown and Falcomer, N. Y. and Plainville, Conn., and all are in excellent condition. Dividends have been paid continuously since 1924. It is my opinion that the $1 dividend could be increased in the near future.

At present the aviation industry is the principal user of M.R.C. Bearings accounting for almost one-third of the sales. The automobile companies purchase about 12% of the output.

Here is a stock that has not participated at all in the market rise for the past three years and looks attractive no matter how you look at it. The stock is traded in the Over-the-Counter Market.

With Slayton & Company

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Clarence Bach is with Slayton & Co., 408 Olive Street.

With Federated Plans

(Special to The Financial Chronicle)

CHAPEL HILL, N. C.—Arthur DeBerry, Jr. is now with Federated Plans, Inc.

With King Merritt

(Special to The Financial Chronicle)

PONTIAC, Mich. — James F. Parker is now with King Merritt & Co., Inc.

With Mid South Secs.

(Special to The Financial Chronicle)

NASHVILLE, Tenn. — John H. Brock is with Mid-South Securities Co., American Trust Building.

Dynamic Forces in Operation Affecting Our Future Economy

By RICHARD B. JOHNSON*
Chairman, Department of Economics
Southern Methodist University

In calling attention to a more elusive group of forces which may be as important in shaping our future as the ones currently part of the public awareness, Dr. Johnson discusses: (1) the changed savings structure and effect upon equities and findings; (2) growing governmental significance in responding—as do private corporations—to technological necessities; (3) the necessity of American corporations to sponsor internationalism; and (4) need for industrial cartelization, concurrently with small firms' multiplication. The well-known and easily defined forces are said to support the assumption of a dynamic society causing extraordinary expansion even when consumption temporarily slows down; condition the economy toward inflation; and to underlie aggressive equity purchase.

I refer to four great economic and political circumstances which are likely to influence the economy during the coming decade, and probably for 25 years or longer. These powerful influences, stemming from events already past, now have become part of the general public awareness. Indeed, too much reliance may be placed upon their powers to condition the course of our development. These forces are:

Dr. R. B. Johnson

The surge of births since 1939, which assures the formation of families and large potential consumer demands during the 1960's.

The accelerating technology, with its potentiality of innovational opportunities in geometric progression, offering attractive new inducements to consumption, and demanding imaginative investment on grander scales than ever achieved in the past.

The expanded international horizons offering outlets abroad for goods, capital and skills.

And certainly not least, the new orientation of economic concepts and polity which leads us to believe that government must pursue programs assuring intense utilization of manpower and resources in the interest of economic stability, growth of productivity, and the preservation of the culture of the West.

These forces are interpreted quite properly as supports for dynamic anticipations in an enterprise society. Perhaps on balance they condition the economy toward inflation. They no doubt have played a major part in influencing the managers of our great corporations to undertake the extraordinary expansion of productive facilities characterizing the present, and to persevere in such plans even when consumption temporarily fails to expand at a steady rate. They underlie in part the aggressive purchase of equities by individuals and institutional investors, and they appear to have been assimilated into the subconscious of youth, leading them to early marriage and courageous undertaking of debt.

If we explored the assumptions upon which the trends are projected, we might find our optimism built on rather uncertain grounds. Yet, on the whole, the anticipations of a dynamic, expanding environment appear better justified than anticipations of a static society. I think there is little justification for expecting stagnation in the years to come, assuming we shall keep our heads, act with dispatch, and adopt new precepts of action if that is necessary to sustain the momentum of the economy.

My purpose is to consider a more elusive group of forces which are not part of the public awareness but may be of equal influence on our future. They are elusive because they arise partly from the attitudes of men, which are variable, and partly from dynamic features of the economy whose courses are difficult to foresee. Whether they exert their effects in one way or the other is conjectural. Indeed, they may take an entirely different form than envisioned. I suggest their directions of influence, therefore, only as probabilities.

Problems of the Changed Savings Structure

During the 1930's the propensity to save, to use a favorite phrase of economists, outstripped the effective private investment demand. We are a particularly sensitive political community, and we responded to this circumstance by creating an environment through government actions stimulating to debt creation and private investment. Liberal mortgage credit supported by guarantees, an easy money policy on the part of the Federal Reserve System, and supports provided by other government instrumentalities, were strong stimuli to private debt formation and, to a lesser extent, to capital creation. More important, through fiscal policy and reorientation of bargaining strengths, government redirected the real income flow from upper and upper-middle income groups, who typically are big savers, to lower and lower-middle income groups, who are not. This action, combined with the initiation of rather broad social guarantees, tended to structure the society in favor of debt creation rather than saving.

The entrepreneurial function which already had become somewhat disassociated from the accumulative function, shifted still further. A new breed of enterpriser developed who learned to live on the flow of corporate income. During the past 20 years the successful entrepreneurs and corporate managers have been those who could use debt adroitly to sponsor appreciation. Much of the "corporate saving" which occurred as a by-product of business growth during this period was the reflection of the divergence of account valuations, rather than of conscious accumulation. Although during the whole period a great deal of net saving occurred among individuals, much of this was semi-conscious and semi-compulsory, arising through contractual obligations, pension programs, social security, insurance purchase, and war-stimulated government bond subscriptions. The total of purely conscious and voluntary saving certainly was and still is comparatively small.

One must be careful with such a thesis. It is easy without intent to appear critical through a choice of words and the connotations of phrases. I think much of the program described was appropriate in its environment. My question is whether the new structure of savings habits will be appropriate in the environment of the dynamic 1960's. In short, have we conditioned our society to save too little relative to impending needs for capital?

Effect Upon Equities and Funded Obligations

If we have, and I think there is a strong possibility we have, we may be forced to accommodate ourselves to an environment similar to the uncomfortable spring of 1956; an environment of rising interest rates and tight money. Such a state of affairs will be attended by significant adjustments in the financial and corporate worlds. Equities will be revalued in the light of a higher interest pattern; funded obligations will become a more highly prized component of institutional portfolios, including those of commercial banks; and business growth will occur at greater cost. A community which has achieved "full employment" of its manpower and resources increases its productivity and wealth in proportion to its saving. Conventional saving is not the only medium to finance growth at full employment. An improved labor force through health, morality and effective education likewise contributes to productivity, and technology may accomplish advances which are capital saving and permit some progress without accumulation. But saving is necessary, too. If there are saving deficiencies, we probably shall slow our growth during the 1960's.

Restructuring the Savings Flow

As I have said, we are a particularly sensitive political community. I should add, we are strongly addicted to the idea of material progress. It seems likely that we will respond as rapidly to the deficiency of savings (if that really is what we face) as we responded during the 1930's to the deficiency of private investment demands. There are several ways in which we might react. An obvious adjustment would be to restructure corporate and individual income flows to favor accumulation. This need not diminish current consumption, although it would limit its increase for a time, diverting effort to creation of capital goods. If the resulting accumulation flowed effectively into the expansion of facilities, the rate of improvement of the mass standard of living soon would be accelerated. Nevertheless, political expediency is not likely to permit this course. I doubt that a strongly unionized society will tolerate a major shift of income toward the corporation and upper income groups.

An alternative would be to increase contractually obligated savings by lower and middle-income groups. A trend in this direction already is observable. The growth of life insurance, pension funds and trusts, social security reserves and union benefits supported by investment reserves provide the format for a considerable accumulating program by the masses. This might be a surer program than the first and certainly would be more tolerable, politically. In our present institutional structure it might not provide the equity funds necessary to support the dynamism of enterprise which probably will characterize the 1960's, but changes in regulations applicable to institutional investors and the further development of media which attract equity funds in small, continuous payments might solve that problem.

The alternative would be to "force saving" by continuous inflation. This has been the technique, essentially, of the past 15 years. It has unpalatable consequences, breeding speculative distortions in the use of resources and inequitable treatment of groups within the society. It is to be hoped that a different route is chosen.

Increasing Significance of Government

An attending force is the continuing increase in the significance of government as a motivator in the creation of capital goods. We are likely to draw exact lines between one political leadership and another, classifying the Roosevelt-Truman era as inclined to strengthen government's participation in the economic process, and the Eisenhower period as inclined toward the diminution of government's participation in economic decisions. Such categorization through its simplicity conceals underlying forces which may be stronger than party ideologies.

Governments, all levels of governments, are as much the creatures of technological necessities as private corporations. The needs for investment in areas which by long custom and perhaps by necessity are governmental already have become very large and probably will become larger and more pressing. An expanding population, its urbanization, and the critical need to improve the labor force's health and skills are creating great capital requirements which, under present distributions of responsibility, must be met by government.

In addition, the advancing technology seems likely to require an accelerating rate of capital creation by government in roads and perhaps in other facilities. These needs, already very large, but almost certain to grow, very probably will increase the proportion of total capital goods formation which is motivated by government. Such ventures do not require equity financing directly. They might be "expensed," but fiscal realities are more likely to dictate that they be supported by debt. If savings do not increase, we shall in such a situation find governments competing vigorously for scarce credit to finance their pressing capital needs. It will be a temptation in such an environment to treat governments' needs preferentially.

U. S. Corporations' Internationalism Drive

Although the foregoing does no more than imply consequences, let us move quickly to other forces which may influence our future. Political, technological and resource considerations during the coming decades probably on balance will be internationalistic rather than isolationist, in contrast to the influences of the first 40 years of this century. Our industry must reach abroad for resources and markets, and our political commitments likely will strengthen the international inclination of our industry.

The potential of the great American corporations as forces sponsoring internationalism has not been appraised fully, but is becoming so strong, I think, that it must become a consideration in state policy. The American enterprise can export assets peculiarly American, a distinctive capacity for technical innovation, organizational skills, and a promotional approach to markets, as well as provide the conduit for capital and know-how which most of the world urgently needs. As yet, our government has not provided the shelters abroad which will premit aggressive entrance of American enterprise into foreign markets, probably because the protection of American interests has been given the opprobrious name of "Imperialism." The American tariff, too, long inconsistent with the realities of our advanced technology and need for foreign markets, has hampered the internationalization of American enterprise. These barriers may be removed or lessened, but even if they are not, the orientation of our productive machine to world resources and markets is well underway and should become increasingly important as a force influencing the development of industries and companies, the location of plants, and the design and merchandising of product.

Need for Increasing Industrial Cartelization

As an attendant development, the cartelization of industry may become a more powerful influence. The tendency toward concentration appears already strong within the domestic economy. Despite our commitments to "atomistic competition" and the laws and regulations designed to discourage combination, the consolidation of business organizations and the increase in the relative importance of a few firms seems a very strong tendency today. The tax laws are to some extent responsible for this tendency, but stronger inducements exist in the mangement specialization, concentration of research, integration of technology, and assurance of access to resources and markets which combination facilitates.

In recent years questions have been raised as to whether the assumptions and logical structure upon which the attack upon "combination" has been based really are valid. If we come to distrust the concepts upon which anti-trust policy is founded, the restrictions, legal and otherwise, soon will fall into disuse. Even now, they have only very limited efficacy, and it seems probable that the decades of dynamic growth which are expected will be stimulants to further expansion horizontally and vertically of the great firms.

It need not follow that the function of the small business will be curtailed. Indeed, the dynamism of the society should sponsor the multiplication of small firms in the future as it has during the past ten years. But the function of the "giants," I think, will become relatively more important, and if they are not looked upon as political undesirables, they may assume imposing positions in national policy-making as well as in production of goods and services.

Other Forces Affecting the Future

These, certainly, are only a few of the forces which will decline our environment. Accelerated growth of the service industries, profound changes in the organization of agriculture, reorientation of the composition of consumption, innovations in transport, revolutions in construction—these, and war, may be stronger influences than any I have named. And I have granted in advance, as you will remember, that my speculations are only that: tenuous and uncertain, advanced as postulates, not probabilities. Whether the "prophecy" is accurate is less significant, however, than that all of us be prepared for change. You and I are embarked on an extraordinary venture together—the penetration of the 1960s. We are of a single mind. We know it will be a changeful, surprising experience. We almost certainly are not prepared for its problems except in our willingness to adapt to things new; and that, really, is the best preparation of all.

*An address by Dr. Johnson before the semi-annual meeting of Eppler, Guerin and Turner, Investment Bankers, Dallas.

With Clisby & Co.

(Special to The Financial Chronicle)

MACON, Ga. — Raymond H. Smith is now with Clisby & Co., Bankers Insurance Building.

Britain's Autumn Prospects

By PAUL EINZIG

Dr. Einzig reports that despite improved balance of payments situation, Britishers are exhibiting widespread fear of autumn crisis, with the chief source of danger stemming from the labor's situation. Terms current policy liberalizing international trade restrictions risky at this time. Notes growing pressure on government for adoption of "common market" scheme for Western Europe.

LONDON, Eng.—On the eve of the summer holidays there appears to be a lull in British economic movements. Sterling appears to have reached uneasy equilibrium; the gold reserve has become more or less stable; prices and interest rates have settled down; and the Stock Exchange displays no marked tendency. Apart from the motor industry which is suffering from acute depression and labor troubles, there are no immediate storm clouds on the economic horizon. Nevertheless, businessmen, politicians and administrators are departing for their well-earned rest with heavy hearts. They are far from happy about the situation that is liable to develop after their return.

Dr. Paul Einzig

Fears of an Autumn crisis are so widespread that there is a real risk that, even in the absence of any material factors that would justify a crisis, one might easily develop for purely psychological reasons. In itself the balance of payments position does not appear to be menacing. There was a surplus of something like £100 million during the first six months, and even if the deficit during the second half of the year should lead to a net loss of gold for the whole of 1956, on the basis of the known facts of the present situation that loss is not expected to assume dangerous proportions.

Labor Danger

The source of the danger to economic stability lies in the labor situation. Soon after the end of the summer holidays a number of important Trade Unions will present substantial wage demands, totaling several hundreds of millions of pounds. Should the employer concede a large proportion of the claims, it would increase consumer purchasing power to a considerable extent at a time when the expansion in production appears to have come to a temporary standstill. Too much money would be chasing too few goods. The inflationary trend would become accentuated. At the same time the rising cost of production would further reduce Britain's competitive capacity in the world market. In this connection the recent loss of a £25 million contract in Rhodesia is a fact of the utmost significance.

The question is whether British employers, including nationalized industries, will have the courage to resist the inflationary wages demand, and if so, whether the Unions will press these demands by means of major strikes. On the one hand, such strikes would produce a strong disinflationary effect because they would reduce consumer purchasing power and would discourage capital investment expenditure. On the other hand, the balance of payments might be gravely affected. The Government is therefore confronted with a dilemma. Should it pursue economic and monetary policies which in their effect would stiffen the resistance of employers to wages demands, there would be the risk of major strikes. Should it relax the measures tending to stiffen the attitude of employers there would be an inflationary increase of wages. Between now and September the Government will have to make up its mind which would be the smaller evil.

Devaluation Possibilities

In connection with the anticipation of a crisis in the autumn there has been lately renewed talk about the possibility of a devaluation. From this point of view on the basis of the experience of 1931 and 1949, September has come to be regarded as a critical month. Yet there is no reason to suppose that the Government's mind is working in that direction. In existing circumstances a devaluation would provide no solution whatsoever. The main cause of Britain's present difficulties is the inflationary wages spiral. This was not the case either in 1931 or in 1949. A devaluation would inevitably aggravate the pressure for higher wages, because of its effect on the cost of living. Although it would temporarily improve the balance of payments, in the long run the accentuation of the wages spiral would wipe out any such advantages. For this reason the Government is most unlikely to resort to that solution.

While from this point of view the Government is realistic, from another point of view it has allowed itself to be influenced by its ideological dogmatism in favor of freeing international trade. So far from yielding to pressure in favor of supporting the balance of payments with the aid of reinforced import controls, the Government has just removed import restrictions on paper and wood pulp. This will raise the percentage for British trade that is free of quantitive restrictions by nearly 10% to 94% which is the highest percentage in Western Europe apart from Italy.

Risky Policy

At a time when the balance of payments position is still precarious it was decidedly risky to embark on a further instalment of liberalization. Moreover, there is growing pressure on the Government by a large section of the Conservative Party in favor of participation in the projected "common market" scheme for Western Europe. It is the idea of European Customs Union under a new name. Whatever the merits of the scheme may be in the long run the present moment is most inopportune for a British participation in it. Wages inflation advanced much further in Britain than in most other Western European countries. Any removal or relaxation of Customs barriers in favor of Continental exports would work out to Britain's disadvantage. Owing to the higher British prices, British exporters could not benefit by reductions in Continental import duties to a sufficient extent to make up for the influx of continental goods. Notwithstanding these considerations, Mr. Macmillan committed himself at the July meeting of the O.E.E.C. in Paris, to a certain lowering of tariffs.

A Tempting Argument

Of course, the theoretical argument in favor of the "common market" scheme is very tempting. Its supporters argue that the operation of the scheme would level out the discrepancies between the price levels of the participating countries. They reckon, however, without the rigidity of the British wages structure. In theory British labor would be forced by unemployment to reduce its wages demands and even to consent to wages cuts so that British goods should become competitive in the common market. In practice the Government is firmly wedded to its policy of full employment and the trend of wages is decidedly a one-way traffic. For this reason the Government could ill afford to go very far in the desired direction. It has quite enough trouble on hand without aggravating its position for the sake of the common market scheme. Ideological dogmatism should give way to considerations arising from practical necessity.

J. M. Moreland Admits Johnson, New Firm Name

GALVESTON, Tex.—The firm name of J. Marvin Moreland & Co. has been changed to Moreland, Brandenberger, Johnston & Currie. Partners of the firm are J. Marvin Moreland and Jack T. Currie, with headquarters in the Cotton Exchange Building, Galveston, and John W. Brandenberger and Douglas E. Johnston with headquarters in the Bank of the Southwest Building, Houston.

Mr. Johnson, prior to joining the firm was a partner in Magill, Wareing & Johnson.

McGay Sales Mgr. of McDonnell & Co.

McDonnell & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Harold S. McGay, Jr. has been appointed Sales Manager of the firm.

Form A. F. Shaff Co.

MT. VERNON, N. Y.—Anne F. Shaff and Mort E. Shaff have formed A. F. Shaff and Co. to engage in a securities business from offices at 1 Park Avenue.

Trona Company Opens

Trona Company has been formed with offices at 30 Broad Street, New York City to conduct a securities business. Partners are Sidney Friedman, Louis E. Goldstein and Herbert L. Stern.

Form Wentworth Research

BROCKPORT, N. Y. — Wentworth Research Corporation is engaging in a securities business from offices at 87 Spring Street.

Joins Elmer Bright

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Frank F. Morrill has been added to the staff of Elmer H. Bright & Co., 84 State Street, members of the New York and Boston Stock Exchanges.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Leonard A. Perlich has been added to the staff of Hamilton Management Corporation, 127 Fremont Street.

Join Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Philip Abdinoor, Henry E. Hunt and Richard Mandell have become connected with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

The primary division of the business of fire and casualty insurance companies is, of course, the underwriting portion. It is underwriting for which the company is set up; not investing. The investment end of the industry is secondary, albeit important. Without the underwriting activities the company would be simply an investment trust. Indeed, that very combination has long been used as a strong selling point on insurance stocks: the investor derives his income from the company's investment operations, while growth comes from the underwriting.

Let us look at a tabulation of the underwriting profit margin (or loss margin) of a group of the more actively traded fire and casualty insurance stocks. This material is consolidated in cases where there are one or more wholly-owned affiliates headed by a parent company, and it is presented in three periods, the year 1955; the average for the five years ended with 1955; the average for the ten years ended with 1955.

Underwriting Profit Margin

	1955	Average 1951-1955	Average 1946-1955
Aetna Insurance	1.3%	3.3%	3.1%
Agricultural Insurance	0.0	2.6	3.2
American Insurance	—2.4	1.6	3.3
Bankers & Shippers	5.5	7.4	8.7
Boston Insurance	—3.6	0.8	2.5
Continental Insurance	1.3	3.0	5.3
Federal Insurance	12.0	12.7	13.8
Fidelity Phenix	0.8	2.8	4.9
Fire Association	—0.7	—1.4	1.2
Fireman's Fund	2.4	4.3	5.5
Firemen's (Newark)	9.7	3.3	3.4
Glens Falls Insurance	10.5	5.0	5.8
Great American	0.6	2.5	3.6
Hanover Fire	0.5	2.0	3.1
Hartford Fire	9.6	6.2	7.0
Home Insurance	1.4	0.9	2.8
Insur. Co. North America	4.2	5.8	6.8
National Fire	—1.0	1.1	2.1
National Union	—0.5	2.1	3.4
New Hampshire Fire	—1.9	0.5	2.0
Northern Insurance	6.0	5.3	6.4
North River	1.9	5.5	7.1
Pacific Fire	5.5	7.4	8.9
Phoenix Insurance	5.1	2.3	4.2
Providence Washington	0.9	—5.3	—1.6
St. Paul Fire	5.5	5.9	7.3
Security Insurance	0.4	1.2	2.1
Springfield Fire	—2.0	2.1	3.9
United States Fire	1.3	5.7	6.9
Westchester Fire	1.7	5.5	7.1
Aetna Casualty	3.6	5.7	5.6
American Reinsurance	4.3	1.9	2.6
American Surety	—1.2	3.3	3.1
Continental Casualty	7.4	6.4	6.6
Fidelity & Deposit	17.5	14.2	15.2
Massachusetts Bond	3.8	—0.1	—0.1
Seaboard Surety	23.8	20.4	21.7
United States Fidel. & Gty.	3.5	4.3	5.9

It will be seen that there are extremely wide variations among companies. Those that write only a few selected risks (such as Seaboard Surety and Fidelity & Deposit) showed quite large profit margins. Of course, as to these, if general economic conditions go into reverse their results will be far less favorable, for it is then that the "moral hazard" comes into greater play and defalcations and inability to fulfill contracts are much more numerous in relation to the business written.

Apparent also is the fact that as a pattern, the "blue chip" companies continue to turn in good showings. To the compiler of this data it is apparent that for most multiple-line writers there is less variation in the loss ratio (losses and loss expenses incurred to premiums earned) than there is in the expense ratio (expenses incurred to premiums written). The differences from company to company in the expense ratio, assuming their lines of business are reasonably comparable, are greater than in the loss ratio. Management has relatively little control over losses, which are so largely the result of force *majeure;* but they do have a large measure of control over their expenses. Therefore, lower expense ratios are fairly generally the product of more capable management.

This underwriting profit margin exhibit is, perhaps, as important a statistic as we have in the fire-casualty insurance industry. Basically, it is an indication of a company's ability to show long-term growth.

THE MARKET . . . AND YOU

By WALLACE STREETE

Industrial stocks have been engrossed for a rather long spell with the 510-515 area for the average, no less than a dozen sessions being spent toying with this resistance level without any signs of forging through the band decisively. A measure of the stalemate during the past week was laid to the steel strike which kept the sidelines rather crowed despite an occasional, belated show of life in the rails.

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The apathy toward the market generally had all the characteristics of the typical summer doldrums with volume occasionally falling below the two million mark and with the plus and minus signs in fair balance for a day's work.

Show of Strength in ATT

One of the few issues that was able to show sustained strength was the normally slow-moving American Telephone which usually is noted for restrained price action. With the help of a new rights offering to holders due this fall, the stock was able to put a couple of good gains together after the initial shock of the news. The fact that the company proposes to make nearly six million shares available at the highly favorable price tag of $100 a share apparently found widespread approval. In the open market the stock hasn't sold at that price since the depths of the depression in 1935. It also maintains some sort of chain since Telephone between 1901 and 1930 made a dozen such rights offerings, all at $100.

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The ratio of one new share for each 10 presently held is not the most munificent offering on record since only one of the pre-depression offerings ran that slim. The others ranged from a 1-for-3 basis to 1-for-6 which was the ratio in the last such offering in 1930. The post-War II financing has been largely through convertible debentures until the new announcement indicated a shift. The open market price of the stock hasn't been below $150 in the last half dozen years, which undoubtedly contributed to the interest in the plan.

The Lolling Motors

There was little in the news to heighten interest in the auto shares which seem to have discounted the industry slump adequately and have been lolling around their lows waiting on the upturn in the business. Some mild interest, however, centered on some of the auto parts makers, the theory being that their work on the new models will be the first upturn in the auto lineup. Some of them, like Dana Corp., Eaton Mfg. and Kelsey-Hayes Wheel, will be the prime beneficiaries from new orders since, in addition to the cutback in new orders, they have also had to suffer from the makers eating into their inventories. Others not so dominant in the single line, like Libbey-Owens-Ford, Raybestos-Manhattan, Borg-Warner and Bendix Aviation can also benefit markedly since they have been able to keep their profit reports respectable only because they are far more diversified.

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International Harvester, which has been under the cloud of a troubled farm economy which cut into its farm equipment production, has been able to show better action since it became one of the candidates for an important role in the highway construction program. It is still classed rather widely as one of the behind-the-market items at the quality end of the list and was able to report good gains in sales and a fair boost in profits so far this year.

Drugs Stand Out

Drug shares stood out occasionally with Pfizer able to join the new highs lists on its newer drug products. Predictions are general that the company will show a good increase in earnings this year over last year, helped along by a shift in emphasis somewhat from the highly competitive antibiotic field to that of vitamins. Probably no upturn in this general group was as dramatic as the doubled earnings Rexall Drug reported last year over what they had been running for the previous several years. Moreover, more improvement is being forecast for this year. The company has been pursuing a broad policy to better itself, ranging from sale of unprofitable properties and more promising investments elsewhere down to a policy of repurchasing its own shares. Moreover, it has been stepping up its work in the ethical drug business with some of the newer and more promising drugs among its promising products.

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Oils continue to do well, with considerable interest centering on likely candidates for absorption by some of the larger units as an inexpensive way of adding to reserves rather than through high exploration costs. There have been some situations where the benefits were somewhat exaggerated, including Southern Production which finally came to an agreement with Sinclair Oil only to discover that the market had already discounted the price that would result from the deal. One issue able to do well, including a new high for the year, in anticipation of a deal with one of the larger companies was the junior exchange's Signal Oil & Gas A stock. The company has large crude reserves, large offshore acreage and natural gas in profusion, all enough to spur some statisticians to figure it could sell a score of points higher and still be reasonably priced.

An Interesting Chemical

Chemicals were certainly not pronounced market favorites in recent sessions. One, however, which has been selling at below-average price-earnings ratios has been Olin Mathieson which, largely for this reason, was featured a bit in the market reports. The stock has had a quiet market life recently but has been hovering closer to its peak than its low. Part of the reason for its quiet market life is the fact that the large expansion gulps of recent years had kept it in the static dividend class although net income has more than doubled in less than half a dozen years. Sales have been above the half billion line for two years now and are expected to reach the $600 million level this year which would give it a chance to claim the No. 3 niche in the chemical industry. It is one of the more diversified of the chemical outfits, its interests ranging from rocket motors to firearms, paper and aluminum, in addition to its chemical interests which provide almost three-quarters of sales. The steady improvement in profit that has been shown in recent years continued so far this year.

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Paper stocks, too, have been taking something of a breather after their popularity earlier this year with some of the specialty outfits, like Kimberly-Clark, getting a bit of mild attention occasionally. Kimberly's chief forte is specialty papers, including book paper of which it accounts for 10% of total production. Its other lines include insulation, acoustical materials and household products which makes it something of a more diversified paper company than most in the field.

[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.]

Int'l Finance Corp. Beginning Operations

New institution, starting with 31 member countries and $78 million capital subscriptions, will invest in productive private undertakings in cases where sufficient private capital is not available on reasonable terms. Corporation will sell its investments to investors. Garner, Beevor, Demuth, and Sommers appointed key officials.

Eugene R. Black, President of the World Bank, has announced the formation of the International Finance Corporation and the appointment by its Board of Directors of Robert L. Garner to be President of the Corporation. IFC is now established as an affiliate of the World Bank with the purpose of encouraging the growth of productive private enterprise, particularly in the less developed areas of the world. Mr. Black made his announcement in his capacity as Chairman of the Board of Directors of the Corporation.

Robert L. Garner

Mr. Garner has been Vice-President of the World Bank since 1947, and has resigned from that position to assume the Presidency of IFC. For four years before coming to the Bank, he was Financial Vice-President and Director of General Foods Corporation and for many years before that had been associated with the Guaranty Trust Company of New York, serving finally as Vice-President and Treasurer.

Mr. Garner has appointed J. G. Beevor to be Vice-President of IFC, Richard H. Demuth to be Assistant to the President, and Davidson Sommers to be General Counsel. Mr. Demuth is Director of the Bank's Technical Assistance and Liaison Staff, and Mr. Sommers is the Bank's General Counsel. Both Mr. Demuth and Mr. Sommers have been associated with the Bank since 1946, and will continue to hold their positions in the Bank while serving with IFC.

Mr. Garner was appointed at the first meeting of the Board of Directors on July 24. The Board also adopted a number of resolutions to enable IFC to begin operations. Among them was a resolution calling on IFC's present member governments to make full payment for their shares of the Corporation's capital stock. The payment is to be made in gold or United States dollars within 30 days, or by Aug. 23, 1956.

Original Membership Requirements Met

The Corporation is beginning its operations with 31 member countries and capital subscriptions amounting to $78,366,000. IFC's Articles of Agreement stipulate that the new institution would come into existence when at least 30 countries had subscribed at least $75 million of the authorized capital of $100 million. These requirements were met when France and Germany took final action for membership on July 20. Additional countries which fulfilled membership requirements between June 15 and July 24 were Colombia, Denmark, Finland and Japan. Other members of the Bank eligible to be original members of IFC have until Dec. 31, 1956 to complete action for membership, and most of them have indicated their intention to do so.

Membership in the Corporation is open to countries which are members of the World Bank; and members are represented on the Board of Directors of the Corporation by the same Directors who represent them in the Bank. At present there are 12 Directors of the Corporation.

The Corporation expects to make extensive use of the experience and personnel of the Bank. The Treasurer, Secretary, Director of Administration and Director of Information of the Bank have been appointed to the same positions in IFC. The Corporation's operating staff will be relatively small and arrangements are now being completed for the employment of staff members of several different nationalities.

Investment Purposes

The Corporation will invest in productive private undertakings, in association with private investors, in cases where sufficient private capital is not available on reasonable terms. In general, IFC will aim to stimulate, and to help to create conditions which will stimulate, the flow of both domestic and international private investment into productive private enterprises.

Investments will be made by the Corporation without governmental guarantee. The Corporation is not itself authorized to invest in capital stock but, apart from this one restriction, it can make its investments in any form it considers appropriate. It may, for instance, buy securities which give it the right to participate in the profits of an enterprise and which, when sold, can be converted by the purchasers into capital stock. IFC will usually make all or part of each investment on a basis approximating venture capital. It will not, however, assume responsibility for managing enterprises in which it invests.

To Invest in Productive Private Enterprise

The corporation has authority to invest in any kind of productive private enterprise, including agricultural, financial and commercial undertakings; but its main emphasis is likely to be on industry. The Corporation will invest in an enterprise only if it is satisfied that the private interests concerned are contributing their full share of the funds required, and that the remaining requirements cannot be met from other sources on reasonable terms. IFC's investments will supplement, and not take the place of, private capital.

The Corporation will seek to revolve its funds by selling its investments to private investors whenever it can appropriately do so on satisfactory terms. It will be authorized to raise additional funds by selling its own obligations in the market, but it is not likely to do so in the early years of its operations.

With Goldman, Sachs

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — William H. Brown has joined the staff of Goldman, Sachs & Co., of New York.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Daniel P. Forby is now with King Merritt & Co., Inc.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — William J. Schueller, Jr. has become connected with State Bond & Mortgage Co., 28 North Minnesota Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The election of Floyd E. McKee and Felix A. Mulgrew as Vice-Presidents of **Bankers Trust Company of New York** was announced on July 23 by S. Sloan Colt, Chairman of the Board. Mr. McKee is at the bank's Fifth Avenue office and Mr. Mulgrew, is in the Banking Department of the main office. Mr. McKee came to Bankers Trust in 1934. He was named Assistant Treasurer in 1950, and Assistant Vice-President in 1953. Mr. Mulgrew, joined the bank in 1955, after experience in legal and public utility fields. Simultaneously, promotions from Assistant Treasurer to Assistant Vice-President were announced for George S. Stephenson, Fifth Avenue Office; Charles R. Beddows, Jr., Wall Street Office; and Theodore R. Hilb, Madison Avenue Office. Arthur Johnson and Ledlie C. Pitt were promoted from Assistant Secretaries to Assistant Vice-Presidents in the Trust Department.

Other promotions were John B. Nelson, Assistant Treasurer; Alfred C. Gearhart, Assistant Trust Officer; and William J. Lutz, Jr., James E. Gaskin, William J. Kahler, James W. McElroy and Earl S. Rogers, Assistant Secretaries.

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The appointment of Edward W. Cardiff as an Assistant Vice-President of **Manufacturers Trust Company of New York** was announced on July 23 by Horace C. Flanigan, President. Mr. Cardiff joined Manufacturers Trust in 1936 and has always been at the bank's University Place Office (32 University Place at 9th Street). He was appointed Assistant Manager in 1938 and Assistant Secretary in 1944 and has been Officer-in-Charge since 1952.

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Thomas J. McGarry has been appointed a Vice-President in the International Department of **The Chase Manhattan Bank of New York**, J. Stewart Baker, President, announced on July 24. A member of the International Department staff for 36 years, he will be in charge of personnel and operations.

At the same time Joseph J. Ballo, Anthony G. Froehlich and Herbert P. Patterson were appointed Assistant Vice-Presidents in the International Department and Howard R. Condon, Leo F. Finning, Edward T. McGovern and Thomas L. Nolan were promoted to Assistant Treasurers. Raymond V. Brady was appointed an Assistant Treasurer in the Insurance Department.

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Announcement was made on July 23 that control of **The Springfield Gardens National Bank of New York** at **Springfield Gardens, Long Island, N. Y.** has passed to a group headed by J. A. Melnick, a lumber and millwork wholesaler of New York. Mr. Melnick is President of the J. A. Melnick Co. of Bush Terminal, Brooklyn, wholesale lumber and millwork distributors. He is actively associating himself with the bank and it is planned that he, and his associates, will go on the board at the bank to add to its present directors. William B. Jones, President of the bank, expects that with this addition to its official family, the bank will embark on an expanded program, to be of even greater banking service to the community than in the past. The bank has four offices in Queens — Springfield Gardens, St. Albans, Laurelton and St. Albans Naval Hospital, and has been located in the Borough of Queens for 28 years.

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As of June 28 the capital of the **First National Bank & Trust Co. of Ossining, N. Y.** became $231,500, at which time it was enlarged from $220,500 by a stock dividend of $11,000.

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The New York State Banking Department approved on July 11 a certificate of increase of capital of the **Northern New York Trust Company of Watertown, N. Y.** from $862,500, in 34,500 shares, par $25 per share, to $962,500, consisting of 38,500 shares of the same par value.

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At the 99th Annual Meeting of the Corporators of the **Connecticut Savings Bank, of New Haven, Conn.** one former Corporator was elected a Trustee, a new Corporator was elected and one Officer was elected. The former Corporator, now a Trustee, is Horace F. Isleib. Mr. Isleib is Investment Officer and Associate Treasurer of Yale University, a Trustee and Treasurer of the Sheffield Scientific School, etc. The Corporator elected is Richard H. Bowerman, of Orange, Conn. He is a member of the law firm of Gumbart, Corbin Tyler and Cooper, and a Director of the New Haven Bank, N.B.A., and of the Equipment Sales Co., Inc. and is a member of the American Bar Association, etc.

The Officer elected is Harold M. Hall, who was elected an Assistant Secretary. Mr. Hall, also a resident of Orange, is a native of Newark, N.J. His duties with the bank started in February, 1935, as a teller and at the time of his appointment to the managership of the Whalley Avenue Branch of the Connecticut Savings Bank when it is opened, he held the title of Assistant Chief Teller.

Carl G. Freese was re-elected President and Treasurer, as were the following Vice-Presidents: Allan R. Carmichael, Harry H. Owen and Charles E. Rauch; Robert A. Babcock continues as Secretary as does Thomas E. Curl as Comptroller and Felix F. de Foschi as Auditor.

Carl G. Freese, President, reported that the total assets of over $122,000,000 were at an all-time high, representing an increase of over $12½ million for the fiscal year ended June 30, 1956. Deposits are also at an all-time high of $108,500,000, an increase of almost $12 million for the same fiscal year.

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Plans have been made known for the proposed merger of the **Franklin Washington Trust Co. of Newark, N. J.** with the **National Newark & Essex Banking Co. of Newark.** Meetings of the shareholders of both institutions will be held on Aug. 22 to act on the proposed merger. At the same time the National Newark & Essex Banking Co. plans to purchase property adjoining the downtown office of the Franklin Washington Trust. The Newark "Evening News" of July 21, in noting this, added:

"The agreement provides for purchase of the property before Aug. 1, 1961, and its lease until title is conveyed. The agreement also provides for Franklin Capital Corp. to service a portion of the bank's mortgage business.

"Under the merger plan, holders of Franklin Washington stock would receive three-eighths of a share of National Newark stock for each share of Franklin Washington held. There are 120,000 shares of Franklin Washington outstanding which would be exchanged for 45,000 new shares of National Newark. The merger will take place about Sept. 1, provided it is approved by shareholders of both banks."

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Following the recent merger of the **First National Bank of Millburn, N. J.** and the **National State Bank of Newark, N. J.** (referred to in our July 19 issue, page 296) the assignment of officers from the Millburn Bank to the National State was made known on July 19, as to which we quote as follows from the Newark "Evening News" of July 19:

"Herbert M. Ellend, who was Vice-President, director and counsel of the Millburn bank, has been elected a director of the National State; Robert F. Smith, former Millburn President, has been named a Vice-President and Senior Loan Review Officer.

"George W. Pultz, who was Vice-President, Trust Officer and Cashier of the Millburn bank, is being given the title of Assistant Vice-President and will be in charge as Manager. The Millburn bank has become National State's 17th office in Essex County.

"Samuel Albanese, who was Assistant Cashier and Assistant Trust Officer, was named an Assistant Cashier by National State."

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Following a meeting of the Board of Directors of the **Fidelity Union Trust Co. of Newark, N. J.** on July 17, announcement was made by Horace K. Corbin, Board Chairman, and Roy F. Duke, President, that an increase in the regular quarterly cash dividend of the company from 60 cents to 75 cents had been voted, effective Aug. 1 for shareholders of record July 23. Reporting this in its July 18 issue, the Newark "Evening News" of July 18 also stated in part:

"Mr. Corbin and Mr. Duke also said that the board is proposing to pay a 5% stock dividend. A special meeting of stockholders is to be called Aug. 20 to vote on the proposal, which would mean issuance of 25,000 shares of stock in addition to the 500,000 shares now outstanding. Fidelity Union stock, now quoted in the market at around 68 bid and 70 asked, has a par value of $10.

"Fidelity Union has been paying a 60-cent quarterly cash dividend for several years. Last year, and also in 1954, a 30-cent extra cash dividend was voted, putting the stock on a $2.70 annual basis for those years. This meant $1,350,000 a year in cash dividends for shareholders.

"The new cash dividend rate of 75 cents means a $3 annual rate or $1,500,000 a year to the shareholders. This dividend will be payable for the quarter which ends July 31.

"The 25,000 new shares, if approved by the stockholders as expected, will increase the bank's capitalization from $5,000,000 to $5,250,000. Money representing payment for the new shares would come from the bank's undivided profits, which were $6,218,241 as of June 30."

* * *

The issuance of 5,000 additional shares of capital stock was recently authorized by the stockholders of the **Union Center National Bank of Union, N. J.** The new stock was offered to shareholders of record June 29 at the rate of one new share (par $25) at $55 per share for each four owned, with rights expiring at noon Aug. 13. The Newark "Evening News" reporting this, further said:

"Capital structure of the bank will be rounded out to $1,500,000 by the sale and by an additional $25,000 which the board plans to transfer to surplus. This will enable the bank to boost its loan limit from $120,000 to $150,000."

* * *

Arthur M. Mueller, First Vice-President of the **Trust Co. of New Jersey, at Jersey City, N. J.** died on July 12. He was also Chairman of the Jersey City Planning Board and had served as President of the New Jersey Banking Association. A Jersey City staff correspondent of the Newark "Evening News" of July 13 reports that Mr. Mueller, a native of Hoboken, N. J., started his banking career with the **Chase National Bank in New York** and moved to **The Trust Co. of New Jersey** office in Hoboken as assistant bookkeeper in 1918. He established and headed its credit department in Jersey City four years later and was named Assistant Manager of the two Jersey City branches in 1925.

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A change in the name of the **First National Bank of McKeesport, Pa.,** to the **Western Pennsylvania National Bank** was reported in the Pittsburgh "Post Gazette" of July 16, from which we also quote the following:

"At the same time, in conjunction with a merger of the two institutions, the **First National Bank of Braddock** becomes the 11th community office of the **Western Pennsylvania National Bank.**

"The McKeesport bank, of which M. A. Cancelliere is President, decided a change of name, in the midst of its 85th year, was desirable in view of a considerable expansion since 1953 which has given it banking activities of regional scope.

"The resources, $40,000,000 three years ago, have grown to $105,000,000.

"The Western Pennsylvania National Bank has offices in three counties — Allegheny, Westmoreland and Washington. In addition to the principal office in McKeesport, office locations are Belle Vernon, Braddock, California, Dravosburg, Finleyville, Monongahela, Roscoe, Sharpsburg, Smithton and White Oak."

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An increase of $400,000 in the capital of the **York County National Bank of York, Pa.** has brought the bank's capital up to $1,000,000, compared with $600,000 previously. The addition resulted from a stock dividend of $400,000.

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Raymond G. Geltz, President of the **Northside Deposit Bank of Pittsburgh, Pa.** died on July 9. According to the Pittsburgh "Post Gazette" of July 10, Mr. Geltz, who at his death was 60 years of age, started in the banking business 43 years ago as a clerk for the Real Estate Savings & Trust Co. and helped with the organization of the Northside Deposit Bank, 22 years ago, becoming its President in 1950.

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Mills B. Lane, Jr., President of **The Citizens & Southern National Bank, of Atlanta, Ga.** reported at the bank's board meeting in Savannah on July 10 that the high level of business activity in Georgia and neighboring states, coupled with the bank's own increased capacity, had boosted bank earnings and deposits to record highs for any six-month period. Earnings after taxes were $1,094,122 for the first six months of 1956 as compared with $506,197 for the corresponding months of 1955. Deposits were up $16 million over a year ago and totaled $401,142,829 on June 30. In the past five weeks, savings on deposit have increased $2.3 million to a total of $64 million, Mr. Lane said. Meanwhile, the bank's ratio of capital accounts to deposits climbed during the past five years from 5.96% to 8.28%. This year the bank raised $3 million new capital through sale of 100,000 new shares, bringing its capital and surplus to $30 million, largest in the Southeast.

Branch offices are being added in Augusta and Macon, Mr. Lane said in his mid-year report to shareholders. Also, two affiliated banks in Atlanta with four offices and a fifth under construction are to be merged as branches. The Citizens & Southern National Bank has 10 offices in Atlanta, Augusta, Savannah, Macon, Athens and Valdosta with a service office in New York City, 13 affiliate banks and offices are in Dublin, Thomaston, Albany, LaGrange, Newnan, East Point, Emory, Avondale Estates and Atlanta. Deposits for all C&S Banks in Georgia totaled $484 million on June 30 as compared with $461 million a year earlier.

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The Citizens & Southern Bank of Albany, Ga. has opened a new banking facility at the U. S. Marine Supply Center. The new facility is the C&S system's 23rd office in Georgia. Olin F. Fulmer, Jr., President of the C&S Bank of Albany, said the office will serve an installation which has 2,200 civilian and 1,800 military personnel. Brig. Gen. Ion M. Bethel, Commanding General, cut the ribbon at opening ceremonies. J. Frank Irvin will manage the new facility.

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As a result of the sale of $50,000 of new stock the **American National Bank of Jacksonville, Fla.** now (July 5) has a capital of $400,000, compared with $350,000 previously.

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As of July 5 the **Citizens National Bank of Orlando, Fla.** reported a capital of $750,000, increased from $600,000 following the sale of $150,000 of new stock.

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Additional stock, to the amount of $250,000 has served to enlarge the capital of the **Fidelity National Bank of Baton Rouge, la.** from $1,000,000 to $1,250,000. The increased capital became effective June 25.

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The following announcement was made on July 12 by the **Texas Bank & Trust Company of Dallas, Tex.:**

The Board of Directors and Shareholders of the **Texas Bank & Trust Company of Dallas** have authorized, subject to the approval of the Banking Commissioner of Texas, the following increase in the capital structure of the bank:

Capital stock to be increased from $1,750,000 (87,500 shares par value of $20 each) to $3,000,000 (300,000 shares par value of $10 each). This would be effected by:

1. Reducing par value from $20 to $10 and issuing one new share for each old share outstanding.

2. The declaration of a stock dividend of 17,500 shares (one share for each 10 shares then outstanding).

3. Offering to stockholders of record as of the close of business July 12, 1956, the right to subscribe to 107,500 new $10 par shares in the ratio of 43 new shares for each 77 $10 par shares owned, at the price of $20 per share.

The total sum received is to be retained by the bank in its capital and surplus equally. This subscription right will expire on July 23.

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The directors of **Westminster Bank Ltd., London, E. C.** have declared interim dividends of 6¼% for the half-year ended June 30, on the "A" stock, and of 2s. od. per share on the "B" shares for the same period. The dividends (less income tax) will be payable on Aug. 1 to stockholders and shareholders whose names were registered in the books of the company on June 30.

Continued from page 3

The Financing of United States Foreign Trade

military expenditures, private investments, and private remittances. The extent of the oversupply was some 6%.

Economic aid by the United States to foreign countries dates actually from the lead-lease program of the war period, for lend-lease was designed to buttress and improve the economies of the recipient countries as well as to provide them with military equipment and supplies. Goods in the lend-lease pipeline at the time of the termination of the program in August, 1945, were taken up by means of long-term credits, and these lend-lease credits were followed by large reconstruction loans through the Export-Import Bank and subsequently through the World Bank. Relief through UNRRA and interim aid to European countries were followed by grants and loans under the Marshall Plan beginning in 1948. The Marshall Plan was conceived as a four-year program, and aid to Europe under it and succeeding programs did taper off in fact as Western Europe restored production, trade and monetary reserves.

Change Focus to Our Foreign Aid

Economic aid to foreign countries from the United States continues, although on a reduced scale and with a different focus and emphasis. The bulk of the aid goes now to countries on the periphery of the Soviet sphere in the Middle East and Asia. The emphasis in the aid program for Europe was recovery from the destruction and dislocations of the war. The purpose of the continuing program is partly this, as in the case of aid to Korea. Its basic motivation, however, and a motivation which applies also to Korea, grows out of the cold war and is twofold: (1) To assist countries associated with the United States in regional defense alliances to establish and maintain military forces beyond their own capacity; and (2) to assist these and other countries to strengthen their economies in order better to defend themselves and in order to improve the living standards of their peoples under conditions of freedom.

The motivation of the current foreign aid program, like the motivation of the early postwar aid to Europe, is thus essentially political in character and inseparable from the international political situation. The present Administration has recently asked Congress for legislation based on the conviction that the need for foreign aid on a substantial scale will persist indefinitely and that commitments of aid over a period of years should be made possible. There is opposition to both of these concepts in the Congress; but, if the experience of recent years is any guide, Congress will in the end authorize a continuing program rather than face the alternative of a weakening of the line of defense against Russian pressures and, by no means unimportant, of a decline of exports of agricultural surpluses and manufactured products.

The size of a continuing program of economic aid is a matter of conjecture. The amount has ranged between $2 billion and $2.5 billion in the last three years. At this level, economic aid in the form of grants and loans represents 10 to 12.5% of the total dollar requirements of the rest of the world at their current level.

Export-Import Bank

One of the sources of loans to foreign countries from the United States Government is the Export-Import Bank. The orientation of the Export-Import Bank is different from that of the foreign-aid agency proper, which is presently the International Cooperation Administration. The purposes of the Bank are to assist creditworthy, friendly foreign countries to develop their economies and to assist American exporters to sell on credit terms to such countries. In either case, the considerations are primarily economic, but political considerations are also quite naturally brought to bear on the operations of the Bank.

I shall discuss the relations between the Export-Import Bank and American commercial banks at another place and also the banking techniques involved in these relations. The Bank's loans during the last decade reached the impressive total of $4.5 billion. The importance of these loans to American exporters, to foreign countries, and to the reconstruction and development of the world economy since the last war are generally acknowledged. They have not played, however, a very significant statistical role in financing United States exports except during the period of heavy reconstruction loans immediately after the war. During the whole postwar period, Export-Import Bank loans served to finance on a gross basis less than 3% of United States exports. The proportion during the last two calendar years (1954 and 1955) was less than 2%. Repayments to the Bank in these years have exceeded disbursements. There are signs, however, that the loans and disbursements of the Export-Import Bank may be due to increase over the next period.

I might also mention at this juncture the loans of the International Bank for Reconstruction and Development out of its dollar resources, since these loans serve, too, to finance United States exports directly or indirectly. Disbursements of dollar loans by the International Bank since it began operations in 1947 until the end of 1955 were $1.4 billion, or a little more than 1% of United States exports during the same period. Two factors are tending to reduce the importance from this point of view of the operations of the World Bank. One is the increasing proportion of loans made in currencies other than dollars. The other is the growing amount of repayments on dollar loans disbursed during the early years of the Bank's existence. The current significance for United States exports of International Bank loans in dollars is very small on a net basis, that is, as measured by disbursements net of repayments. Needless to say, this observation is not intended in any sense to discount the importance of the Bank's total function or its contribution to the growth of the world economy.

The operations of the International Finance Corporation, which is expected to come into existence within the year as an affiliate of the World Bank, will provide some additional financing for United States exports both out of its own small dollar resources and by assisting the outflow of dollar capital on private account.

New Source of Export Financing

A new source of financing for exports of agricultural products became available to foreign countries with the passage of the Agricultural Trade Development and Assistance Act of 1954. Among other things, this Act provided for the sale of surplus agricultural commodities against payment in the currency of the purchasing country, with the disposition of the local currency to be agreed between the United States Government and the government of the recipient country. Shipments under this program in 1955, during which it actually got under way, were $266 million. The amount is small as compared with total United States exports, but, together with a similar program administered by the International Cooperation Administration, represented nevertheless 10% of agricultural exports during the year. I shall go into the banking techniques involved in these and related programs at a later point.

Military expenditures by the United States Government in foreign countries have been since 1953 a more important source of dollars for foreign countries than economic aid in the form of grants and loans (although it must be recognized, of course, that military expenditures are for value received in the form of goods and services while economic grants are an outright gift). During the three years 1953-1955, no less than 12% of the dollar requirements of the rest of the world were provided by these expenditures for troop pay, purchases of local services and supplies, and off-shore procurement of military hardware. Their importance in the balance of payments as a whole is thus evident. They have been a major source of dollars for individual recipient countries such as the United Kingdom, Germany, France, Italy and Spain in Europe and Japan and the Philippines in Asia.

Large-scale disbursements in foreign countries by the United States for military purposes will presumably continue as long as there is the present degree of tension in international political relations. Moreover, even if, because of a lessening of this tension, the United States Government should be able to reduce its outlays for defense, including outlays abroad, there is on record a commitment to devote a substantial part of the savings to increase economic aid to underdeveloped countries.

New foreign investments by private United States investors have played a relatively minor role in supplying dollars to the rest of the world during the postwar period. In statistical terms, only 5% of foreign dollar requirements has been so provided. In real terms, new direct investment, which constitutes the bulk of American private investment abroad, represents a form of self-financed export, since the amount of new direct investment represents in large part the value of equipment and supplies consigned to foreign branches and subsidiaries by United States corporations. I have explained elsewhere why I do not think that the amount of American private investment abroad will increase significantly in the foreseeable future, or hence, come to play a very important role in the balance of payments of the United States.[1]

Opportunities for Investment Trusts

Despite my general pessimism on this score as regards the short-run, I am impressed by the long-run potential of specialized investment trusts or mutual funds for foreign investment. These constitute a new channel for the investment abroad of private American capital. Canadian funds offered in the United States, of which all but one have been offered since June, 1954, had purchased a total of $175 million in Canadian securities up to the end of 1955. American investors are also believed to have sizable holdings in Canadian funds distributed only in Canada, of which several of the older ones were established in fact under American sponsorship. Funds for investment overseas have been organized only very recently and have not so far mobilized any very significant volume of dollar capital. Nevertheless, I consider them to be a promising vehicle for private foreign investment, especially in view of certain tax advantages created by the Revenue Act of 1954.

Here, again, in order to avoid being misunderstood, I want to say that I in no sense want to depreciate the major contribution of foreign investment by private United States investors to the economic improvement or specifically to the dollar resources of foreign countries. Private investment results in new or increased production, especially of raw materials, for export to the United States and other markets and thus enables the host countries to earn dollars and other foreign exchange to meet their requirements. The host countries benefit greatly from such investment also through the generation of local income in the form of wages and taxes, as well as in other ways.

Private Financing Sources

There remain to be mentioned a number of private sources of financing of United States exports. Among these are commercial banks, which extend short-term accommodation to foreign banks and others. Information is available on the amount involved in particular forms of this financing, such as acceptance financing, and on the amount involved for one geographic area, Latin America. The total amount, to which should be added the credit extended by factors doing an international business and by exporters themselves, is known only very approximately. Estimates of short-term capital movements in the balance of payments indicate that the net increase in short-term financing during the whole postwar period has been somewhat in excess of a billion dollars. This is obviously not a very important source of export financing in the sense in which we are now considering the matter.

Commercial banks in the United States also provide some medium-term financing of exports, by which I mean financing for periods longer than, say, 12 months. They do some of this strictly on their own account as individual banks, but the amounts involved are not believed to be very large. They also participate at their own risk in loans made by the Export-Import Bank and the International Bank. Early examples of such participation are found in certain of the medium-term reconstruction loans arranged by the Export-Import Bank after the last war, and there are also current examples which are referred to below. Beginning in 1954, the International Bank has obtained the participation in its loans, at inception and without its guaranty, of commercial banks and insurance companies. The commercial banks have taken the shorter maturities up to five years, and the insurance companies took in one instance the intermediate maturities up to ten years. Finally, as mentioned below, a number of commercial banks have contributed to the capital of an Edge Act Corporation which is designed to provide medium-term export financing.

So much for the balance-of-payments aspects of the financing of United States foreign trade. I pass now to the second approach to the subject, which is the financing of United States trade in the sense of terms, instruments and techniques. Let us consider, first, export financing and, second, import financing.

Export And Import Financing

As is well known, American exporters have a strong preference for, and indeed often insist upon, letter-of-credit terms. This attitude, which is synonymous with a disinclination on the part of exporters to compete for foreign markets on the basis of credit terms, merits examination. One basic influence at work is the fact that some American exporters, such as the steel industry and manufacturers of complicated or specialized equipment, have long enjoyed a sellers' market. Moreover, American exporters in general have enjoyed a sellers' market over extended periods of time. This was the situation during the decade of the last war and early postwar reconstruction, when American exporters faced little or no competition in world markets from exporters in other industrialized countries.

Thus, we have in the United States a generation of export managers and company treasurers who have not been obliged usually to extend credit to foreign purchasers of their products. Besides lack of credit experience, there is often also a lack of credit information on foreign names of the detailed kind to which credit managers in the United States have become accustomed in judging credit risks. Furthermore, although there are, of course, many exceptions, company managers in the United States are typically preoccupied with the huge domestic market and regard the export market as marginal or as involving too much trouble and risk to develop, especially if credit terms are entailed. It is a common complaint among export managers that their companies pay too little attention to exports and make difficult or impossible, if credit terms come into play, the placing of export orders, especially when company order books are full. Even if one discounts the self interest evident in these complaints, there is still a good deal of truth in them. During the period of postwar scarcity of manufactured goods, efforts were made by export groups, with the support of the United States Government, to secure allocations of manufactures and parts for export as a means of maintaining export markets and meeting the requirements of friendly foreign countries for essential imports. Under these circumstances, it was almost futile for a foreign buyer to seek credit terms from American exporters.

In addition, it must be recognized that American exporters have been confronted over a period of 25 years with a situation of dollar shortage in world markets. Quite apart from the creditworthiness of foreign buyers themselves, there has been the problem of restrictions on, and delays in dollar remittances. This situation has been so widespread and of such long duration that there is a common presumption of payments difficulty and a consequent indisposition to sell abroad except on cash terms. Indeed, as will be brought out below, American exporters are much more concerned with the transfer problem than with the problem of credit, *per se*.

It must be borne in mind also that American exporters are obliged for the most part to carry their credit risks themselves. There is in the United States no government facility for guaranteeing export credits such as exists in a number of European countries and in Canada. The Export-Import Bank provides medium- and long-term financing without recourse on the exporter, but it has not offered so far either guaranties or financing of short-term export risks and, as we have seen, its role in the medium- and long-term field has not been very large. Individual commercial banks will provide financing to the exporter, with rare exceptions, only on a full recourse basis. Recently, five commercial banks have subscribed $10 million of capital to establish an Edge Act corporation which undertakes to finance exports of productive capital equipment at medium-term without recourse on the exporter. Apart from these limited governmbent and private facilities, the American exporter is on

[1] See my article in *Lloyds Bank Review*, October 1952, "Prospects for Closing the Dollar Gap."

his own in extending credit to his customers. Even so, exporters of heavy equipment have made substantial sales on extended terms up to 10 years for their own account and risk.

Agitation for a government export credit guaranty system in the United States has waxed and waned since the last war. A bill providing for such a system was considered but not approved by the Senate Banking and Currency Committee in 1946. Another bill is now before the same body, with its chances of approval, even at that stage of the legislative process, problematical at best. The fact is that the attitude of the export community on the subject is mixed and the pressure for government action correspondingly weak. Surveys of exporters' opinions made by export and trade associations indicate that a considerable majority of exporters oppose a system of government credit insurance or guaranties, while at the same time a majority favors a system of transfer guaranties.

This divergence of views on the two essential aspects of the question bears out what I have already said about the preoccupation of American exporters with the dollar exchange problem as distinguished from the problem of payment in local currency. The experience of exporters with exchange delays since the 1930's accounts for their preoccupation with the dollar problem. In addition, by way of rationalization, it is commonly argued that, whereas credit risks are ordinary business risks which exporters can and should themselves appraise and assume, transfer risks are beyond their control, if not beyond their ability to appraise.

The Export-Import Bank has consistently opposed the establishment of a government export credit guaranty system either under its administration or, even more, under separate administration. The Bank takes the position that it is unsound indiscriminately to promote exports by financial means whether by government credits or by government guaranties. It stresses the danger of overselling the export market and of aggravating the dollar shortage affecting a large part of the export market. The Bank contends, with commendable economic sophistication, that government financial assistance to exports should be confined preferably to productive capital equipment which will contribute to the economic development of underdeveloped countries and, directly or indirectly, to their capacity to make dollar payments. This principle is applied in the loans made by the Bank to foreign countries for economic development. It is preserved also in the Bank's so-called exporter credits extended on application of individual exporters to help finance specific export transactions.

Export-Import Bank Ready to Finance Exports

This does not mean that the Bank will under no circumstances assist in financing exports of other than productive capital equipment. Indeed, in its own prospectuses, the Bank indicates its readiness to finance exports of goods of any character provided circumstances warrant its intervention. The Bank has in fact financed such things as printing presses, hospital equipment, and buses in situations in which private financing was unavailable and in which it deemed repayment to be reasonably assured. It has frequently financed exports of raw cotton and, on occasion, other agricultural staples. The Bank's refunding loans for the purpose of clearing away the obstacle to trade on normal terms constituted by accumulated commercial arrears represents still another exception to its general preference for financing productive capital equipment.

The Export-Import Bank has made loans for economic development and exporter loans for a long time. The field of development loans has been divided since 1946 with the International Bank without, however, any clear-cut division of function between the two institutions. The field for exporter loans has been broadened since 1954. For some time previously, competition faced by American exporters in world markets, partly on credit terms, had become increasingly sharp. There was growing agitation for government facilities for export financing comparable to those available to exporters in other underdeveloped countries. The Export-Import Bank initiated studies of export credit techniques which would give easier access to its facilities by exporters without opening them to indiscriminate export financing. After securing appropriate legislative instructions, the Bank announced its willingness to establish lines of credit for individual exporters to finance exports of productive capital equipment at medium term.

As of March 31, 1956, the total of these lines was $175 million, of which about $8 million had been used. This small utilization is explained by several factors. The extent of foreign competition on extended credit terms had undoubtedly been exaggerated and, accordingly, the need for assistance from the Export-Import Bank. Some lines were established by exporters largely for prestige purposes without regard to early prospects of making use of them. There are also operating delays and difficulties largely inherent in the extension of medium-term export credit, especially as regards the obtaining of adequate credit information on prospective foreign purchases for the guidance of the Bank in passing on applications for credit assistance.

The actual terms on which United States exports are financed are apaproximately known only with respect to exports to Latin American countries since July, 1947. There exists from this date a monthly record based on the reports of leading New York banks and of a few banks outside New York which shows (1) confirmed letters of credit outstanding, (2) collections outstanding on sight and time drafts, and (3), beginning in October, 1950, collections paid. From these data, by the application of certain collateral information and assumptions, it has been estimated that, during the period October, 1950-December, 1955, about 32% of United States exports to Latin America was financed by letters of credit. Approximately 27% was financed on a draft basis. The remainder, or 41%, was financed by other means; open account, remittances for goods shipped on consignment, and shipments by parent companies in the United States to their Latin American affiliates as contributions to capital.[2]

Fluctuations during the postwar period in the proportions of shipments on letter-of-credit and on all other terms show that the proportion on a letter-of-credit basis tends to rise as total exports rise and to fall as total exports fall. In other words, when the demand from Latin America for United States exports increases, as, for example, during the Korean war, the increase tends to be financed on cash terms in a sellers' market. When demand decreases, a smaller percentage of total exports is financed in this way in a market which is less of a sellers' market.

2 See unpublished study "United States Exports to Latin America: Means of Financing and Time Lags," by H. J. Dernburg, Federal Reserve Bank of New York, May 28, 1951, for statement of method and calculations based on data through February 1951.

Special Factors Observed

This is what the available statistical record seems to show. The statistical record, however, obscures a number of special factors which influence the terms on which United States exports are financed. Some countries, including currently the Philippines and Indonesia, require, for the purpose of more effectively controlling imports and exchange, that practically all imports be financed by letter of credit. In other countries, often because of tight money conditions and high rates of interest, there is strong resistance to letter-of-credit terms, with the result that exporters who want to stay in the market may have to offer draft terms. Canada and Cuba constitute special cases as regards credit terms for United States exports. The bulk of the trade in each instance is financed on terms other than letter-of-credit or draft basis.

Despite all that I have said about the reluctance of American exporters to extend credit, it must not be supposed that their credit policies are unaffected by competitive conditions in the world market. Proof of this is found in the accumulation of arrears to American exporters, as well as to exporters of other industrialized countries, at various times in Argentina, Brazil, Chile and Colombia. The commercial arrears of Argentina and Brazil to the United States were liquidated out of refunding loans to those countries by the Export-Import Bank.

Some observers regard these "bailing-out" operations as a poor substitute for an export credit guaranty scheme. Others regard them as proof of the unwisdom of giving encouragement by means of government guaranties to the extension of export credit.

There is no problem of import financing in the United States comparable with the problem of export financing. Whether viewed from the standpoint of the American importer or the standpoint of the foreign exporter, import financing is a credit problem pure and simple; there is no exchange problem. The American importer supplements his own resources with credit facilities from commercial banks which are, with respect to import financing, in the relatively sheltered position of giving credit to domestic names on the basis of goods enroute to or already in the United States and in accordance with established credit procedures and standards. Foreign exporters ship to the United States on various terms as dictated by the credit standing of the American importer, by the competitive situation, and by the custom of the particular trade. It is significant in this connection that there are virtually no demands for government assistance in financing imports into the United States. Although the Export-Import Bank stands ready to help finance imports, there are practically no applications made to it by importers for accommodation.

Letter-of-Credit Basis

I have just referred to customary methods of financing imports. Among the leading imports into the United States, coffee, various metals, rubber, sugar, lumber, wool and cocoa are financed for the most part on a letter-of-credit basis. Diamonds are usually imported on a consignment basis, with the importers making settlement by means of remittances. Payment for imports of commodities produced by American-owned enterprises abroad is made through intercompany or intracompany accounts. Examples are crude petroleum, iron ores and other ores and concentrates, bananas, newsprint, and some rubber. As a rule, the only banking transactions involved in these settlements between producing units in foreign countries and parent companies in the United States are occasional purchases and sales of exchange. Imports on draft terms represent a wide range of items, including many manufactured articles, although the values of individual shipments handled on this basis tend to be small. Open-account terms are also common for imports of finished manufactures, especially consumer items, brought in on own account by large department stores and other importers of unquestioned credit standing.

The total value of imports into the United States of Products produced by American controlled enterprises abroad is estimated at approximately $2.8 billion, or 24% of imports at their current level. There is a corresponding category of exports from the United States representing shipments by parent companies in the United States to their branches and affiliates abroad which are paid for through intracompany and intercompany accounts without the intervention of banks. Exports and imports on open account may be and often are carried out without direct bank financing, although bank credit may be used indirectly in the form of loans to exporters and importers. The bulk of United States exports and imports, however, is financed on letter-of-credit or draft terms involving commercial bank financing or commercial bank services.

American commercial banks finance exports by means of sight and time facilities to foreign banks and, infrequently, to foreign firms and individuals and also by means of advances against foreign collactions. They finance imports by means of sight and time facilities to importers. The aggregate of the facilities provided by banks for export and import financing is large in relation to the volume of exports and imports. The utilization of the aggregate lines is typically small, and in this sense commercial bank facilities for foreign trade financing at short-term are more than adequate. It does not follow, of course, that they meet in all situations the demands of individual exporters or the stated needs of particular foreign countries.

Acceptance Financing

Of special interest to this group, perhaps, is the role of acceptance financing in export and import trade.[3] The volume of acceptance financing in the United States is determined by a number of factors. There is the volume of foreign trade itself. Then, there are the rules of eligibility laid down by the Federal Reserve Board. As regards eligibility, while no prohibition is laid against the creation of ineligible acceptances, American banks do not do so as a matter of firm policy. There is, finally, the cost of acceptance financing in the United States as compared with the cost of alternative forms of financing in the United States and in other countries. In theory, an export or import transaction can be financed either on an acceptance or on a loan basis either in the United States or in some other market. The case of an import transaction, in which the American importer will usually take the initiative as regards financing, will illustrate the elements of cost which must be considered. The importer compares the cost of a dollar acceptance, consisting of commission and discount, and the cost of acceptance financing in the exporting country, or in a third country, consisting of commission and discount plus the forward premium or minus the forward discount on the foreign currency involved. A second bank commission is incurred in acceptance financing in a foreign market if the foreign accepting bank accepts for the account of the American importer's bank rather than directly for the account of the importer.

3 See "Bankers' Acceptance Financing in the United States," Federal Reserve Bulletin, May 1955, for a good treatment of the subject.

The importer also compares the cost of a dollar acceptance and the cost of a dollar loan. He must take into consideration, on the one side, the usual requirement of American banks for compensating proportionate balances in connection with loans, whereas many banks do not require balances of any specified proportions in connection with acceptance financing. On the other side, however, he generally will save interest for the full period of prepayment of loans as compared with the partial rebate of interest, and no refund of commission, if acceptances are anticipated.

It does not follow, however, that the alternative of loan financing is always available. Banks themselves are disposed generally to favor the use of acceptances because they yield a commission without the employment of the bank's own funds. This is true even in times of easy money, since banks can almost always invest their own funds at some return while at the same time earning commissions from acceptances. In times of tight money, the preference for acceptance financing becomes strong, with the result that banks may offer to their customers no alternative to acceptance financing in circumstances in which acceptances can be used.

The volume of bankers' acceptances outstanding is reported monthly in the United States according to the nature of the transaction being financed. The purposes of acceptance financing identified are six: imports, exports, domestic shipments, domestic warehouse, dollar exchange, and goods stored in or shipped between foreign countries. Our interest at the moment is in the volume of acceptances outstanding which are created in connection with export and import transactions. At the end of 1955, acceptances created to finance export trade were outstanding in the amount of $210 million and acceptances created to finance import trade in the amount of $252 million, or somewhat less than $500 million for the two classes combined. This figure can be put in perspective by comparing it with the quarterly volume of United States foreign trade, both export and import, at the 1955 level on the assumption that the average tenor of acceptances is 90 days. The volume of trade in 1955 was in excess of $6 billion quarterly, so that it can be said on a rough comparison that perhaps 10% of United States exports and imports were financed last year on an acceptance basis.

The amount of acceptances outstanding during the decade after the first World War was much larger in comparison with the volume of United States trade than during the decade following the Second World War. American banks were much more liberal in the earlier period in extending credit, including acceptance facilities, to foreign banks and others than they have been in the more recent period. Tight money conditions in the late '20s created a strong preference for acceptance financing on the part both of accepting banks and foreign users of American bank credit. American banks suffered substantial losses, especially on acceptances created on German account, in the early 1930's and have since then followed very conservative policies as regards acceptance financing.

Up until the tightening of the money market beginning in 1954, both ease in the money market and past experience militated against a large volume of acceptance financing by United States banks. The cost of acceptance financing, reckoned on the basis of an acceptance commission of 1½% plus discount, exceeded the prime

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The Financing of United States Foreign Trade

bank loan rate until early 1954. Between March, 1954 and January, 1955, the cost of acceptance financing was somewhat below the prime rate but went above it again in April, 1955 and has remained at or above the prime loan rate since that date. It must be borne in mind in making these comparisons of the relative cost of acceptance and loan financing that relatively few foreign borrowers are eligible for loans at the prime rate. This fact tends to create an advantage in favor of acceptance financing over loan financing.

I come finally to the financing techniques in connection with Export-Import Bank and International Bank loans, in connection with loans and grants under the American aid programs, and in connection with the sale abroad of surplus agricultural products. Let me take them up in order.

Export-Import Operating Procedures

The recipient of a loan from the Export-Import Bank has a choice of two operating procedures. He may use his own funds to buy goods and services eligible under the loan and then apply to the Bank for reimbursement. Or he can place his orders under letters of credit opened by United States banks of his choice and guaranteed by the Export-Import Bank. Payments made by United States banks under this arrangement may be reimbursed currently (in practice within 10 days to one month), or the banks may elect to hold drafts drawn under the letters of credit opened by them and accepted by the borrower. If they elect to hold the acceptances, they may do so under an agreement with the Export-Import Bank to take them out at any time or to hold them until maturity under a guaranty from the Export-Import Bank against loss from default.

The amount of commercial bank financing in connection with Export-Import Bank loans has been relatively small in the past, largely because the rates of interest offered by the Export-Import Bank to the commercial banks for putting up funds have not been attractive to the commercial banks. This situation requires more than a word of explanation. The Export-Import Bank has the option of obtaining funds from the United States Treasury. Until recently, the Treasury applied a rate on the Bank's borrowings from it based on the average cost to the Treasury of the outstanding public debt. Since the debt was composed predominantly of short-term debt under a regime of low interest rates, the rates applied were well below those which would attract commercial bank participation even on a fully guaranteed basis. Furthermore, the Treasury objected in principle to the offering by the Export-Import Bank to commercial banks of rates of interest above those which the Treasury was paying on its own borrowings in the public market. Finally, there also prevailed during the postwar period a policy on the part of responsible government officials of applying low rates of interest to loans extended to foreign countries by the Export-Import Bank.

Since the advent of the new management at the United States Treasury, that is, since 1953, these circumstances affecting the interest rate policy of the Export-Import Bank have substantially changed. The Treasury is charging the Bank, not the average cost of carrying the public debt, but rather a higher rate based on the average maturity of the Bank's outstanding loans. Second, the Bank is charging its borrowers higher rates in line with the higher rates fixed by the Treasury and more in line with rates of interest in the private market. The Bank is now offering to comercial banks, on guaranteed participations, the prime rate of interest on short-term commercial loans and, on participations without its guaranty, negotiated rates of interest presumably commensurate with the risks and term involved. Under these new conditions, the Bank has intensified its efforts to get commercial bank participation in its loans and has had some success in this direction despite tight conditions in the money market.

International Bank Procedures

Procedures under loans of the International Bank are similar to those under the loans of the Export-Import Bank. The borrower has a choice of using his own funds for eligible outlays and then obtaining reimbursement from the International Bank or of using letters of credit guaranteed by the Bank opened by commercial banks selected by the borrower. In the latter case, contrary to Export-Import Bank practice, the International Bank charges a commitment fee to the borrower in consideration of its guaranty to the commercial bank. Disbursements by commercial banks under these arrangements are reimbursed currently. The International Bank has had a measure of success in obtaining participation by United States commercial banks in its loans without its guaranty at the time the loans were made. As of March 31, 1956, such participations amounted to $45 million.

Financing techniques under the American aid programs were established at the inception of the Marshall Plan in 1948 and have not changed since except in detail. Recipients of aid may use their own cash or credit to buy commodities and services under program authorizations issued by the aid agency in Washington and then claim reimbursement from the aid agency. This is the so-called reimbursement method. Alternatively, recipients may procure under letters of credit opened by United States commercial banks of their choice and guaranteed by the aid agency by means of a letter of commitment directed at the request of the recipient to the designated United States bank. Under this procedure, reimbursement due from the aid agency are assigned to the United States bank which opened the relative credits. Letters of credit are used also under the reimbursement technique. However, since there is in this case no commitment by the aid agency to the commercial banks, credits are opened under either standing or special lines extended for the purpose by United States banks to foreign banks.

Until recently, all letters of credit used in connection with shipments under the American aid program have been dollar credits. Now, however, foreign currency credits are also being used. They work in this way: the aid agency issues a procurement authorization which authorizes a recipient country, say, Thailand, to buy goods in a third country, say, West Germany. Then, at the direction of the recipient country, the aid agency, by means of a letter of commitment, authorizes a United States bank to open letters of credit providing for payment in the currency of the exporting country. The purpose of this new procedure is to utilize the local currencies acquired by another agency of the United States Government, the Commodity Credit Corporation, through the sale of surplus agricultural products against payment in the currencies of the purchasing countries. I turn now to these and other methods of financing the export of agricultural surpluses.

Surplus Agricultural Sales

The sale of surplus agricultural products under the Agricultural Trade Development and Assistance Act of 1954, better known as Public Law 480, is carried out under several financing techniques depending upon the character of the transaction. The government agency concerned with this business is the Commodity Credit Corporation (CCC). It sells surplus farm products against payment in dollars, against delivery of strategic materials, and against payment in local currency.

Sales against dollars may call for either spot or deferred payment. In the case of spot sales, the CCC requires cash or an irrevocable letter of credit in its favor issued or confirmed by a bank in the United States. In the case of deferred payment sales of six months or less, the CCC requires bankers' acceptances; in the case of longer periods, the CCC requires the obligation, in the form of an irrevocable letter of credit or other document, of a bank in the United States to pay the purchase price of the commodity plus interest upon expiration of the deferred payment period. The CCC announced in February, 1956 a policy of selling on terms up to three years. It remains to be seen to what extent foreign buyers (which will presumably be governments) and their banks will be willing and able to arrange credits for this purpose, especially in view of the large amounts involved in bulk shipments of agricultural commodities.

Sales of surplus products against deliveries of strategic materials, or barter deals, involve the establishment of letters of credit in favor of CCC providing for delivery of documents covering the materials to be imported, or in default of such delivery, payment for the surplus commodity exported. One feature of the letters of credit used in connection with these barter transactions is their long validity, which may be 18 months or longer.

The sale of surplus agricultural commodities against payment in local currency frequently involves two letters of credit. Unless the exporter is prepared to pay cash for the grain or other commodity to be delivered to him by the CCC, he must open a letter of credit in favor of the CCC under which CCC can draw only if payment is not made by the exporter upon exportation of the commodity. The second credit is opened by the foreign buyer in favor of the United States exporter. The United States bank which opens this credit is selected by the foreign buyer, his bank, or the governmental authorities in the foreign country, depending upon the circumstances in each case, and the bank is protected by a guaranty in the form of a letter of commitment from the CCC. In addition to sight credits, provision is made under this procedure for acceptance credits up to a maximum of 180 days.

Sales of surplus agricultural commodities against payment in foreign currency may involve triangular transactions, as, for example, in an actual case involving the shipment of raw cotton from the United States to Japan and the shipment of cotton textiles from Japan to Pakistan. The first step was the shipment of textiles under letters of credit or other arrangements between a Pakistani bank and a Japanese bank. The consummation of this step was the deposit in escrow of Pakistani rupees to the credit of the Japanese bank which had paid yen to the Japanese exporter. The next step was the shipment of raw cotton to Japan under a letter of credit established by the Japanese bank at a United States bank in favor of the American cotton shipper, the United States bank being protected, as described above, by a letter of commitment from CCC. The United States bank paid the American cotton shipper and obtained reimbursement from CCC. It then advised the Pakistani bank that payment had been made, whereupon the Pakistan bank placed the escrowed rupees to the account of the United States. Finally, the Japanese bank collected yen from the Japanese purchaser of the raw cotton and thus obtained reimbursement of the yen previously paid to the Japanese exporter of textiles.

The significant thing about these banking techniques in connection with government grants and loans to foreign countries is that they represent adaptations, or variants, of established procedures in the financing of United States exports. Finally, it may be noted that the exports financed by these techniques constitute approximately one-sixth by value of total exports.

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Our Rosy Outlook

your newspaper. The Federal Reserve Board has raised the rediscount rate.'' Thereupon, you may have decided you did not want to pay the higher interest rate — and postponed your intended commitment, in the hope that mortgage money might become relatively more plentiful and therefore less costly to borrow.

That situation—multiplied millions of times over — illustrates how the present government works—through the Federal Reserve System—to keep our economy on a fairly even keel. As circumstances may warrant — it seeks constantly to guard against either incipient inflation or deflation by raising or lowering the cost of borrowing money.

This harnessing by the government, of the power of money, is a tremendously important force in a country like ours, where so much of business is done on credit. Almost every business we deal with is a heavy borrower. This is true of our food accounts —especially those who freeze, can or otherwise process fruits and vegetables which nature provides in abundance only at certain seasons. Even the largest food processors do not have enough cash at any given time to pay for a whole year's supply of raw materials. Hence, they become heavy short-term borrowers from banks, and are just as sensitive to prevailing interest rates as any borrower.

The Federal Reserve System was set up in 1913. However, it never before has functioned as intelligently, as decisively, nor as prudently as in the last few years. The Board comprised of executives of unusual ability has done a really wonderful job. I know pessimists will say that eventually the wrong individuals may find their way onto this Board and wreck it. Until or unless there is tangible evidence of this, however, we can safely assume that the Board's regulatory actions will continue to be outstandingly effective in safeguarding our economic welfare.

The SEC

Still another important, and relatively new, absorber which now is built into our economy is the **Securities Exchange Commission.** This regulatory group protects the public against malpractices in the investment field. The SEC forces the nation's stock exchanges to do all of their business above board, and compels the companies whose securities are sold through these exchanges, to issue periodic, complete and truthful statements about their finances and general operations.

This is extremely important to everyone, for we are all in the stock market directly or indirectly, whether we actually buy or sell stocks. Our livelihoods are derived, for the most part, from some form of business activity which, in turn, is affected greatly by the ebb and flow of security prices because securities not only serve as the basis for business loans, but as prime sources of direct business revenue. Furthermore, the current trend of stock prices exerts a great psychological influence on the thinking and planning of all who have anything to do with business, because the stock trend is construed as a direct reflection of the composite attitude of thousands of leaders about the future.

It is doubly significant, therefore, to note that here again—through provisions of the Securities Exchange Act — a group of able, experienced men is policing an activity of fundamental importance to us all. This, I believe, is making for greater honesty in security markets and for more investor confidence in the future and better long-range economic stability.

Taxing Powers

Another potential shock absorber in our economy is the government's constructive new use of its **taxing powers.** There still is much room for improvement, of course, but all of us have seen evidence that taxes are being administered in the United States with steadily increasing intelligence.

Elsewhere, in the historical past, taxes were levied either ruthlessly as an opportunistic and indiscriminate means of obtaining revenue or were inflicted primarily as a punitive measure. Some people deliberately were punished by the exaction of excessive taxes; others were especially favored by the abatement or complete remission of taxes. This is still customary in many parts of the world. In France, for example, it is probably that a few of us would pay our income taxes in full. The prevailing practice there, if any considerable sum of money is involved, is to make a deal with the tax collector whereby he would get some money, the government would get some, and the taxpayer would keep the rest!

We can be thankful then, that in the United States, by way of contrast, there is reasonable assurance that our taxes will be imposed equitably and that our government is making an honest effort to properly enforce tax laws. Furthermore, our government is beginning to recognize the beneficial regulatory effect which well-timed adjustments in basic tax rates can exert on the health of our over-all economy. Experience already has demonstrated that when business threatens to slacken, a tax reduction that throws back appreciable sums of money into consumer spending can be a tremendously powerful force in changing the psychological attitude of the people and so prime the pump of economic recovery.

Research As Stabilizer

Next on the list of economic stabilizers is the growing importance of **Research.** I am speaking not only of the kinds of research we employ in advertising, but even more importantly of the intensive product improvement, new product development, and manufacturing procedure studies now being carried on in the laboratories and drafting rooms of science, industry and commerce. Many theoretical economists are not giving sufficient weight to the development of research. Yet, the combined results of research studies are enabling our clients and their competitors to do an enormous business today with products which were not even dreamed of a few short years ago.

Applied product-service research will be accelerated at such a rate that it will be virtually impossible for any company to compete successfully without it. As a matter of fact, American business already has carried research to a point where it is no longer advisable for a company to withhold from the market any practicable improvement in its goods or services.

There was a time, in the tire business by way of example, when the manufacturer could, with impunity, postpone for a while the introduction of a radically improved type of tire or tube, either because the retooling required to produce it would be unduly costly, or because — in theory at least—the market was not ready for it. That is not true today. With so many big tire companies engaged in intensive research, there is always the possibility that the other fellow suddenly may bring out a revolutionary new product which will change the whole complexion of the tire industry. That possibility necessitates increased research by every important tire manufacturer —if only as a defensive measure. Competition likewise compels marketing at the earliest possible moment every new and worthwhile product improvement resulting from research.

Research also has made enormous progress in reducing costs. This in turn as manufacturing equipment and methods became obsolete kept the capital investment market at a very high level. As one manufacturer developed a machine or a plant which would increase production and lower manufacturing costs, every other manufacturer in that industry had to scrap his old machines or plant, and get new ones to stay competitive.

In any of you have the slightest doubt about this, you should see what the General Electric Company is doing in Louisville. The new things they have injected into their business—both product wise and production wise—would open your eyes in a hurry. So too would their future sales projections. Yet such estimates of sales possibilities are conservative — radical though they now may appear.

As a result of this accelerated competition, the nation's annual capital investment expenditures, for a long time, have been averaging $30 billion a year. Indeed such investment expenditures might be stepped up soon to $35 billion a year to include new custom-built plants to house the new equipment and machines.

The keen competition which research has engendered, is playing an important part in the development of big companies. The smaller companies have been at a distinct disadvantage because they lacked the funds to carry on the research required to keep them competitive. While this phenomenon of the big companies getting bigger eventually may present a problem, the fact remains that research has, thus far, been a tremendous stabilizer of the American economy. By means of research, our manufacturers constantly have been improving production methods, reducing production costs and bringing out new and improved products. These developments have had the double barrelled effect of encouraging greater consumer purchasing and maintaining capital investment expenditures at a high level.

The Unions

Still another great stabilizing force which has begun to be felt in our economy is that of **labor unions.** Classic economists taught that "labor always sells at the lowest price" — by which they meant that the laboring man usually got less than he needed to live on decently, because his pay was scaled down to conform with the wages for which the hungriest man was willing to work. The whole Marxian theory, of course, is based on that precept. In our economy today, such a philosophy has not the slightest element of truth — and it hasn't had for some time.

Now, when business slackens, labor unions refuse to accept an automatic cut in the wage scale, or a wholesale firing of people. They insist that whatever work is available be spread out so that every worker has some income. Labor unions are not always accorded their due share of credit for spread-out work but the net result generally has been beneficial to the American economy. Repeatedly spread-out work has given us an opportunity to keep our prevailing rate of hourly earnings at a high level until sales improve and employment increases. This has acted somewhat like savings put in the bank during good times and drawn out in periods of need. Therefore, spread-out work has been a brake against a very rapid decline in the earnings of our working people.

Other shock absorbers helping stabilize the nation's income, and hence its economy, include such comparatively recent innovations as **Unemployment Insurance, Old Age Insurance, Veterans' Pensions and Health Services** and other phases of the Federal Security Program. These have instilled a great feeling of confidence in our people that they will never come to dire want. This is important—for the fear of destitution — of someday standing in a bread line, can be haunting and demoralizing. In New York State, for example—and I believe most other states now have similar plans — if a qualifed worker becomes unemployed, obstensibly through no fault of his own, he is not going to be destitute. He will have some money, in fact, $36 a week for up to 26 weeks, to tide him over. That means income flowing back into the same economy from which it originally came in the form of taxes. Multiply this income by the number of unemployed and you get a large enough sum to affect appreciably the economy in times of stress.

In addition to these and other benefit programs, administered by Federal and State Governments, there has been a tremendous increase in the number of employee trust funds, pension plans, group insurance plans, unemployment insurance plans, etcetera, sponsored by private enterprise. I have been especially interested to note that this is true of many of our clients.

As a result of these developments, more people are assured that when they reach retirement age, they will be provided for, without becoming dependent on others. It is largely because of this, I suspect, that there has not been a greater increase in the nation's personal savings. That probably is to our net advantage because strange as it may appear at first excessive savings could be a detriment to our dynamically growing national economy.

Another Economic Stabilizer

Another economy stabilizer results from various benefit programs. They have helped to foster stability in many different areas, including importantly the stock market. Perhaps the simplest illustration of this is the operation of our own employees' trust fund—which Young & Rubicam, Inc., pioneered 14 years ago. A considerable portion of its accumulated funds is invested in common stocks—not primarily for capital gains—but rather for dependable income. Unlike an individual investor who buys stocks on margin this trust fund never is under any compulsion to sell when the market weakens, or to rush in and buy when it begins to strengthen.

Ability of such trust funds to stay on the sidelines helps to prevent hysteria and stampeding which might otherwise result from the feverish manipulations of private in-and-out speculators. Securities held in strong hands —by company trust funds like ours, by open-end trusts, by labor unions, by various pension funds and so forth, definitely stabilize the nation's securities markets. Such stabilizing influence is highly desirable—not only from an economic angle—but from the standpoint of popular psychology.

Last, but certainly not least, of the various factors which will make for an even better tomorrow, is the **competitive spirit** of the American people. They compete with each other, as do the people of no other nation; and Americans compete because of their conviction that they have only to excel at their work to become rich—or at least to enjoy a really bright future. We each want to live as well as the next fellow and think we can. We each believe that we can be the President of the United States.

Because of our faith in the future we do not hesitate to risk our capital in promising new business ventures, or to spead our money for products and services we want. Nor do we hesitate to buy on the installment plan, for we feel that our incomes are sufficiently secure to warrant time payments. In fact, we believe our incomes will increase. So we overindulge in our desire to enjoy some luxuries of life, while earning the money with which to pay for them.

Although installment buying represents only a small part of our total purchases it has had an important effect on the buying psychology of the American people. It is partially responsible for the fact that we obsolete automobiles which still have a hundred thousand miles of service in them; that we discard refrigerators which people in the rest of the world would be overjoyed to own; that our wives throw out curtains and drapes just because they are tired of the colors; that we buy larger homes just to keep up with the Joneses—and so on right down the whole line of both soft goods and durables.

There are those—to be sure—who bewail the fact that in the tremendous upsurge of business which results from this spending, the big companies seem to be growing bigger and bigger and to be controlling more and more of the market. Critics cite the automobile industry, where "the big three" controls 96% of 97% of the business. While this concentration is true in varying degrees of a number of important industries, you will be pleased to learn that there still exists in the United States today more individual businesses than there were nine years ago. In fact, the present number exceeds 4,200,000! So you see two trends prevalent simultaneously. Big business got bigger and bigger, while individual business enterprises increased.

What is the real reason for this? Why have we all enjoyed these ever increasing opportunities to make money and prosper? It all stems back to the hopeful, aggressive and optimistic attitude of the United States and its people. I have been to many places in the world—and to the best of my knowledge — this is the **only** country that **has** this attitude. In other nations the people do not believe they will go ahead—so they don't even try. They have no personal optimism—no belief they can prosper—no confidence in the future.

I do not want to belabor this point, but I believe that this unique competitive spirit which characterizes America today is extremely significant. It encourages us to invest our money. It impels us to work. It differentiates us from the less fortunate countries of the world. There, the man who needs the equivalent of say $25 a week to live, quits work as soon as he has earned it—whether it takes him six days, three days, or only one. This is not true of the average American worker. Here, the man who can make enough in two or three days to live on for a week, keeps on working to earn extra money—that "disposable income" we spoke of before—with which to buy some luxuries or nonessentials of life.

This, then, is the spirit of America—and it is a spirit, I believe which advertising has helped to foster—just as it in turn has helped to make advertising the powerful force it is today. I would like to develop this point a bit further—for I think that there are very few people in advertising who believe in the power of advertising as thoroughly as they should. I think that there are very few of us who really comprehend that we actually are working with one of the most powerful forces that has ever been developed — advertising — a force which, when properly used can become an important stabilizing factor in our entire economy. Advertising has flourished here, as nowhere else, because the economic climate has been favorable and because the confident forward looking temperament of our people has made a receptive audience of prosperous potential buyers.

I know text books used to say that the primary function of advertising is to "create wants." I think this is a lot of poppy cock! The wants of many don't have to be created! They are already limitless. You can go anywhere and prove it. Down in Mexico, for example, some people will tell you that the peons don't want stoves. But just try giving them one and you'll see how glad they are to have it. The same thing is true of shoes or anything else that adds to man's comfort.

Yes, the wants of people are limitless. It's their ability to satisfy those wants that is important. And that ability is still limited — even in this relatively prosperous nation. As individual and collective earnings continue to increase, consumers will have greater ability to satisfy their wants. Then it will be **our** responsibility as advertising specialists —to win for our clients an ever increasing share of the nation's stepped-up discretionary spending power.

With further inflation held in check by the various stabilizing influences enumerated, any future increases in the national income should result in still further increases in the nation's discretionary purchasing power. That in turn should keep the advertising business humming, because our principal concern is with that part of the nation's income which becomes available for **discretionary** spending. We have relatively little sway over the nation's purchases of life's basic necessities—but we **can** exert tremendous influence over its expenditures for **discretionary** goods and services.

In summary, I look for many prosperous years. I think that this is virtually assured, thanks to the unique competitive spirit of our rapidly expanding population, and to the growing number of stabilizing influences — such as those exercised through the Federal Reserve Board, the Securities Exchange Commission, the Labor Unions, Social Security Legislation, Tax Adjustments, Unemployment Insurance, Employees' Benefit Programs, et cetera, which now are functioning as shock absorbers for the over-all economy.

Dr. Prince Now With First California Co., Pickerell Also Joins

SAN FRANCISCO, Calif.—Dr. Charles Prince, former Director of Research, American Institute of Management, and lecturer in business administration, Graduate School of the University of Southern California, has joined the underwriting and buying department of First California Company as an economist.

Dr. Prince received his bachelor of science degree from St. Louis University, a master's degree from Washington University, and a doctorate of philosophy from Georgetown University, majoring in economics, business administration, accounting, and political science. His writings have appeared in the "Harvard Business Review," "Nation's Business," "Commercial and Financial Chronicle," "American Bar Association Journal," "American Political Science Review," and "The Corporate Director." He has made special analyses of the management and outlooks of such companies as Pacific Telephone and Telegraph, Northrop Aircraft, and Fibreboard Products.

He will be located in the Southern Division office of First California Company in Los Angeles, 647 South Spring Street.

First California Company has also announced that it has engaged the services of Daniel J. Pickerell of San Francisco as petroleum consultant. Mr. Pickrell, a Stanford graduate, was formerly petroleum officer for the 12th Naval District. He is a past President of the Northern California Geological Society, and during 1954 was Executive Vice-Chairman of the State Oil Information Committee. At the present time, Mr. Pickerell is President of Pexco, Inc. and of Big Horn Mining Company in Wickenburg, Arizona. He is also Vice-President of McGreghar Land Company. Mr. Pickerell will advise the investment house on oil properties and make studies of individual companies.

First California Company maintains memberships in four stock exchanges and has 33 offices serving investors in California and Nevada. Its main office is located at 300 Montgomery Street.

A. M. Krensky Opens Two Texas Branches

CHICAGO, Ill. — Arthur M. Krensky & Co., Inc., has announced the opening of two branch offices in Midland and Odessa, Texas. The Krensky firm now has eight branch offices in addition to their Chicago headquarters office.

Hollis A. Smith has been named manager in charge of the Midland office which is located at 144 W. Wall Street, and John Favor manager of the Odessa office which will be headquartered in the Lincoln Hotel.

The Krensky firm will have a new radio-equipped bus with up-to-the-minute stock quotations and information which will tour the various well locations in the area so that customers can receive first-hand stock reports and data.

The firm holds memberships on the New York, American, and Midwest Exchanges and on the Chicago Board of Trade.

Now E. A. Hanifen Co.

DENVER, Colo. — The firm of McCabe, Hanifen & Co. has been dissolved and the new firm E. A. Hanifen & Co. formed with Mr. E. A. Hanifen as sole proprietor. Mr. William E. McCabe has retired as partner but is continuing his association with the new firm.

Continued from page 9

Enforcing the Securities Acts

avoid unjust reflections upon reputation and character. A good securities investigator must combine the talents of a Sherlock Holmes, a lawyer, a certified public accountant, and a diplomat. Nevertheless, once on the trail of a fraud artist, our investigators generally get their man.

New Issue Registration

The requirements for registration of new issues of securities not only gives the public pertinent information about securities issues; it also assists the Commission in the conduct of its anti-fraud enforcement activities. The Commission has been able to control effectively the written statements used in the sale of new issues of securities. The prospectuses and offering circulars, which are required by law to be delivered to purchasers before the completion of a sale in a distribution of securities in interstate commerce, are carefully scrutinized by the Commission to eliminate all statements that might mislead an investor, such as unfounded assertions regarding the existence, amount or quality of ore in a company's mining claims. If a distribution of securities is legally made in accordance with the registration requirements or pursuant to Regulation A (which prescribes the simplified procedures for small public offerings of securities in interstate commerce not exceeding $300,000), the investing public is informed of the essential facts of the enterprise by the disclosures contained in the prospectus or offering circular.

Thousands of full registration statements and Regulation A filings are made by issuers and billions of dollars of new securities are legally sold to the public every year. These issues have been distributed to the public after a careful analysis of the material filed with the Commission has been made and the offering has been cleared. However, since the Commission does not purport to pass upon the merits of securities, the fact that the Commission has permitted an offering of securities to become effective does not mean either that the disclosures are guaranteed to be accurate or that the investing public would be fairly treated.

To illustrate the extent and limitations of the protection afforded to the public by the processing of offering material, consider a filing by a [illegible] company under Regulation A. Assume that the offering circular correctly states, among other matters, that the mining claims which had been owned by the promoter, though of unknown value, were duly transferred to the issuing company in consideration of $100,000 in cash and an option to buy, at a low price, half of the securities of the company. It further states that the sales price of the claims to the company had been arbitrarily determined, absent arms-length bargaining. To the Commission and to the careful buyer, this offering would appear to be heavily loaded in favor of the promoter and against prospective purchasers. However, since the unfairness of the deal is not hidden from the investor, under the limitations of the disclosure philosophy, the Commission possesses no authority to prevent the offering from being made.

Assume, now, that the promoter falsely stated that he had had clear legal title to the mining claims. If the Commission discovered this deliberate misstatement of a material fact while processing the offering circular, it would instantly prevent the offering from being made by entering its order temporarily denying the exemption and promptly ordering an administrative hearing to make the order permanent. However, in its analysis of the document, the Commission may not have had knowledge of, or access to, certain facts necessary to challenge the untrue statement. The techniques used in processing offering documents to obtain the disclosure of pertinent facts are designed to catch statements which, on their face, appear to be misleading or incomplete. It would be impossible for the Commission to establish the truth of every statement made in the offering circular or to conduct an independent investigation to determine the validity of every mining claim. Absent some reason to suspect the falsity of the statements made by the registrant, no such investigation would be made by the Commission. The securities acts contemplate that the registrant must assume responsibility for the truthfulness of the facts presented. The critical examination of filings by the Commission, which catches most, though not all, misleading and fraudulent statements that appear in offering literature, is one of the important anti-fraud preventative measures used by the Commission.

Disclosure Avoidance Devices

The ingenuity of unscrupulous promoters and of the fringe element in the securities industry, however, has fostered a variety of schemes designed to avoid the disclosure requirements of the securities acts. One common device for effecting a distribution without registration is reliance on the intrastate exemption. Although all sales are purportedly made within the state where the issuer is incorporated and doing business, the distribution of a large block of stock usually enters the channels of interstate commerce. Another ruse is to limit the sales to a small number of persons who profess to take down the securities for investment purposes. Although they frequently arm the issuer with an investment letter, they engage almost immediately in reselling the securities to the public—often at a higher price. A third device involves corporate mergers where the securities of the surviving corporation are distributed to the stockholders of the merged corporation primarily for the purpose of effecting a distribution of securities of the surviving corporation.

The disclosure philosophy of the securities acts is also administered in connection with the registration of securities on the national securities exchanges and the filing of annual and semi-annual reports by listed companies. If the analysis of these documents discloses inaccurate or misleading representations, the Commission might suspend further trading in the securities of the company, or, through a mandatory injunction action, compel the registrant to file correct reports, or prosecute the wrongdoer for criminal fraud. In a recent case, the Commission prevented a company from listing its securities on an exchange because it was unable to support its claims regarding ore reserves.

Similarly, in the processing of proxy soliciting material, the Commission may detect misleading statements regarding matters to be voted on at meetings of shareholders. If the person filing such material insists on using it in deficient form, the Commission would promptly institute injunctive proceedings to prevent its use. The power of the Commission to restrain the use of proxies obtained through fraudulent and misleading statements by the contestants in a fight for corporate control was recently upheld in an important case brought by the Commission.

The program of the Commission for making periodic inspections of brokers and dealers is another basic technique used to enforce the securities acts. These inspections have two basic purposes: first, to determine whether or not broker-dealers are conducting their business in accordance with the regulations of the Commission that are designed to insure compliance with established and orderly practices in the industry, and in conformity with applicable legal requirements, and, secondly, whether they are dealing honestly and fairly with customers. Included under the first heading are such matters as the maintenance of adequate and current books and records, the prompt delivery of confirmations and of prospectuses, where required, observance of the margin rules of the Federal Reserve Board, and compliance with the Commission's net capital rule. These requirements are not mere "red tape"; they are essential to the proper conduct of a business which involves the handling of other people's money and property. Our inspections, however, are more than a review of books and records. Dealings with customers are also carefully examined. Inspectors check for misuse of customers' funds, hypothecation of customers' securities, taking secret profits and in agency transactions, purchases and sales to customers at prices having no reasonable relation to the market, and abuses of trust and confidence, such as the practice of churning, that is, excessive trading in the account of a confiding customer in order to reap an illegal harvest of commissions and markups.

Punitive Action

In the event that violations are uncovered, the registrant is either notified in writing and warned of the transgression, or, in the more serious cases, an administrative proceeding is instituted to revoke the registration of the broker-dealer or civil or criminal action is instituted. Believing that careful supervision of broker-dealer practices is essential to protect the public from malpractices in the sale of securities, the Commission has energetically increased the tempo of its inspection program during the past year. To certain areas, such as Denver, Salt Lake City and Fort Worth, where there has been unusual activity in low-priced, speculative stocks and many broker-dealers have recently become registered with the Commission, special task forces of inspectors have been dispatched. In the fiscal year 1956, which has just ended, the Commission completed more broker-dealer inspections than in any year since 1942, and even more are expected to be made during the current fiscal year.

Misconceptions

The federal securities acts prohibit not only fraud but also manipulation of the trading markets resulting in sudden and unreasonable fluctuations in the prices of securities. The ideal is that market prices shall be determined by the free judgment of buyers and sellers in an honest and unmanipulated market. There are, however, some misconceptions as to the extent of the Commission's authority in this area. The Commission does not, of course, have authority to set the prices of securities or to determine that a particular market price is too high or too low. Furthermore, not every practice which causes the price of a security to move suddenly or unreasonably constitutes illegal manipulation. Such illegitimate devices as wash sales, matched orders, or running up the price in order to unload at a profit are, of course, proscribed in the statute. But if a man, or a group of men, commence buying a particular stock in order to acquire control of the company, or because they simply think it is a good investment, there is no illegal manipulation even if their buying forces the price up. If it subsequently goes down again, investors who bought for the rise may suffer losses, but, absent fraud or misrepresentation, this type of activity is just the normal working of a free market. Incidentally, it is always advisable for the securities industry to warn investors clearly that investing in securities is not a one-way street to riches and that all stocks can go down as well as up.

The Commission watches carefully for evidences of possible manipulation. Price movements, not only on the national securities exchanges but also in the over-the-counter market, are observed by our market surveillance unit and our regional offices. Where a movement is observed for which there is no readily available explanation, an investigation may be instituted to ascertain the reasons and the identities and activities of persons concerned. Although some cases may slip by our investigators, there does not appear to be a significant amount of illegal manipulation at this time. However, there is undoubtedly too much irresponsible tipping and rumor mongering. Free speech is the privilege of Americans and differences of opinion may make a market, but in the securities industry great harm may be done by passing on unfounded or incomplete information with respect to a security or by expressing opinions not based on knowledge of the facts.

The enforcement techniques that have been described involve the exercise of the Commission's administrative functions. These include the power to conduct investigations, subpoena witnesses, issue stop orders preventing the distribution of securities and to institute civil or criminal proceedings. Effective enforcement of the securities acts also requires the efficient use of its quasi-legislative and quasi-judicial powers.

The Commission in the Legislative Area

In the legislative area the Commission is empowered to make rules to implement the purposes of the statutes which it administers. The Commission is constantly reviewing its rules with the view to strengthening its enforcement activities. For example, in order to secure the power to inspect the books and records of Canadian brokers and dealers who are registered with the Commission, a rule has been proposed, but not yet adopted, requiring every non-resident broker-dealer to maintain in the United States complete and current copies of the prescribed books and records, unless a written undertaking to produce copies upon demand is filed with the Commission.

In carrying out its quasi-judicial responsibilities, the Commission sits as a court of law. As a practical matter, because it is impossible for the Commission, as a body, to take evidence in all cases conducted in many parts of the country at the same time, the evidentiary record is made before one of its hearing examiners. The case is then briefed and argued before the Commission itself, and the Commission makes its findings of fact and conclusions of law. The question of whether it is in the public interest to revoke or deny the registration of a broker-dealer or to make permanent a suspension order issued under Regulation A would be decided on the basis of the record made in the evidentiary hearing and of the briefs and oral argument before the Commission.

A discussion of the present enforcement activities of the Commission would be incomplete without referring briefly to the bill sponsored by the Commission which contains a number of technical amendments to the securities acts. These proposals are designed to make the Commission's enforcement work more effective by eliminating or minimizing various technical problems that arise in prosecuting cases. For example, federal jurisdiction over brokers and dealers would be based on their status as registrants with the Commission or as members of registered exchanges in addition to the use of instrumentalities of interstate commerce. Another amendment would expressly limit the right of a registrant proposing to offer new securities to withdraw a registration statement by requiring the consent of the Commission to the withdrawal. A similar limitation would be imposed on the right of brokers and dealers to withdraw their registration statements. The penalty section of the Securities Act of 1933 would be changed to make the filing of any misleading material under Regulation A a criminal offense. Another significant amendment would be the codification of the Commission's anti-fraud rule known as Rule X-10B-5, relating to fraud in the purchase as well as the sale of securities, to make it a more effective instrument for criminal prosecution.

From this brief review of the Commission's enforcement powers and its techniques in regulating the securities markets, you have perhaps realized the complexity and difficulty of the task assigned to the Securities and Exchange Commission. Operating within the framework of the full disclosure philosophy, its power to protect the public from inequitable deals is severely and, in my opinion, quite properly limited. The investing public must learn to guard itself from the alluring gimmicks and sweet talk of the hoods and stockateers. If, however, the registration and other filing requirements of the securities acts are strictly enforced—and the Commission is trying to execute them with increasing vigor—and if crooked promoters and dishonest broker-dealers' salesmen are promptly tracked down by a vigilant Commission, the confidence of American investors in the securities markets will be sustained and the enormous flow of capital into the legitimate industries of an expanding and prospering America will continue.

Allen & Company Adds Edw. Patterson to Staff

Edward Patterson is now associated with the investment banking firm of Allen & Co., 30 Broad Street, New York City, it has been announced.

Edwards & Hanly to Open Flushing Branch

FLUSHING, N. Y.—The sixth branch office of the Long Island investment brokerage firm of Edwards & Hanly will be opened in Flushing, Queens on Sept. 15, Herbert Edwards, managing partner, has announced. The new operation will occupy street level quarters in the modern Sanford-Main Shopping Center now in the final stages of construction.

Join Wilson & Bayley

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Arthur S. McArthur and Robert E. Wilson have joined the staff of Wilson & Bayley. Mr. McArthur was formerly with Waddell & Reed, Inc.

Allen Inv. Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Milton F. Hollingshead has been added to the staff of Allen Investment Company, Mile High Center.

Railroad Securities

By GERALD D. McKEEVER

Erie Railroad

We reviewed the Erie RR. last January in the light of the official forecast of an 8% increase in revenues aside from what was to be obtained from the freight rate increase or from the passenger fare increase to be granted some two months later. Results thus far suggest that this prediction may have been on the conservative side. The gain in revenues for the first five months of this year was 13.5% even though there was no benefit from the 6% freight rate increase until March 7, and the passenger fare increase, a relatively minor matter for the Erie anyway, did not come until May 1.

The projected 8% increase figured at $13 million and was probably based largely on the inclusion of $9 million annual revenue that had been expected to be derived from full-time operation of the new Ford Motor assembly plant at Mahwah, N. J. This estimate, however, is likely to turn out to be temporarily on the high side due to the cut-back in motor car production this year, since the latest estimate of revenues from this source has been placed at $6 million for 1956. On the other hand, the gap has been closed by unexpectedly large revenues from other sources, notably from the high rate of steel production in the Youngstown area prior to the July 1 shutdown. A prolonged steel strike could, of course, upset the revenue outlook for the year since ore, iron and steel together account for about 14% of the road's revenue, based on 1955 figures. Also, coal and coke, much of which must have found its way into steel-making, accounted for another 8%.

For the past five years particularly the road's management has been acutely conscious of the substandard trend of its traffic and revenues, much of which is ascribed to the steep drop in anthracite coal movement. This skidded from 78,115 cars in 1946 to 16,587 cars last year for the Erie, and revenues from this source have declined from $10.1 million to $3 million in the same period. The loss of so much of this business is reflected in the index of only 102 for Erie revenues, based on the 1947-49 average, as against 107 for the Eastern District and 113 for the Class I total. The corralling of the Ford plant at Mahwah and of the Fisher Body plant at Mansfield, Ohio have been the results of the road's strenuous campaign to rebuild traffic. It is expected that the Fisher Body project will start to be a revenue factor in the course of a month or two. In addition to these two major plant acquisitions, the Erie located 74 smaller plants on its lines in 1955 and 115 in 1954. Another source of added revenue by which the Erie sets great store is "piggy-back" in which a gain of 150% is expected this year. The road now feels that for the first time it is on a competitive basis with the highway carrier.

While efforts to reduce expenses have been no less vigorous than the quest for new business, the effects have not been as discernible except as to maintenance. For some years the Erie has kept its maintenance cost ratio under 30% on the average, and well under this figure in recent years except in 1954. That the road did not do so in that year is indicative of its avowed policy of not reducing maintenance whenever there is a slump in revenues. As a result, the road states that it has no deferred maintenance. The reduction in the cost ratio has been due to the road's ability to do the normal amount of work for less money, especially by mechanization of its maintenance of way work. In this, for instance, the cost of reballasting has been reduced from $4,200 to $2,200 per mile and tamping from $1,950 to $1,300 per mile despite the increase in wages in the last several years. Also, the new Meadville car shop is expected to save both time and money on car repairs.

On the other hand, transportation costs have continued to be a baffling problem. Despite dieselization the road's transportation ratio has climbed to the unseemly level of 44% but within the past year or more the road has taken radical steps to bring it down. Most spectacular of these is the move for virtual abandonment of passenger train facilities at the Jersey City terminal in favor of joint use of the Lackawanna terminal at Hoboken. Not the least of the benefits of this joint operation will be the abandonment of the Erie ferry, and the total saving for each road from the consolidation of the passenger terminal facilities will be about $1 million annually apiece—that is, a reduction of the annual passenger service deficit by this amount for each road. This joint passenger terminal plan received the sanction of the New Jersey Board of Public Utility Commissioners on July 17 but still has to be passed upon by the ICC. Subject to the latter, it is expected to be placed in effect this year at the cost of about $2 million which will be shared by both roads.

The Erie has already consolidated freight house operations with the Lackawanna at both Elmira and Binghamton, N. Y., and presently under study is the joint use of duplicative double track line between Binghampton and Corning. The road's towing operations in New York Harbor are expected to be consolidated with those of the Lackawanna as soon as labor details can be worked out, and perishable terminal operations in New York have been consolidated with those of the Pennsylvania RR. since last August. What the Erie also needs to cut transportation costs is substantial further installation of CTC to permit the elimination of second track, and probably most needed is yard modernization. The road has a "master plan" for CTC on 250 miles of road between Marion, Ohio, and Hammond, Ind., but conversion will be on a piecemeal basis in connection with a general road renewal and track replacement program, at least according to present thinking. The yard question may find some solution in the pending study of Buffalo yards with the Lackawanna.

While the Erie was able to make only a minor reduction in cost ratios in the first five months this year it did what so many roads have been unable to do, which is to bring down to net a very substantial part of the increase in gross revenues. As a result the Erie showed the very gratifying increase in net to $1.22 per common share as against 92 cents for the corresponding period of 1955 but what is of equal significance is that this year's earnings are sounder. In the first five months of this year the Erie accrued Federal taxes on income amounting to 45 cents per common share whereas the 92 cents per share result for the first five months of last year was bolstered by a tax credit equivalent to 11 cents per share. In fact, the $2.97 per common share shown for the 1955 year was achieved only because of a credit amounting to 59 cents per share on account of carry back of losses of subsidiaries instead of a charge item in the Federal tax account. Unless greatly upset by the Steel strike, this year's earnings are expected to be around $3.25 per share, and as indicated above, will be much more "solid" than those of the past two years. This is in spite of the fact that the tax deferral due to fast amortization will amount to about 97 cents per share.

Until there is greater evidence that the efforts of the management are meeting with success, Erie common will probably continue to try the patience of those who are more interested in appreciation than in the yield of over 7% that the $1.50 dividend rate on this stock produces at the present market. However, confidence inspired by the realistic approaches to the solution of the road's problems that have been made may ultimately find greater reward than merely an outsize rate of return.

First Florida Adds

(Special to The Financial Chronicle)

ORLANDO, Fla. — Maynard A. Traviss is now with First Florida Investors. Inc., 51-53 East Robinson Avenue.

With J. C. Bradford & Co.

(Special to The Financial Chronicle)

ATLANTA, Ga.—Harry Lahman is now with J. C. Bradford & Co., William-Oliver Building.

Hamilton Mgement. Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Walter C. Bayley, Jr., has been added to the staff of Hamilton Management Corporation, 445 Grant Street.

J. Henry Alexandre, Jr.

J. Henry Alexandre, Jr., special partner in W. E. Burnet & Co., New York City, passed away suddenly at the age of 72.

Two With H. L. Jamieson

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Alexander Bier and Kenneth V. Spivey are now with H. L. Jamieson Co., Inc., 2114 E. Cajon Boulevard.

With Wagenseller Durst

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—James R. Choate has become associated with Wagenseller & Durst, Inc., San Diego Trust and Savings Building. He was formerly with California Investors.

With Lee Higginson

(Special to The Financial Chronicle)

BOSTON, Mass. — Clarence A. Fisher is now affiliated with Lee Higginson Corporation, 50 Federal Street.

J. P. Marto Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—Giovanni Formichella has been added to the staff of J. P. Marto & Co., 30 Federal Street.

With Merrill Lynch Co.

(Special to The Financial Chronicle)

BOSTON, Mass.—Paul V. Dussossoit is now connected with Merrill Lynch, Pierce, Fenner & Beane, 18 Milk Street.

Joins Manley Bennett

(Special to The Financial Chronicle)

DETROIT, Mich.—Thatcher W. Root has become connected with Manley Bennett & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The money market is still clouded with considerable uncertainty, even though the refunding operation has been completed and the Treasury must obtain new money in the near future. As a result, the demand for short-term Government securities is as sizable as ever, despite the prospects of the weekly offering of bills being increased, and it is believed it will continue that way in the foreseeable future. The inflation fear, along with the large demand for long-term funds, is keeping the money market on the defensive. The monetary authorities, however, are still following the same policies which have been in effect and no important changes are indicated at this time.

The steel picture continues to be important to the money market and the terms of its settlement will have a marked influence upon future policy. Competition from non-Government investments is still very much in evidence as far as Government bonds are concerned.

Divergent Rate Trends

The refunding operation of the Treasury was just closing when the short-term money market started to display divergent trends. The rate for bankers acceptances was increased ⅛ of 1%, which offset the decrease of a similar amount which was instituted on June 18. On the other hand, the rate or yield on commercial paper was being moved down ⅛ of 1% on the following day (last Friday), due to the large demand which was around for this kind of investment. Normally these rates follow each other up and down.

The bill rate, although fluctuating somewhat, has also been reflecting the demand which is available for the most liquid Government obligation. Funds continue to flow into the shortest Treasury securities because those of corporations, as well as the proceeds from the sales of non-Government issues, are being put to work on a temporary basis in these obligations. Also, it is reported that a large amount of the sizable cash-ins from the recent refunding of the Government have been invested in Treasury bills. Money is tight as far as some sections of the short-term market is concerned, while other segments appear to have a plentiful supply of funds.

Telephone Issues Underscore Capital Demand

The demand for money for capital purposes seems to show no let-up, and the announcement by the American Telephone and Telegraph Company that $575,000,000 of new money will be obtained through the sale of common stock this fall is another evidence of this need. The $250,000,000 which was just obtained through the flotation of bonds by this concern has also had an influence on the long-term bond market, because there have been switches out of outstanding obligations in order to make payments for the new offering. Other corporate and municipal offerings have also been paid for, in some measure, by switches from older issues, particularly those with low coupons. Tax losses are being taken in the securities which are being sold.

Thin Markets for all Bonds

Even though swaps are being made to take up some of the new offering of securities which are being brought out, these exchanges have not been too sizable because of the very restricted nature of the market for both the corporate and Government securities. The tight money policy has had a very noticeable effect on the market action of the outstanding issues since there is a very definite lack of interest in many of these obligations. This has reduced the marketability of these securities to a point where bids are not available in many issues, and even when bids are around, they are not large enough to take more than a handful of securities.

This absence of interest, which was first evident in non-Government issues, appears to have spread to the market for Treasury securities recently and, aside from the near-term obligations, there is only a very thin and limited one for most of the other Treasury obligations. The better yield which is available in the new issue of securities is a very important reason for the lack of interest in certain of the more seasoned obligations.

Inflation Psychology Spreading

The inflation psychology which seems to be gaining momentum and is being expressed in the action of the common stock market, in the opinion of not a few money market specialists, does not bode well for the Government bond market as well as the market for all other fixed income securities. The higher wages and higher prices which will undoubtedly result from the settlement of the steel strike are some of the ingredients that are very important in the development of this inflation fear. Under such conditions, one cannot expect the pressure to be taken off the money market by the powers that be.

With Reynolds & Co.

(Special to The Financial Chronicle)

STOCKTON, Calif.—Barbara B. Nikcevich is now with Reynolds & Co., 301 East Weber Avenue.

With Greenberg, Strong

(Special to The Financial Chronicle)

DENVER, Colo.—Mrs. Flora B. Kean has joined the staff of Greenberg, Strong & Co., First National Bank Building. Mrs. Kean was formerly with First Securities of Denver and Robert Connell, Inc.

With K. L. Provost

(Special to The Financial Chronicle)

SANTA ANA, Calif.—John W. Soden has been added to the staff of K. L. Provost, 325 North Broadway.

Frank Bode Opens

(Special to The Financial Chronicle)

PASADENA, Calif. — Frank H. Bode is engaging in a securities business from offices at 310 Elmwood Drive.

Continued from page 5

Trust Investors' Viewpoint in Managing Individual Accounts

age and is not willing to recognize our so-called modern times.

While we seek aggressive management, we do draw the line where management appears to be excessively aggressive and takes too many chances with money borrowed from the investing public—there is a fine line of distinction between aggressive management and speculative management and we only hope that as we research individual companies and discuss those companies with other investment people, we can separate the two types.

We have a decided preference for those corporations which have active research departments — we also have a preference for those corporations which are diversified not only as to the products involved, but in horizontal and vertical operations.

Frankly, because of our position — and all banks are in the same position—we can and do use only those issues which are representative of companies which have proven their ability by continued growth in both gross and net income, those issues which have a longevity record of dividend payments and issues of those companies which are properly financed and properly capitalized. We are not too happy with utility companies, for example, which are heavy in bonds and light in equity issues (say 65% - 35% ratio) because while we recognize that the trading on the equity can be very profitable to the common stockholders if operations are successful, it must also be recognized that if the operations are unsuccessful, the loss, or less income, to the stockholders is maximized.

We do not look with favor on those industrial companies which have a high ratio of fixed debt nor those industrial companies which have a large volume of debenture issues outstanding, which do not have a fixed sinking fund requirement, sufficient, at least, to retire a substantial percentage of the issues by maturity.

Quality Position

I probably should have mentioned, at the outset, that quality is a paramount factor. The history of expansion of industries in this country, with the resultant benefits to common stockholders is quite clear—those companies which have maintained a quality position have been the companies which have survived the worst depression in the history of time and two world wide wars. Specifically, we have liked such issues as Allied Chemical and Dye (dividends paid since 1921); Corn Products (dividends paid since 1920); General Motors (dividends since 1915); Pittsburgh Plate Glass (dividends since 1899); Consolidated Edison of New York (dividends since 1885); Consumers Power (dividends since 1913); Pacific Gas & Electric (dividends since 1919); and many others. As far as bonds are concerned, we definitely, also, have a decided preference for quality.

Need to Upgrade Portfolios

It would appear, generally speaking, that, from an economic standpoint, we could be at a temporary top of a business cycle and we could be expecting a recession or at least a correction from the present level of business activity at the rate of around $400 billion to $403 billion Gross National Product. We will all admit, quite readily I am sure, that the stock market has come a long long way from, say, the levels of 10 years ago—Yes—even three years ago. Thus, where the past 10 years, business-wise, have been devoted to filling up the vacuum of demand of consumers and industry during the war years, with resultant and practically concurrent rises in stock market levels, it would definitely seem advisable at this stage of the game, when the road ahead is certainly not as clear as it was two or three years ago, to take steps to upgrade portfolios, having two primary objectives in mind.

(1) If we get a correction, or recession, or call it what you want, the lesser quality issues have a tendency to decline more steeply and the high quality issues generally are more resistant to declines. Further, the higher quality issues have always exhibited a tendency to snap back faster because they represent companies which have aggressive management and sound financial policies, and have the capital to weather financial storms.

(2) If we do not have a correction, and if we are to move on a relatively level plateau, with a possible upward trend involved, the methods of solving the competition factors will require financial wherewithal and the companies that are the strongest, that have the most aggressive management, which will include active research, have the best chances of successful survival.

Checking With Outside Sources

So far I have discussed, quite generally, our broad investment policy. In concluding this phase, I should emphasize that we are constantly checking our own ideas with those of others — this goes back to my original statement that there is simply no one road to travel and we honestly recognize that there are others in this field which do have some good ideas from time to time. We check our thoughts with, for instance, the periodically published list of "Favorite 50," with Moody's Investors Service, with Standard and Poor's, through periodical personal visits and conferences with New York and Chicago Banks, and other banks which have problems similar to ours, and with brokers, dealers, and investment bankers.

We fully recognize we need you to supply ideas and specific issues, just as much as you need us as customers.

Also, briefly, we are constantly watching the relationship of bond vs. stock yields, the action of the monetary authorities, and specifically the Federal Reserve Open Market Committee. We, like you, study the published thoughts of the Treasury officials and last, but by no means the least, the thoughts and suggestions that are made by our examining and supervisory authorities.

Legal, Instrument and Moral Requirements

We turn now to the third factor of our operations, which is legal, instrument and moral requirements.

In this connection I should perhaps first and foremost point out that we have two legal factors to be taken into consideration. First, of course, is the legal requirements as established under the national banking act, the regulations of the Board of Governors of the Federal Reserve System, and concurrently the supervisory authorities (the trust examiners) and second, the legal requirements as established by the instrument which actually created the trust.

At the risk of being too detailed, but believing that you want specific data, I would like to refer you to Regulation F of the Board of Governors of the Federal Reserve System as relates to the trust powers of National Banks, under Section 6 Subparagraph F, which states "Every National Bank shall conform to sound principles in the operations of its Trust Department."

Trustee's Investment Policy

Under date of April 11, 1933, a Statement of Sound Principles of Trust Institutions was approved by the Executive Council of the American Bankers Association, which specifically says, "The investment function of a trustee is care and management of property, not mere safekeeping at one extreme or speculation at the other. A trust institution shall devote to its trust investments all the care and skill that it has or can reasonably acquire. If the trust instrument is silent about trust investments or if it expressly leaves the selection and retention of trust investments to the judgment and discretion of the trustees, the latter shall be governed by considerations of the safety of principal and dependability of income and not by hope or expectation of unusual gain through speculation. However, a trustee should not be content with safety of principal alone to the disregard of the reasonable income requirements of the beneficiaries."

Here in Texas we have the "prudent man rule" and in the Texas Trust Act, Section 46, there is this direction—

"The trustee shall exercise the judgment and care under the circumstances then prevailing, which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital."

As you can immediately see, by National and State laws, regulations and directions, we are more limited in our fields of investment than possibly many of your customers, who can speculate or invest to their hearts' content, as long as they are willing—and financially able — to accept the risks which are involved. Please do not forget—we don't—that at least once a year the trust examiners visit us and review our investments, actions, and investment policy.

Obviously, from the foregoing, you can readily appreciate that we simply are not in the business of furnishing entrepreneur capital or new business capital, as that type of funds must be supplied by other classes of investors, such as commercial banks, insurance companies, individuals, and others.

"A Man of Prudence"

The foregoing legal phrases pointed out that we should operate as "a man of prudence"—it would be exceedingly helpful to us if you as individuals would sometime define to me specifically what is a man of prudence! It has not been defined legally, and in the meantime we probably will tend to err more in the conservative direction than in the unconservative.

We have a rather strange position in life—many, many times a so-called conservative businessman will create his will and establish our bank as the executor and trustee, discussing with us, however, that his ideas are along the lines of conservatism, properly providing for his widow and children, and rather specifically stating in conference with us, that he is looking to us to keep the investments relatively "clean and pure," and yet provide a satisfactory income to his family. In other words, he is looking to us to "keep his estate out of trouble."

Subsequently, when the good gentlemen goes to his reward (whether it be "up stairs" or "down stairs") and we inventory his estate, we find the darnedest collection of so-called securities that you can possibly imagine! Our first job in those cases, then, is to "put the house in order" for the purpose of conforming not only to the law and regulations, but also conforming to the ideas which he had previously expressed to us.

For the most part, trusts are established because the testator is looking to us to take care of his family—many times the family is completely incapable of handling large sums of money. I am sure that you have all had the experience of meeting people who simply have no regard for the future when something pleasant becomes available in the present.

Many wives have been running their households and raising their families on the basis of a specific monthly allowance, and perhaps that allowance had been generous enough that they have not had to call upon the husband and father for additional cash. Other times, additional cash had to be periodically provided. In either event, it should be recognized that there was an initial and substantial provider there. That provider now no longer exists (in the same form, at least).

In many cases, upon the death of the provider, friends and relatives (and let's be frank about this, greedy friends and relatives) leech on to the widow or surviving family and begin to literally bleed them white. The family, as you well know, usually is in a distraught nervous condition due to the circumstances of death, and is in no real position to appraise values. Thus, if we are the executor and trustee, we serve as a buffer and further carry out the wishes of the deceased.

In order to provide, however, for unusual, but necessary, needs for larger sums of money than might be normally provided on a specific periodic basis, trust instruments today have a clause which permits the trustee, in its discretion, to advance the needed funds out of either income or principal.

Spendthrift Clause

Sometimes the residual beneficiary or remainderman, in order to secure funds now, will want to pledge his or her expected future interest in an estate with a lender of funds—in order to stop dissipation of that kind, there is usually a spendthrift clause in trust instruments today which specifically prohibits pledging or hypothecating future interests. We have a case in our Trust Department which did not have that spendthrift clause and consequently when the trust terminated, due to the death of the income beneficiary, and we were to distribute about $50,000 to the remainderman, he had actually spent all but about $5,000! The claim of the lender of the funds had been duly recorded with us, and we could do nothing except pay the amount due to the lender—incidentally an interest rate of 8% was involved!

Legally, we have certain responsibilities that preclude our purchases of issues that may not quite measure up to high standards, even though there would be possibilities of appreciation which the family would welcome, at sometime in the future.

Sometimes the wording of the instrument under which a trust is created is considerably at variance with what may be considered sound investment operations—for instance, I quote from an instrument in our files.

"The Trustee is hereby given the following powers, authority and discretion to be exercised by the Trustee whenever and as often as it may, in the Trustee's judgment be for the best interest of the beneficiaries of the Trust, to do the following:

"(a) To invest the trust property and funds only in bonds, obligations or securities issued by the United States of America; provided, however, that the Trustee shall have the power and authority to continue to hold and own the drilling rig herein given and assigned to it, and to use as much of the funds of the Trust that may be necessary to keep such drilling rig in good repair and working order.

"(b) To take possession of, manage, control, or lease the drilling rig herein assigned."

So—we can buy Governments or operate a drilling rig!

Instrument Creating a Broad Trust

Sometimes the wording of the instrument under which a Trust is created is extremely broad and gives us practically unlimited control of the funds, and I quote from another instrument in our files—

"To invest funds on hand from time to time in such revenue bearing securities or other properties as their judgment may dictate . . . I have been informed that courts sometimes look with disfavor on retaining as trust assets some classes of stocks. . . . Nevertheless, I would not want the Trustees named in my Will to dispose of stocks and securities except as a result of the sound discretion and judgment of my Trustees uninfluenced by the fear that some beneficiary or some court might undertake to hold them responsible for losses from error of judgment with respect to such matters . . . fully realizing that losses may possibly result from the exercise of discretion herein given my Trustees, I hereby expressly relieve them from any and all liability for any and all such losses if it should develop that losses have been sustained. My purpose is to leave my Trustees free to use their sound discretion with respect to all such matters, and if my Trustees have acted in good faith, to relieve them of any possible liability for errors of judgment, regardless of any technical rules of law that might otherwise control."

A Binding Non-Diversified Trust

Other times we have accounts that consist solely of one form of asset and in the interests of conservatism and good management, we would like to diversify the investments—in one case in our files, we have an account (a $150,000 account) which is 100% in Humble Oil — granted fully that this is a good company, and granted further that it has acted, market wise, most favorably since the creation of the trust, nevertheless, we did express to the beneficiaries our thoughts that some of the Humble stock should be disposed of and the proceeds placed in other securities of comparable quality and having comparable growth characteristics. The beneficiaries advised that if we wanted to do that, they would proceed, under the law, to force us to retain Humble, intact, and would take any other steps necessary to make sure we followed their wishes—naturally, we went to court. After a considerable discussion in the court room, the court came up with a formal decision as follows:

"That the bank as sole Trustee of the Estate is hereby authorized, to sell Humble Oil and Refining, as may be necessary to pay specific bequests, to pay Federal Estate and State Inheritance Taxes, expenses of administration, and to provide for the general welfare, support, maintenance, education of the three beneficiaries designated; specifically, the bank shall retain and shall not sell any other shares of Humble Oil and Refining stock held by it, as such trustees, unless and until directed to do so by a judgment of a court of competent jurisdiction and until instructed to do so in writing by the designated beneficiaries. The bank shall not be required to seek further judicial determination of any necessity for diversification of assets of said estate, and no liability of any kind or character shall attach to said bank for failure to seek further judicial determination or instructions in connection with investment of the assets of said estate; further that said bank shall in no way be liable to any beneficiary named or designated in the Will for any loss to said estate or beneficiaries thereof, either of the corpus of said estate or any reduction or loss of income therefrom which may result from its retention of the Humble Oil and Refining common stock." Quite a conclusive order!

Trust Payments Tied to Purchasing Power Changes

We sometimes are specifically empowered, under the instrument creating the Trust, to pay certain monthly payments of either principal or income, but in one case, in particular, the trust provides for monthly payments of $500 from either income or principal, but keys that $500 to the purchasing power of the dollar, stating that "monthly payments which will have purchasing power substantially equivalent to that possessed by the sum of $500 in September, 1953, shall be paid. The Trustee shall . . . make a determination of the sum required to provide purchasing power equivalent to that possessed by the sum $500 during the month of September, 1953, according to and using as a standard and measure the United States Bureau of Labor Statistics Index of Consumer Prices, which Index during the month of September, 1953 was 115.2 . . . the purchasing power of the dollar shall be considered as 100% based on the Index of 115.2 . . . and each monthly allowance of $500 shall be increased or decreased by the same percentage that the Index increases or decreases above or below the September, 1953, figure of 115.2."

No Speculative or Semi-Speculative Issues

When talking about a trustee's responsibilities, the methods of using trust funds to maintain a standard of living for a man's family, I am always reminded of a story of a millionaire who was being interviewed by the press as to his reasons for success and how he actually accumulated such wealth—he replied that he actually owed all he had to his wife and when the reporters commented on the fact that it was extremely modest of him to give a substantial amount of credit to his wife, he pointed out that he was not making any effort to give the Mrs. any credit, it was merely a case of necessity—he said he had been constantly endeavoring to make more money and attempting to find some level of income beyond which his wife would not be spending!

We in the institutional investment field, do earnestly request investment bankers to constantly bear in mind, when we might be saying "no" to an offering of stocks or bonds, that we have a most serious responsibility not only from the legal but also from the moral angles—the testator has created a trust fund specifically for the purpose of relying on a disinterested third party to preserve the standard of living to which his family is accustomed—to keep them free from financial worries. Are we going to discharge our responsibility by using speculative or semi-speculative issues, even though there are possibilities of substantial enhancement in values? The answer, of course, is no.

Liability for Surcharge

There is one other point that comes to mind along these lines, and that is the possibility of surcharge to our institution if we should commit errors, which, possibly due to no foreseen circumstances, would result in a substantial loss at some time in the future, instead of the practically 100% "insured profits."

Generally, our liability for surcharge occurs due to errors of commission rather than errors of ommission.

To give you some idea as to the assininity of some remainderman, let me cite to you a case which a Trust Company had to battle as recently as 2½ years ago — a very wealthy individual had created, some years ago, an irrevocable living trust for the benefit of himself and his wife, who were then in their 60s, the income from which was to go to either of them as long as they lived and at the death of the survivor, the estate was to be distributed to the one remaining relative, a nephew. This living trust was of such a substantial size that the income from it, when combined with other income the testator had, established a tax bracket around 90%. The Trust Company decided, and I think rightly so, that municipal bonds producing tax free income, should be practically the sole assets of the trust. Thus, the older people, while alive, received a substantial amount of spendable cash not subject to taxes. At the death of the survivor, and upon the distribution of the trust assets to the nephew, he instituted suit against the Trust Company claiming that they were negligent in not using common stocks in the account because if they had the enhancement in value of the estate, which was now coming to him would have been most substantial. He charged negligence and improper management of securities in the face of inflationary business conditions which resulted in sizable lost value to him.

The court, of course, ultimately returned a decision in favor of the Trust Company, pointing out that there was no need, whatsoever, for the trustee to seek enhancement in value for the benefit of the remainderman because the grantors of the trust were primarily interested in income for themselves and preservation of principal rather than growth. Obviously, they were more interested in being properly cared for in their old age than in passing on to their nephew a substantially increased estate.

We now come to a brief discussion of the fourth factor which determines institutional investments and that is, the objectives of the account.

Objectives of the Individual Trust Account

I have just mentioned one example. Certainly I would like to emphasize that we make every concentrated effort to establish an investment policy which is best suited to the aims and objectives of the individual account.

It is rather obvious, I am sure, that we would design an investment policy of a widow, who came to us, let us say, with $100,000 cash insurance money, and said that the income from that was all she had to live on for the rest of her life, along lines which would be entirely different from a wealthy businessman who wanted to establish a living trust strictly with excess investable cash along the lines of growth for the fund. For the widow, we would be establishing a portfolio with some liquid reserves such as government securities with varied maturities (for the purpose of providing funds for emergencies) and the account would be heavy in nondynamic, slow growth, defensive type industries, such as public utilities, tobacco, some variety chains and foods. For the businessman, we would want to look for issues of the dynamic growth type, where income and/or yield was of little or no concern. We would be using such industries as light metals, office equipment, paper, and chemicals.

Other type accounts lend themselves to different objectives—for instance, pension and profit sharing plans. These, particularly pension plans, are usually established with an actual requirement of something around 2½% return on investments, and it is fully conceded by all parties concerned, that at sometime in the future, the income of the fund must provide for the dollar requirements from the fund. While the account is growing and particularly while the company is making payments on its accumulated requirements for past services, and if the economic and business environment is favorable, then consideration can be given to the use of common stocks up to a figure around one-third of the total fund. Over a period of time, of course, some investments, both stocks and bonds, would have been purchased at low levels and others at high levels of the market, and thus a good overall average purchase level would have been realized. The bond portion of the fund should be in quality items which, of course, can be counted upon to supply the requirements when needed at some date in the future.

We make every effort to hedge against a change of interest rates by staggering bond maturities in this type of fund, because, obviously, when you use bonds that is the only way you have of protecting against interest rate changes.

One additional factor which we have found is not fully recognized by various dealers is the type of investments permissible for guardianship accounts—briefly, a guardianship trust can invest **only** in United States Treasuries, accounts of savings and loan institutions, general obligations of Texas municipalities, first mortgages on improved real estate, and mortgage bonds of Texas corporations within certain limitations. Please note, therefore, that equities — preferreds or commons—are not legal investments for guardianships.

Acting Solely As Executor

Another factor which plays an important part of our investment decisions occurs when we are acting in the capacity of executor only—under the laws of Texas, an executor has no powers of investment. His duties and responsibilities are solely to collect the assets, pay the debts and taxes, and distribute the proceeds of the estate in accordance with the Will. Therefore, we have a rather peculiar situation, at times, when, in our capacity as executor, we analyze a specific company and recognize that we do not particularly care to invest in that company, we would not purchase the securities and we feel that there is a risk of the market declining; yet, we recognize the level of the stock could remain relatively constant. The peculiar problem, of course, is that we have only two alternatives offered to us.

We can either sell the securities and hold the cash intact, or we must hold the security itself, and eventually distribute it to the beneficiaries. We have no power to make an exchange of one issue for another for the purpose of safeguarding the principal, or increasing income, or improving quality.

One other thought, on the guardianship account—every time we go to make an investment, even if it be the purchase of a $100 United States Government Bond, we must have an attorney prepare an application to the court to invest funds in that bond, also prepare a court order to be signed by the proper judge authorizing us to make that investment — slightly expensive, as you can well appreciate.

We come now to the last factor of our schedule — which is the selection of specific issues.

Selection of Specific Issues

It is our practice to follow the established and accepted procedure of investment analysis and selection.

We take the following steps:

(1) Analyze present business and economic conditions.

(2) Analyze various industries —selecting those which appear to have a favorable outlook and discarding those whose future may be uncertain or clouded.

(3) Analyze and select companies within the industries which have been selected—using those companies which are financially strong — which have aggressive (but not speculative) management —which have active research departments—which we believe will expand with a growing economy.

(4) Select specific issues of the companies analyzed—selecting the issues which best fit our needs—sometimes we will use a bond of a company but not the stock and vice versa.

I believe I mentioned, briefly, the fact that we recognize, as you do, that the economic, business and market levels are generally at all-time peaks, and at this time we are cautious, we are conservative, and we are not striving for dynamic growth. We are neither bullish nor bearish—we are at a "wait and see" point. The correction we had a short time ago, brought, undoubtedly, some buying opportunities in the market. We look with favor upon some of the companies which have had a correction from their 1955-1956 tops, and believe that somewhere along the line, additional buying opportunities will be presented for the combination purpose of income and/or growth.

We continue to look with favor upon such industries as office equipment, electrical equipment, electronics, chemicals, paper, light metals, containers, and operating public utilities. In a few cases, we also look with favor upon holding companies which control subsidiaries operating in what we consider growth territories. We would look with a rather critical eye at the machine tool industries, liquors, amusements, textiles, steels (partly in view of possibly a strike in that industry), railroads, and certain types of mining companies.

Generally speaking, the level of the market today is such that upgrading in quality is definitely in order because of the narrow spread of yields between the lower quality more speculative items and the higher quality, more solidly entrenched issues.

Income-Capital Gains Tax No Deterrent

Income taxes, particularly the capital gains tax, have been touted by many people as a complete deterrent to upgrading in quality and specific selling action. It has been stated by many people that investors (perhaps they should be called speculators) are not prone to move in and out of the market the way they have been accustomed to doing in the past, because they have been "locked in" to their present holdings due to the 25% capital gains tax (which is, of course, the maximum rate). Let me just call attention to the fact that within the past five months, we have witnessed a sharp decline from around 490 on the Dow-Jones Average in the forepart of January to close to 460 by mid-January and from 522 in the forepart of April to 470 in the latter part of May—it appears to me that, while certainly I am no proponent of continuing high taxes, a lot of the so-called "locked doors" were "unlocked" in these two specific periods of time. Let not the bugaboo, then, of 25% capital gains tax be a deterrent to completing an exchange if that specific exchange has merit from a quality, income, or other sound investment standpoint.

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BOULDER, Colo. — Thomas P. Roth has become affiliated with Allen Investment Company, 1334 Pearl Street.

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DENVER, Colo. — Theodore V. Denuszek is now with Columbia Securities Company, Incorporated, Equitable Building.

It's the Individual that Counts!

"We are the first country to experiment with over-all planning under a democratic organization. As compared with our neighboring country, China, our pace of progress, despite certain inherent handicaps under a democratic system of government, has been very encouraging indeed.

* * *

"We in India are not inclined toward the techniques of class war and violence which are followed in Communist countries.

"The world today is vitally interested in the comparative progress of economic planning in India and China and the future of other underdeveloped nations of both Asia and Europe as also Africa would inevitably depend on the tangible and speedy economic developments in these two countries. Whichever system of economic planning registers a better and quicker progress would naturally attract the attention of the rest of the world."— Shriman Narayan, General Secretary of Mr. Nehru's Congress party.

If Mr. Narayan, or anyone else, supposes that any form of economic or social organization can be made to take the place of individual energy, enterprise and initiative, he will find that he is deeply in error.

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New Look in the Cold War

is to our body. Without its life-sustaining force we would be suffocated. We know in our hearts that the elemental human freedoms summed up in the concept of liberty—whether our own or other people's—must not be used as bargaining counters to buy off despots.

Temptation to Expediency

The great temptation today, as in all times of crisis, is to compromise on ideals in the name of expediency. We are counseled, by some who fly the banners of so-called "realism," to recognize the "finality" of a world half-free, half-slave, and make the best of it. That sort of logic has backfired ever since the first such realist asked, "Am I my brother's keeper?"

In a world made small by modern communications and modern weapons, we *are* our brother's keepers. We cannot, in the long run, remain uncontaminated and safe when half the world is festering with the sores of terror and torture, godlessness and despair.

Even recent history offers proof that what passes for hard-headed realism in its day may appear tragically unrealistic in the perspective of events. Munich and Yalta were hailed in their time as masterstrokes of *Realpolitik*. But they bred the very disasters and dangers they were intended to forestall.

The piled-up appeasements of Soviet Russia in Europe and Asia in the immediate postwar years—involving the surrender of millions of our fellow-men to the evils of Communism—were defended in their day as measures to stabilize and tranquilize the world. Actually, by swelling the power and self-confidence of world Communism, they undermined the chances of genuine stability and peace.

These experiences bear on the problems and the challenge of our time. They show that only a compass of principle can help us steer a true course. Without its fixed points of honor, integrity and compassion, we are helpless in the winds of propaganda and guile blowing from the wintry Kremlin.

Today, more than ever, we must have the courage of our dedication to liberty. It seems to me crystal clear that we cannot be indifferent to or ignore the threat to the still-free nations badgered by Communist pressures, without deadly peril to everything we cherish.

The Key Events

When the history of these years is written, I believe the key events will not necessarily be the conferences of statesmen. They are more likely to be such events as the slave revolts in the Siberian forced-labor camps of Vorkuta; the uprising in East Germany three years ago; the youth riots in Tiflis a few months ago; the insurrection in Eastern Tibet; the recent student demonstrations in Czechoslovakia and Hungary; the explosion only a few weeks ago of pent-up hatred for Communism in Poznan, Poland.

These are thrilling expressions of man's eternal yearning for freedom. Here were people accepting not merely the risk but the near-certainty of martyrdom. Their heroism is a bond—sealed with the blood of hundreds of victims — between the humanity on their side of the Iron Curtain and the humanity outside. And let me say it bluntly: their sacrifices are a rebuke to those who would write off nearly a billion human beings as permanently enslaved.

Only the accident that a trade fair was in progress, with many foreigners on the scene, enabled the world to learn at once about the eruption in Poznan. Exiled leaders in close touch with their homelands say that there have been dozens of Poznans, large and small, concealed from the world: slow-downs and strikes in factories, peasant riots, student protests and the like.

The fact is that under the artificial surface-calm of the Red empire, there is a tremendous ferment of unrest, angers and passionate aspirations. Youth—and this is heartening to friends of freedom—is especially restive. Press reports say that a majority of those arrested in Poznan are under 25. The signs of youth in revolt are similarly clear wherever, in the Soviet sphere, the hot lava of protest breaks through the totalitarian crust.

Why are the oligarchs in Moscow and their stooges in captive capitals so loud and lavish these days in promising to "liberalize" their regimes? Why have Stalin's successors been driven to make a scapegoat of the dead despot, to convince their subjects that the crimes connected with his hatred name are things of the past?

The answer is fear—fear of that ferment and what it may portend. Revolutionists themselves, they live always in dread of revolution. Communist brutality may succeed in holding those millions in bondage for many years to come. Yet, all history shows that revolutions, which seem "impossible" before they happen, are recognized as "inevitable" after they happen.

The least we can do—not only for their sake but for our own—is not to sell the captive peoples short; not to deny them the moral support of our understanding, our sympathy and, above all, our faith in their ultimate liberation. In the long run their freedom is closely related to our own.

The Kremlin's uncertainty about the loyalty of its subjects and satellites is in itself a most effective deterrent to world war. The seething discontents in Russia, the rebellious spirit in the captive states—these, we may be sure, loom large and grim in Moscow's eyes as it figures its chances of victory in case of war.

The men of the Kremlin have a vivid memory of the early months of the German invasion in 1941, when literally millions of Red soldiers surrendered with only token resistance. They cannot forget that nearly a million Soviet citizens took up arms against their own country in the hope of overthrowing the Soviet regime.

So the Communist bosses have good reason to fear any new conflict—this time not against another brand of totalitarianism but against free men. Their war plans must take into account the possibility, even the likelihood, of fighting on two fronts: against the foreign foe and against their own populations.

It seems to me plain common sense, therefore, that the West should do everything it can to fortify this built-in deterrent to war in Soviet society. It is a case where loyalty to principle coincides with simple self-interest.

The strength of nations is, after all, a relative equation. One sure way to make ourselves stronger is to make the Communists weaker. The weakest link in their chain of power is the vast internal opposition, actual and potential.

Our duty and our opportunity is to keep the Soviets off balance by helping maintain the spirit of resistance among their victims. And that in turn requires that we keep alive the hope of ultimate liberation.

The House of Representatives, I believe, was acting in this spirit when, on the day after the Polish insurrection, it passed a resolution—sponsored by both the Republican and Democratic leaders—expressing America's sympathy for the men and women slaughtered by the Communist police.

Our Real Allies

If the Communist fifth column in our country can be counted by the thousand, the forces of freedom in the Soviet lands can be counted by the million. These are our actual or potential allies. Let us keep faith with them. But we fail in this respect to the extent that we allow ourselves to be lulled and gulled by Moscow's most recent slew of slogans and promises.

The extraordinary fact is that so many throughout the world were duped by approximately the same slogans and promises repeatedly in the past. Apparently the Kremlin is counting on our short memories and on our anxiety to believe.

In the mid-30's, even as now, Moscow suddenly mended its manners, disavowed force and violence, and proceeded to build "united fronts" with anyone willing to play along. Stalin produced a new Constitution, described by his admirers as "the most democratic in the world." Soviet Russia joined the League of Nations and pushed what it called collective security.

The result was a field day for wishful thinkers. They even urged that the Nobel Peace Prize be awarded to Maxim Litvinov, Stalin's foreign commissar. They explained solemnly that Russia was moving to the Right, the capitalist world was moving to the Left, and soon they would meet in the middle and live happily together forever after.

In due time we learned to our grief that it was all a great hoax. The new affability dissolved in the obscene blood-purges of the late 1930's, and then the Stalin-Hitler pact that triggered a world war. Meanwhile, under cover of united fronts and coexistence, Moscow had infiltrated free governments — our own included—subverted free institutions everywhere and deployed its forces of mischief at strategic points.

Today we are drifting into another such period of self-deception. Khrushchev and company have thrown out a new Party-line, baited with the same old worms. And the fish, alas, are biting. Luckily this new surge of false optimism is not so strong in the United States as it is in most other free countries.

The evidence that Moscow's old trick is working its old magic is too clear to be ignored. We see it in the fact that blood-stained Kremlin dictators are being received as honored guests in democratic countries.

Strange Invitations

These men and their associates stand self-indicted as criminals and despots. They cannot wash the blood from their own hands by pouring all the guilt on the dead Stalin. It is both strange and sad that any free government would choose this very time to invite such gentry into their democratic households!

This mood of relaxation rests, in truth, on little more than Kremlin double-talk. We are told that the 20th Congress of the Soviet Communist Party, last February, renounced war and violence in the attainment of Communism. But a study of the actual speeches and resolutions reveals that it is all a piece of standard Red hocus-pocus.

Their Congress merely declared that war is not "inevitable" and that peace is desirable, in almost the same words that Stalin and his mouthpieces had said it repeatedly in the past. But, there was not a single practical and genuine proposal for reducing armaments and outlawing war.

Then there were the celebrated references to "parliamentary" and "constitutional" roads to Communism, from which some pundits are squeezing drops of consolation. What did the Red Congress actually say on this score? Only this: that some parts of the world have been so thoroughly softened that they can be expected to yield without the prelude of bloodshed. Ironically, they cited Czechoslovakia as an example of this sort of "peaceful" conquest.

As for other nations, the Communist Party session made it clear that violence must be used as always. Here are Khrushchev's exact words: "In countries where capitalism is still strong . . . the serious resistance of the reactionary forces is inevitable. There the transition will proceed amid the conditions of *an acute revolutionary struggle*." The new Party-line, in short, gives free nations the privilege of surrendering without a struggle as the sole alternative to bloody conquest.

The Soviet Congress purged the ghost of Stalin and announced a return to simon-pure Leninism. It takes a genius for kidding yourself to read into this any policies of moderation.

Actually it was a reaffirmation of Lenin's militant and uncompromising drive for world dominion. Here is the goal set by Lenin, in his own words: "Victory of world revolution and the establishment of an international Soviet Republic." And here are the methods he prescribed, again in his own words: "It is necessary to use any ruse, cunning, unlawful method, evasion, concealment of the truth."

Such are the methods and the goal to which the new bosses of world Communism remain implacably committed. But they have wrapped the old commitment in misleading rhetoric to confuse those whom they plan to conquer. Their attempt to blame Stalin alone for some Soviet crimes of the last quarter century changes nothing. A system that breeds monsters is itself monstrous—and that system remains intact.

All Soviet power, including the power to invoke terror on any scale at any time, is centered in a Presidium of 11 men, which has taken the place of the former nine-man Politburo. Seven of the nine in the last Politburo—that is to say all of them except Stalin, who died or was murdered, and Beria, who was executed — are now in the Presidium. Of the additional four, two were put there by Stalin himself before his death.

Same Old Gang

This is the same old gang, the same ideology, the same relentless purpose of expunging freedom everywhere. I submit that the free world does not have a shadow of an excuse for trusting this gang or relaxing its vigilance.

If, as some optimists claim, Moscow's supposed reformation is sincere, the Soviet leaders have ample opportunity to demonstrate it. President Eisenhower has proposed a program for a people-to-people exchange of ideas across the Iron Curtain. Let them, if they dare, accept this challenge—not with some meaningless tokens of exchange but by fully and honestly demolishing their barriers to the flow of news, information, opinions and ideas!

Let them cease to jam our broadcasts to their people, just as we permit their broadcasts to reach our people unhampered. Let them remove censorships and allow free-world books and magazines to reach their people, as we permit their publications to reach our people.

Recently Moscow's new Foreign Minister, Shepilov, demanded that the American press and radio be "muzzled." Our counter-proposal is that Soviet Russia remove the muzzle from *its* press and radio. We have no fear of exposing our truth to any test, provided the channels of communication are un-jammed, un-censored, un-muzzled.

Kremlin Worried

Apparently the intellectual ferment in their country has the Kremlin bosses worried. They are trapped by a historical dilemma. To run their expanded industrial set-up they must produce more and more educated personnel, but every newly educated citizen adds to the potential of discontent and rebellion. Their growing output of scientists, engineers and technicians whose minds are sharpened by the disciplines of science must, in the long pull, constitute a serious threat to a regime based on falsification. The regime is thus forced to produce what may prove to be the instruments of its own destruction.

Against this background, what must our country do to guarantee its survival, and the survival of human freedom?

Our first and irreducible duty is to maintain military vitality and to maintain it continually "at the ready." That is indispensable survival insurance, whatever else we may do to combat Communism. As long as ruthless fanatics who disdain human life and regard themselves as the chosen instruments of history control modern weapons, we dare not rule out the risk of a surprise attack geared to confidence in quick victory.

The embers of limited local wars are smoldering in a dozen inflammable regions — in North Africa, the Near East and Southeast Asia, for example. The Communists are using the bellows of their propaganda to blow little fires into big ones. We can have no certainty that future small wars can remain localized. Moreover, we know that the Kremlin is pledged to provoke civil conflicts and guerrilla operations. We have no guarantee that one of these may not ignite another world struggle.

Even Soviet Russia, I recognize, would think long and hard before unleashing the final catastrophe. But the stakes are too high to justify a gamble. Our country, I repeat, must remain militarily strong and alert. We must keep ahead in science and technology. We must provide an adequate supply of trained manpower to meet any contingency.

We should strengthen our national defense by enacting comprehensive "stand-by" laws that would give the President of the United States power to take at once whatever measures may be immediately necessary to meet the effects of an enemy surprise-attack upon us with atomic weapons. Such power should include the vital area of Civil Defense.

Soviet foreign policy aims at the destruction of our system of alliances and global base structure. We must support and seek to strengthen NATO — the keystone of our present security system.

We must also take all practical precautions against the germ of inflation spreading to an infection of our economic blood-stream. Our national strength depends upon the maintenance of a healthy system of finance and economy.

Meanwhile, we must resolve in all earnestness not only to fight but to *win* the cold war. That war is a reality. It cannot be smiled away or wished away. We dare not lose the cold war. For if we do, our free civilization will be as dead as if it had been crushed by military force. By the same token, a clear-cut free-world victory in the cold war is the best hope for a true and enduring peace.

Termite-Eaten

And we *can* win, provided that we generate the will to victory. The enemy is vulnerable. The Soviet structure of power is termite-eaten by chronic fears and hatreds and oppressions. Its parts are held together not by mutual loyalty but by raw force, and every relaxation of tensions touches off a new wave of popular resistance.

That is why even talk of putting American and free-world conduct of the cold war on an organized, large-scale basis sends a chill down the Soviet spine.

In April of last year, for example, I presented to President Eisenhower a Memorandum outlining a "Program For A Political Offensive Against World Communism." It argued that the "surest way to prevent a hot war is to win the cold war," and proposed that we turn the Kremlin's own political and psychological weapons against the Communists.

The Memorandum was made public and did win some favorable attention here, but nothing to match the anger it evoked in Moscow. Then it was buried in the tides of runaway optimism let loose by the Geneva summit meeting and the new Russian diplomacy of smiles. But the Soviets have not forgotten it.

On July 9, 1956, less than two weeks ago, Moscow showed that it still smarts under the blow by giving me top billing in a sizzling attack published by *Pravda* under the heading "Nefarious Deeds of American Cold War Proponents." *Pravda's* flattering attack places me in good company for it also denounced the recent appropriation in this field by the United States Senate and criticized Senator Paul Douglas and the American press for what it labels "proposals for undermining Communist regimes."

The fact is that the Communists are terrified by any symptom that the West may at long last determine not to lose the cold war by default. Better than anyone else they know their own vulnerabilities. More than anything else they dread the day when the West may decide to bring to the cold war the same resolute courage, the same readiness for sacrifice, the same concentration of brains and resources that it would to a hot war.

Nor should we indulge in illusions that anything less than that will suffice to achieve victory. Our counter-strategy must be as bold, as intensive, as minutely planned and as flexible as the enemy's. As I said in that Memorandum: "We must seek out and exploit the weak spots in the enemy's armor, just as the Kremlin has been doing to us these 30-odd years. We must make our Truth as effective as and more productive than Moscow's Lie."

Recently we had a demonstration of the shattering impact of truth—and the credit must go to Secretary of State Dulles. I refer to the release by our State Department of the text of Khrushchev's so-called "secret speech" lambasting Stalin. Knowing that inside the Soviet empire that text is still secret, available only to the elite of the Communist Party, our official Voice of America and the privately supported Radio Free Europe and Radio Liberation proceeded to beam the speech, day and night, to listeners behind the Iron Curtain.

These American actions seem to have disturbed and angered the present masters in the Kremlin. The brickbats they are throwing at Secretary Dulles for making the truth available to the people in Russia and its satellites, as well as to the rest of the world, are the best evidence that telling the truth about the policies and practices of the Soviet Dictators is the most effective way to combat the lies they tell about us.

The results prove that we, too, can wield the weapons of political offensive to good effect when we choose to do so. In a showdown in that contest, we enjoy indubitable advantages: Truth is on our side; the hungers for justice and freedom in the hearts of all men are on our side; principle and morality are on our side.

Our Burning Opportunity

I believe that the time is propitious for a clear-headed decision to fight and win the cold war. The Soviet world is deeply shaken by internal troubles. After the shocking disclosures of the crimes and blunders of the Stalin era, the prestige of the regime and its leaders is at the lowest ebb in decades. It is a moment that may not return for years; indeed, one that may never return.

Will the free world continue to drug its senses with wishful thinking, and thus give the enemy time to prepare his next series of big blows? Or will it find the wisdom and the valor to face up to the relentless cold war being waged by the Soviets and exploit the present opportunities? The answers to such questions do not rest with the government alone. They rest with every one of us.

Liberty, for our beloved America, is still the rallying cry. That's *our* "party line." It must and can prevail.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Clarke Prather retired from partnership in Cabell Hopkins & Co., Inc. July 16.

Earl S. Douglass retired as Chairman of the Board of Stern, Douglass & Co., Inc. July 13.

Edgar J. Loftus will withdraw from partnership in W. C Langley & Co., July 31.

Four With King Merritt

(Special to The Financial Chronicle)

MIAMI, Fla.—Theodore C. Alexopoulos, Thomas E. Kehoe, Edythe E. Harrison and Clarence C. Brelow have joined the staff of King Merritt & Co., Inc., Chamber of Commerce Building.

With Stone & Webster

(Special to The Financial Chronicle)

BOSTON, Mass. — George E. Morris, Jr. is now with Stone & Webster Securities Corp., 49 Federal Street.

Forms W. H. Brewer & Co.

(Special to The Financial Chronicle)

SCITUATE, Mass. — H. Whitin Brewer is engaging in a securities business from offices at 82 Clapp Road under the firm name of H. W. Brewer & Co.

Joins D. B. Fisher Co.

(Special to The Financial Chronicle)

DETROIT, Mich. — Tamar E. Nicholas has joined the staff of D. B. Fisher Company, Buhl Bldg., members of the Detroit Stock Exchange.

Goodbody Adds to Staff

(Special to The Financial Chronicle)

DETROIT, Mich. — Ronald W. Meyer has been added to the staff of Goodbody & Co., Penobscot Building.

Joins Roney Staff

(Special to The Financial Chronicle)

DETROIT, Mich. — J. Edward Roney, Jr. has been added to the staff of Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

Public Utility Securities

By OWEN ELY

Pacific Power & Light Company

Pacific Power & Light Company is one of the rapidly growing utilities in the Pacific Northwest, with current revenues of over $45 million. The company has one of the largest electric service areas in relation to revenues of any electric utility, geographic sources of revenues being as follows: Oregon, 61%; Washington, 20%; Wyoming, 12%; Montana, 6%, and Idaho, 1%. Ninety-five per cent of revenues are from electric service, the remainder being contributed by steam heating, telephone service and water service. The company leases and operates the 16-story Public Service Building in Portland, Oregon (occupying about one-third of the space) and the Pacific Power Building in The Dalles, Oregon (where it uses 13%).

Since 1910, when the company commenced operations with four small separate systems, it has acquired a number of properties. The most important recent additions were the electric, telephone and water properties formerly owned by Mountain States Power Company, and the electric properties in Laramie, Wyoming, owned by The Western Public Service Company. The former was acquired by merger on May 21, 1954, and the latter Nov. 1, 1955.

The service area includes 13,000 square miles, with a population of 1,070,000 in 1950, compared with 825,000 in 1940. The increase in population is continuing. Electric service is furnished in 209 communities, 11 of which have a population in excess of 10,000. The most important cities served are Portland, Corvallis, Astoria and Pendleton in Oregon, Yakima and Walla Walla in Washington, and Caspar and Laramie in Wyoming.

Industrial customers in the company's service area are well diversified, including lumber mills, plywood mills, pulp and paper mills, hardboard and particle board plants, oil wells, oil refineries, oil pipeline pumping stations, commercial fish packing and reduction plants, beet sugar refineries, flour mills, creameries, meat packing plants, railroad shops, irrigation pumping installations, fruit and vegetable processing plants and hop and nut drying plants.

The company has ambitious plans for expansion. The prospectus issued in connection with the recent sale of 341,550 shares of common stock gave the following forecast of construction expenditures over the next three years (1956-58):

Swift Hydroelectric Project	$56,219,000
Wyoming Steam Plant	19,000,000
Additional Hydro Unit at Merwin	5,071,000
Electric Transmission	14,410,000
Electric Distribution	30,765,000
Total, Including Misc. Services	$131,182,000

Presumably the object of this large construction program is to take care of growth and also to be less dependent on Bonneville (doubtless due to the preference clause, though the private utilities now have a better arrangement with Bonneville than formerly). Federal construction projects will only take care of the increased power demands in the area until 1960, it is estimated, hence the private utilities and the PUDs, either individually or "in partnership," are projecting a number of large developments. At present Pacific P. & L. buys over half its power requirements from the Northwest Power Pool, which in turn is supplied by Bonneville. This is very cheap power—about 3 mills or less—but due to increasing construction costs the Government will probably be forced to raise rates sooner or later.

The big Swift Project, which makes up 43% of the entire 1956-8 construction program, would produce power for an estimated 4.13 mills. Because of the opposition of Cowlitz County PUD, Pacific P. & L. has not yet received a final clearance from the FPC for the Swift program, but the company is hopeful of reaching a compromise with the PUD and are going ahead with preliminary work. Other important projects are described in the prospectus.

Capitalization on a *pro forma* basis, with estimated adjustment for sale of the new common shares, is as follows:

	Millions	Percent
Long-Term Debt	$114	60%
Preferred Stock	14	7
Common Stock (3,755,576 shares)	62	33
	$190	100%

The stock has been selling recently around 29 to yield 5.1% based on the $1.48 dividend. Earnings for the 12 months ended March 31 were $1.92, making the price-earnings ratio 15.1 and the payout 77%.

The common stock record is as follows:

	Share Earns.	Dividends	Approximate Price Range
1955	$1.80	$1.35	28–24
1954	1.54	1.25	25–21
1953	1.64	1.13	22–18
1952	1.61	1.10	20–15
1951	1.47	1.10	16–13

Forms Bieder & Co.

ST. PETERSBURG, Fla.—Bieder and Company has been formed with offices at 1330 Dixie Lane, South, to engage in a securities business. Partners are Ganson L. Bieder, Arthur U. Mattson and James E. Midkiff. Mr. Bieder was formerly an officer of Security Associates, Inc., with which his other partners were also associated.

Charles Grover Opens

(Special to The Financial Chronicle)

DENVER, Colo. — Charles H. Grover is conducting a securities business from offices in the First National Bank Building.

Cunningham Cleland Adds

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Norman L. Gohres is now with Cunningham-Cleland Company, Orpheum Theatre Building.

T. Leo Reynolds Joins Reynolds & Co. Staff

T. Leo Reynolds

(Special to The Financial Chronicle)

CHICAGO, Ill. — T. Leo Reynolds has become associated with Reynolds & Co., 39 South La Salle Street. Mr. Reynolds was formerly with Blair & Co Incorporated and prior thereto was manager of the trading department for Dempsey & Co. and Paul H. Davis & Co.

Laidley, Others Join Rodman & Renshaw

(Special to The Financial Chronicle)

CHICAGO, Ill.—Forrest Laidley, Owen M. Mason, Leroy B. Murdock and Joseph Luger have become associated with Rodman & Renshaw, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Mason and Mr. Murdock were formerly with Fairman, Harris & Co. Mr. Laidley in the past was a partner in Hicks & Price.

Two With King Merritt

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Margarita G. Clarke and Carl R. Luder have become associated with King Merritt & Co., Inc., 1151 South Broadway. Mr. Luder was formerly with J. Henry Helser & Co.

Joins Noble, Tulk

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Boyd L. Jeffries is now with Noble, Tulk & Co., 618 South Spring Street, members of the Los Angeles Stock Exchange.

Two With Sterling Secs.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Celesta M. Moser and Joseph Simpson, Jr., have become connected with Sterling Securities Co., 714 South Spring St. Mr. Simpson was previously with Shelley, Roberts & Company.

Joins Powell, Johnson

(Special to The Financial Chronicle)

PASADENA, Calif.—Bryan R. Beck has joined the staff of Powell, Johnson & Powell, Inc., Security Building.

Securities Salesman's Corner

By JOHN DUTTON

Fundamentals of Security Salesmanship

ARTICLE V

—What To Read And Study—

Every successful securities salesman I have known has been an avid student of current affairs. After you have gained sufficient background through study, and constant application to your job by daily applying yourself to the duties at hand, you will still need current information. It is a never ending stream of changing events that are constantly bearing down upon the decisions which you and your clients must constantly evaluate and make. You must enjoy keeping up with this changing world—but to enjoy it is to work at it.

Necessary Reading

The following is a list of publications that will keep you posted every day: The "Wall Street Journal" and "The Journal of Commerce." Both of these excellent daily business publications will help you to know what is going on in the world of business and finance. Read either or both of them every day they are published.

I read a morning and evening paper. I do this in order to keep informed of activities of people I know, also trends in local business conditions concerning banks and industry.

The weekly publications include this excellent financial periodical **"The Commercial and Financial Chronicle"** gives me background through its articles by foremost authorities on all aspects of the nation's economy; complete information on new security filings with the SEC; interpretation and statistics on course of trade and industry; as well as new ideas for investment. By keeping up with such subjects, I have confidence in my own judgment and meet with my clients on a professional and advisory basis.

Other publications of a general character which I consider helpful and read when I have the time are "Nation's Business" published by the National Chamber of Commerce; "Business Week"; "News Week"; "U. S. News and World Report"; and "Fortune," particularly for the latter's excellent forecasts and surveys.

Among the good financial publications I have found "Forbes," "Financial World," and "Barron's," to be very sound and helpful. The Federal Reserve Bulletin also provides statistics on finance, production, employment, sales, cost of living etc., but I have discovered that I would rather rely upon the competent staff writers of reliable financial publications for this information (and also their interpretations) than to try to evaluate these items myself.

In this connection—such as the putting together of the various facets of financial information and the addition thereof—it is only through study that you will gradually reach the point where you can read the opinions of others and come to your own conclusions. There are some individuals who have established a reputation for accuracy in their financial reporting; others for evaluating conditions. On the other hand, there are other writers whose output is not without bias or prejudices. You will learn to follow those who have this latter reputation—by their deeds you will know them. This too comes with work and constant study.

Does It Seem Like Work?

If you have followed this series of articles (this is the fifth) pertaining to "What To Read And Study," possibly you are saying to yourself, "That may be alright but when do I have time to go out and sell some securities?" That is a very important point. When you are starting out to become a financial advisor and security salesman (and I believe you can be both) you should remember that as you grow in knowledge you will absorb knowledge more rapidly and retain it more readily. Also, as you gain confidence in your ability to evaluate and understand your client's investment problems, you will spend less time in selling and more in consultation. Your sales time will be devoted to concrete proposals which you will submit to clients, either in your office or by appointment at the client's home or office. Therefore, you will have more time for reading and study. It is through this type of reading that you obtain IDEAS. It is IDEAS that you are selling and proposing, not securities.

Don't become discouraged, don't try to become a financial wizard overnight. Approach this business as a challenge. Take each day step by step. Read and study at least two hours a day. I would work at least four hours a day at learning the business, through study at night, or on week ends, if I were starting out now to learn how to become a top-flight investment man. The prize is worth the effort if you like this business — it is rewarding in personal satisfaction and also from a monetary standpoint.

NEXT WEEK—HOW TO READ AND STUDY

Form Nat'l Inv. Corp.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—National Investment Corporation has been formed with offices at 768 Fifty-fifth Street to engage in a securities business. Officers are Leon G. Smith, President; Arthur W. Miller, Vice-President; and Guy I. Ward, Secretary.

Continues Inv. Business

(Special to THE FINANCIAL CHRONICLE)

MARSHFIELD, Wis.—Mrs. Albert J. Rasmussen will continue the investment business of the late Albert J. Rasmussen. Offices are located at 300 South Central Ave.

Enloe L. Wallar Opens

(Special to THE FINANCIAL CHRONICLE)

MT. CARMEL, Ill. — Enloe L. Wallar is engaging in a securities business from offices here.

Harry V. Wolfe Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harry V. Wolfe is engaging in a securities business from offices at 553 South Western Avenue.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Harry G. Dee has been added to the staff of Dean Witter & Co., 632 South Spring Street. He was formerly with E. F. Hutton & Co.

Richard Harrison Adds

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Donald L. Ricci has been added to the staff of Richard A. Harrison, 2200 Sixteenth Street.

With California Investors

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif. — Leonard Lafferty is now connected with California Investors, Bank of America Building.

Sparks Appointed Gov. Of N. Y. Stock Exch.

Keith Funston, President of the New York Stock Exchange, has announced the election of Frank Hugh Sparks, of Crawfordsville, Ind., Chairman of Wabash College, as a Public Governor of the Exchange.

The noted educator, industrialist and government servant succeeds John Sloan Dickey, President of Dartmouth College, who has completed a three-year term as a Public Governor. Other Public Governors are Charles E. Wilson, a Trustee of the Ford Foundation and former President of General Electric Company; and Charles R. Hook, Chairman of Armco Steel Corporation.

The office of Public Governor was created in 1938 to bring to the Board of the Exchange a closer understanding of the public viewpoint and interest. The Board is composed of 28 other Governors, the Chairman and the President of the Exchange.

Dr. Sparks, who was born on an Indiana farm in 1891, was a co-founder of the Indianapolis Pump & Tube Company, now known as Arvin Industries, a company listed on the New York Stock Exchange of which he is still a Director. He was President of Wabash College from 1941 to 1956 when he became Chairman. He is also Vice-Chairman of the Board of the Council for Financial Aid to Education, Chairman of the Commission on Colleges and Industry, and a Director of the Association of American Colleges. In 1955 and 1956 Dr. Sparks was a member of the Committee for the White House Conference on Education.

Fred C. Rugen

Fred C. Rugen associated with Winslow, Cohu & Stetson, passed away recently.

With J. D. Creger

(Special to THE FINANCIAL CHRONICLE)

WHITTIER, Calif.—Raimund D. Alvarado, Peter E. Baumert, Hy Fishman, Charles P. Hagan, Thomas J. Klinker, Lizzie W. Knox, and Horace B. Stratton have been added to the staff of J. D. Creger & Co., 124 North Bright Avenue.

Two With Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William E. Pfeiffer and Stephen N. Sobotnik have joined the staff of Samuel B. Franklin & Company, 215 West Seventh Street.

Two Join Shaw Staff

(Special to THE FINANCIAL CHRONICLE)

SAN MARINO, Calif.—Jack Bayliss and Thelma P. Furey have been affiliated with Shaw & Co., 2394 Huntington Drive. Both were formerly with Pacific Coast Securities Company.

Edward F. Thompson

Edward F. Thompson, limited partner in Lamson Bros. & Co., passed away July 18.

Mohawk Valley Branch

ROME, N. Y.—Mohawk Valley Investing Co., Inc. has opened a branch office at 108 North James Street under the management of Ernest P. Robischon.

New Rudd Branch

Rudd & Co. have opened a branch office at 25 Broad Street, New York City, with Albert T. Brod as resident partner and Solly R. Zimmerman as manager.

Staats Opens New Branch

PALO ALTO, Calif.—William R. Staats & Co. has opened a branch office at Town and Country Village, El Camino and Embarcadero, under the management of Frank G. Plaisted.

Continued from first page

As We See It

tainly without strong opposition from the Republicans of Congress, though against the wishes of the President) succeeded in passing legislation which it hopes will mean votes for it in the autumn. These, however, are hardly major political factors. They seem to us to be more something for candidates to talk about who have nothing much to bring to their constituents.

Basically, much the same is true of the record of the past three and a half years since President Eisenhower took office. Rarely has the Republican regime deviated very substantially from the basic ideas of the New Deal and the Fair Deal. Indeed most of its legislation and much the larger part of its program were nothing more or less than a continuation of the general course of the Roosevelt and Truman Administrations. In certain aspects of its foreign policy there has, perhaps, been more of a change of course than anywhere else, but even there it could hardly be said that a real reversal had taken place. The Democratic party tried hard to make some sort of "give-away" issue out of certain aspects of the Atomic Energy Commission work and the tidal oil legislation, but they could hardly be said to have got very far, so far as the ordinary man is able to discern.

A Friendly Spirit, But . . .

A much more friendly spirit toward business — at least so far as words go—and a rather indefinable attitude of moderation have characterized the work of the Administration with the result that business has been heartened far beyond any tangible change in policy or program. This attribute of the Eisenhower Administration has helped to encourage a feeling of good will—and made it doubly difficult for the opposition to make headway generally. And, now that the voting day is approaching, the Democratic party is at a loss to know just how to take violent issue with the Republican regime unless it be to come up with an immoderate program or set of immoderate programs—and this seems, politically speaking, to be a year when "moderation" is the key word.

This (for us) digression into things more or less political is intended not as a defense of the Eisenhower Administration, and certainly not as praise of it for such tactics as have been cited. The fact is that whatever may be the political implications or outcome of this type of strategy, we think it is extremely unfortunate that the present Administration has no record which it might use and would use against not only the members of the Democratic party seeking office, but against the entire philosophy which has dominated that party since the advent of Franklin Roosevelt in 1933. What we are saying is that we deeply regret that during the four years in which the Republican party has been in office, no real effort at all has been made to rid the country of the onerous burdens that the New Deal and Fair Deal have placed upon the shoulders of the citizens of this country.

More than that, the programs, the policies and the preachings of the party have been such that, coming as they have on top of the pleadings of Roosevelt and Truman, it would require extraordinary courage on the part of any group and almost supernatural persuasive power to persuade the people this fall that return to the ideas and the policies of the Founding Fathers—the true American tradition—would be a good thing for the country. It simply does not lie in the mouth of President Eisenhower or any of his leading collaborators to take issue with any of the more vital phases or facets of the creeping socialism which was the New Deal program.

Can't Lick 'em, Join 'em

The past three and a half years have been a striking exemplification of the old, if somewhat inelegant, political adage: "If you can't lick 'em, join 'em." Such a course may or may not have been deliberately charted with this in mind. It could be that leaders in the Republican party, or some of them, became victims of the seductive arguments of modern collectivists and authoritarians. We have no reason to doubt that President Eisenhower is quite sincerely a believer in the sort of "middle of the road" philosophy that he preaches and practices. It is, of course, in the middle of no road except of that creeping socialism or some other sort of society quite foreign to American tradition. But such facts as these seem to be as nothing to devoted New Dealers.

A Poor Record

Think of it! Nearly four years of a Republican regime, and the system of soaking the rich in taxation and in most other things is still with us; repeal or even important modification of the Securities Acts has not even been mentioned or, so far as known, considered; the extensive and costly social security system is not only still with us but has been modified (at Administration initiative) in a way to lay staggering burdens on future generations; a variety of unfortunate labor enactments still on the statute books, and a dozen other laws, policies and programs initiated by the New Deal and the Fair Deal still intact and proceeding vigorously!

How disheartening to the thoughtful citizen who had vainly hoped that at least some sort of beginning would by now have been made in a return to time-tested policies of this country! It will evidently be another Hobson's choice this fall for thoughtful voters.

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none of this debt has been repaid and the attempt to consolidate even 1% thereof has failed. The debt survives under the euphemistic name "treasury bills," typically ever-renewed notes whose redemption can be thought of, if at all, only by the sharpest reduction in the value of money.

(10) Who today still remembers the time, four and a half decades ago, when the Federal Reserve System was created? The notes at that time were issued by banks of the several states, on the basis of their public (not federal) debt; the government, for good reasons, wished to tie the issuance of money to the requirements of trade. Now once again debts, then in such ill repute, have been made the basis of the monetary system; they are a hundred times larger; and they have even found theoretical justification. As the Dutchman Pinto in the 18th, and Napoleon III in the 19th century, well-known economists of our day regard state debts as an asset to the economy.

To these treasury bills, whose interest rates fluctuate between 1½ and 2½%, and which have the character of interest-bearing bank notes, we must add a large number of industrial acceptances, for some companies running up to a billion dollars. This form of financing has always been considered especially dangerous, since it shares only the outward form, but not the essence of the commercial note—it is cheap financing without justification.

We have thus to deal with a money market totally different in character from that of earlier times: infinitely extended and based upon debts, it is as though one were to build ever higher skyscrapers on a foundation of swamp.

This comparison is offered with utmost seriousness, and I beg you to believe that I did not formulate it lightly.

Hans Freyer, in his theory of the present epoch, came to a curious result: the surface of the earth has altered more within the past 30 years than in course of the preceding millions of years. I would not like to say anything so drastic of the current economy, but having presented the analogy of the last crisis, I must point to certain changes which have barely penetrated the consciousness of our contemporaries.

(11) Already in earlier cycles, the various interests in favor of a bullish market formed a sizable group; among them were the businessmen, the trade unions, the majority of traders and above all, the debtors.

A Paradox

Here we have a paradox: one would think that the volume of debts grows in a depression and declines when business is good; but in reality precisely the opposite is true because, as has already been mentioned, the upswing constantly increases the tension between interest rates and anticipated profits. Stock market debt, construction debt, consumer debt—they create a frighteningly large group interested in the depreciation of money.

Vis-a-vis these interests the state used to protect the value of money; the English century-old tradition of honest money gradually came to be shared by all. By its side stood the owners of great and the managers of modest fortunes—insurance, saving and pension banks—furthermore, the independent middle classes and farmers.

With the exception of the two last named, the situation is now altered; all others have moved into the camp of the speculator, with the state leading the way.

In contrast with England, the leading power in the world today lacks the tradition of stable money. Strange as it may sound, here debtors were in the overwhelming majority already in the 18th century, and their preponderance today is greater than ever. And the federal government, still almost free of debt at the turn of this century, now carries a gigantic burden, sharing thereby the interest of all debtors. Occasionally one hears, here and there, official reassurances to the contrary—unfortunately mere words which contradict reality.

Stable currency has thereby lost its strongest support. Jobbery and inflation has shed their age-old ill-repute and become respectable. And a good proportion of the scientific gentlemen have adapted their theory to the prevailing climate. The tax structure, moreover, has led even the big capitalist to shift sides.

The federal income tax leaves the owner of an income up to $100,000 only $25,000, and only $8,000 out of each additional $100,000. Investment funds for the most part can therefore be drawn only from corporate surplus and from financial institutions; the individual capitalist, however, is dependent on capital gains as a source for investment funds as well as for any increase of income and property. If this source dries up, his income will yield him no more than a small commission for living expenses.

This adds a new element of rigidity to the economy: besides wages, which allegedly may only be raised, but never lowered, we now have capital gains. They represent almost the last remnant of individual capitalism. Within the span of barely half a generation, the income tax has already been exploited to its outermost limit.

The state and the indivdual, employer and employee, are committed to perpetual inflation; parliaments and governments obey them. The government must prevent crises; it must guarantee economic stability—and beyond that, guarantee full employment; but even this is not enough: it must concern itself with perpetual prosperity. It must do it, it can do it, therefore, it shall do it.

These are the slogans of our day. There is but scant difference between East and West as regards faith in the omniscience and omnipotence of the state. Freed of all pretense, the program means simply: economic stability at the cost of monetary instability. And since slumps are taboo, inflation is the fashion of the day.

(13) It is currently proper to accuse the men of 1930 of inadequate skill in handling the monetary system and to claim that with the knowledge we have today, they could have avoided the crisis. A small inflationary infusion, it is held, is all that is required to master any situation. In the 30's, it is said, they were overly frightened of inflation and did not understand how to administer it.

I have no reason to defend the governments of those days; but the accusation is as unfounded as is, unfortunately, the degree of confidence shown in their successors.

Recognition in Europe

The European continent knew the price of inflation all too well. It had created Bolshevism in Russia, and Lenin bragged that Communism would not have to wage war, since inflation by itself would finish the task of destruction. As was still all too fresh in memory, it had destroyed the bourgeoisie of three great continental nations. To Englishmen and Americans, who would not acknowledge the relevance of other people's experience, inflation could be presented as a panacea; but not to people who had so recently experienced the painful blessings of permanent monetary devaluation. They rejected this nostrum not from ignorance but from all too thorough familiarity. That this "raging plague," as Mirabeau called it, has now also invaded the country of all our hopes is among the most painful of our experiences.

(14) In America, several objections will be raised against this view:

(a) On the one hand there are those who deny the fact of inflation, by pointing to the stability of food prices. The same thing happened in 1928. Numerous branches of agriculture cannot keep up with the rapid development of all industry, particularly of the war sector. This is due not only to obvious technical reasons, but rather to what may at first seem like a paradox, the demand for agricultural goods is limited by the purchasing power of the population; the demand for war goods is in principle unlimited. One is determined by an economic calculus, the other is not. For the second time in one generation the farmer—on both sides of the iron curtain—is being made the victim of prosperity. This contains the seeds of crisis, not of strength.

Capital goods are of infinitely greater importance than consumption goods. And here prices have risen fantastically, within a very short time span.

This, incidentally, holds true for the entire West. The typical phenomena of the "Grunderjahre"—high prices with poor quality of construction—will make themselves felt for some time to come.

(b) On the other side, the fact of inflation is met by the argument that production is growing proportionately. But this calculation includes military equipment in total output—and this, as has already been stated, is not an economic good. What is important is not really production itself, but the salability of goods—surely two crucially different things. But even if, for purposes of simplification, we take production increases as the basis, we must still contrast them with security values in order to measure inflation.

In 1955 American production rose by 7%; after military equipment has been subtracted, by roughly 5½%. In the same period the prices of stocks listed on the New York Stock Exchange, exclusive of preferred shares, rose by no less than 24%. This cannot be explained merely by a transfer of holdings from cash to securities or an exchange of bonds for equity. Here, at the most sensitive juncture, the inflationary effect is unmistakable.

(c) Two other groups admit the existence of inflation, but declare it to be harmless, or even useful. One group says that in light of America's ruling position, it can afford inflation without any danger; the other group suggests that the government can always invoke measures to control it.

In other countries, inflation means that the international value of their currency will slip—but this is held to be impossible in the case of America. *Vis-a-vis* which country could the dollar possibly incur a discount? With Canada this happened only occasionally; the discount was never particularly high, and it has now disappeared. In Switzerland, the only country which could come in question, the export interests would doom any such attempt to failure. The entire West wants to share in an American inflationary boom. And today gold no longer determines the value of the dollar but the dollar determines the value of gold.

That is why, this group argues, the American Government can calmly intervene with inflationary money at any threat of an economic setback; the boom can be stemmed or the retrenchment avoided by a few simple steps. The chief weapon is the discount rate — which will be effective within a narrow range, somewhere between 1½% and 2¾%. How marvelously different is this (so say the proponents of this doctrine) from the "dark ages"—those barbaric times like 1929 or 1907, when the rate for call money rose to 20% or even 100%.

Above all, however, according to this view, the government now knows how to manage the economy—by wage increases, subsidies and guarantees—so that no one need suffer the consequences of inflation.

But if this were true, one would not have to initiate an inflation. Its effect, after all, rests on the more or less complete expropriation of several large groups.

Whether or not the balance of payments position is indeed unshakable, only the future will show. But in light of America's leading political position, it can never be too strong. It has generally escaped attention that Switzerland, Holland and West Germany together, with only 40% of America's population, have as much gold as America (exclusive of foreign holdings).

(d) The fifth group, which can be described as the realists, is the most extensive one. They frankly admit the existence of inflation, and do not concern themselves with whether it is a blessing or a curse, since they consider it unavoidable. It is popular and easy, they argue, to initiate an inflation; it is difficult and unpopular to apply the brakes. It had been thought that the Republicans would do it, but the hope was disappointed; both parties will continue to create money by this simple device. The inflation will run its course, precisely as elsewhere, but in America it will take longer. (Men of 70 like to give it 10; men of 60, 20; and men of 50, 30 years, since they can envision but would not like to see the bitter end.)

The policy of this group is to liquidate cash and bondholdings; to invest capital in ventures and stocks; to borrow extensively with the intent to liquidate these debts in devalued money; in short, to adopt the entire range of practices all too well known in Vienna, London and especially Paris.

To him who foresees perpetual devaluation of money, no rate is too high. The adherents of this group contribute decisively to the increase in money velocity, because they are afraid of money; as soon as any comes into their hands, they are in frantic haste to invest it; and even more rapidly they invest all borrowed funds. As is generally known, borrowed money has the highest velocity of circulation.

This group is not generally prone to express its thoughts in public, but it is quite extensive and until now it has met with considerable success. Great fortunes have been made quite rapidly, and the circle of adherents has increased many times. It is undeniable that the men of this persuasion can argue a strong case: large groups in the country are enjoying the inflation; even in the face of a strong enemy, they would like to celebrate, and it takes considerable courage to wrest them from their illusions back to the grim reality.

One cannot trust the government to show such courage—and we may express the same doubt as regards many governments other than the American.

(15) In Europe, 35 years ago, I waged an active battle against several governments in which I advocated immediate and drastic anti-inflationary measures. Their counter-arguments were hardly convincing—for the real basis of their opposition lay elsewhere, such measures have to be carried through and the responsibility for them must be taken by the government of the day, but the final consequences of the inflation are chalked up on the successors' slate. Such motivations are particularly strong in election years.

It goes without saying that no government will admit to the actual state of affairs; and generally any attempt to invoke brakes will be met with a comment about the dangers of Communism. Already in the last crisis I characterized this fear as wholly baseless; and since then Bolshevism has utterly lost its appeal, having shown itself incapable of solving any problem. Which American, after all, would come out for Communism and thereby for sharing American prosperity with the Asian and African masses?

(16) But why, ask the optimists, should one bring on the crisis precisely from fear of crisis? Is not inflation preferable, so long as one knows how to manipulate it so precisely that one need feel only its pleasant effects? And could not America extend the inflationary state to 1970, as Professor Baudouin believes, or to the Day of Judgment, as Mr. Slichter predicts?

Such a policy recommends itself by its popularity; whosoever goes against the current will end as a martyr—and nowhere on earth is there less inclination to such a role than in America. Therefore, why not permit things to go on as they do, since everything seems to be in such good order? The political situation, it is commonly thought, will not change in any event; it seems likely that for a long time to come one will continue to prepare for a war that will in fact never be waged. The situation therefore is thought more secure than in any previous period of prosperity. This, in sum, seems

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to be the public opinion of our day.

But is it, I ask, an advantage to have prosperity determined by political rather than economic elements? Can its development be predicted more easily when it hinges on decisions of a few individuals whom nobody really knows?

The next few years will be determined by the fate of the Russian revolution. Here no possibility can be excluded; the West must be prepared for any contingency, irrespective of whether it eventually comes to disarmament or to war. It is assuredly not good when the market must tremble at the thought of disarmament. And nothing can be poorer preparation for war than the speculative climate, with its aversion to money and bonded debt. Inflation before a war—this, in effect, is to squander the ultimate means of financing a war, in order to win an election.

To start an inflation is easy, to stop it is immensely difficult, particularly for a democracy. One may quarrel about whether it is a permissible remedy for all but the most drastic emergencies; but it is difficult to believe that it ever has been permitted to rule with as little justification as at present.

Since, however, a healthy currency is no less important for waging war than are modern armaments, the American Government cannot afford to let the currency run down; it has to interfere before wide circles are gripped by a loss of confidence. The later this happens, the higher the price that will be exacted for the protection of sound currency—and I fear that even today it would be quite high enough.

Now you will doubtless ask me: is a crisis unavoidable?

Under the given circumstances: Yes!

Not, of course, as the Marxists claim, because it lies in the nature of the capitalist system.

It could be avoided, on one indispensable condition:

That the government renounces its fear of the public and finds the courage to express and act upon its convictions. This, in the democracies of our time, seems to me no longer possible.

(a) The arrogance of the employers and the trade union leaders' greed increases with each inflationary wave; both permit themselves to be carried along comfortably by ever more rapid currents, without giving a thought to the end.

(b) The governments are but obedient slaves of the "inflationists"; at each new step they call out, just like the nursemaid to the baby, "only once more and that's all."

(c) Out of a baseless fear of communism, the serious danger of the situation is being thoughtlessly accelerated, while every attempt to reverse the trend in time is sabotaged.

(d) An impolitic demand for full employment has been elevated to a tenet of economic theory. This is the case today not only in America, but America leads the West.

If our contemporaries will not let themselves be restrained from a jump into the abyss, we should at least presently pinpoint responsibility for the coming catastrophe. If the public lacks insight, those who should rule it lack courage.

Resume

The use of inflationary techniques, if at all necessary, should be limited strictly to war production.

The system of cheap money must be totally renounced. The rates for borrowing money should be based on the real rate of interest.

There should be no borrowing for the purchase of securities.

The inflation is veiling a fact: that America is living beyond its means. That the same holds true for Russia is no justification for American economic policy. *Respice finem!*

One often tells me that my diagnosis conflicts with the optimism of almost all professional business cycle experts.

That was also true 25 years ago. Was the crisis predicted by Mitchell, Schumpeter, Spiethoff, Irving Fisher? Of Keynes, his biographer tells us he did foresee it; but in a conversation with me as late as 1928, Keynes emphatically expressed the contrary conviction.

Be reminded of Anatole France's monk, who is so pleasantly absorbed in the stories of invasions that he does not notice that his cloister has just been invaded by barbarians.

Crises come precisely when—and because—the mass of men will not believe in them.

Walter E. Heller & Co. Places Notes Privately

Private placement with institutional investors of $8,200,000 Walter E. Heller & Co. senior promissory notes has been negotiated by F. Eberstadt & Co. Proceeds from the sale of the notes, which are due in 1971, will be used by the borrower to fund short-term indebtedness and for other corporate purposes.

Organized in 1919, Heller is a leader in the industrial finance field, specializing in the financing of sales and other current operations of manufacturers, distributors, dealers and merchants by purchasing or making advances on accounts receivable, notes, acceptances and instalment paper. The firm also makes direct loans or advances against inventory, machinery, real estate and other assets.

Heller's net assets at March 31, 1956 amounted to $19,900,000. Its short-term and funded indebtedness amounted to approximately $89,000,000 on that date.

Joins Eastern Secs.

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, N. C.—Floyd E. Page has joined the staff of Eastern Securities Corp., 331 Marine Boulevard.

B. C. Christopher Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Karl F. Pfaff is now with B. C. Christopher & Co., Board of Trade Building.

Joins Suburban Sec.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Vincent H. Fiebig has become connected with Suburban Securities Co., 732 East 200th Street.

Butler, Wick Adds

(Special to THE FINANCIAL CHRONICLE)

YOUNGSTOWN, Ohio — Jack Sarbin has become connected with Butler, Wick & Co., Union National Bank Building, members of the New York and Midwest Stock Exchanges.

Baker, Simonds & Co. Group Offers Copeland Refrigeration Shares

On July 24, a group of investment bankers, headed by Baker, Simonds & Co., Detroit, Mich., publicly offered an issue of 125,000 shares of common stock (par $1) of Copeland Refrigeration Corp. at $15.50 per share.

Copeland Refrigeration Corp., organized in Michigan in 1933, is a major manufacturer of refrigeration compressors and condensing units for air conditioning and commercial refrigeration purposes. Its plants and executive offices are located in Sidney, Ohio.

The net proceeds from the sale of these shares will be added to the general funds of the Copeland company and will be used by it for such general purposes as the directors may determine. It is presently anticipated that a portion of the net proceeds will be used, in conjunction with the proceeds of a $2,000,000 loan to the company, for the capital expenditures described below and that the balance will be used to carry the increased inventory required as a result of expanded sales volume and for other working capital requirements. It is anticipated that such sum of $2,000,000 can be borrowed by the company either on a construction loan or on a long-term basis.

The company has contracted with The Austin Company of Cleveland, Ohio, for the construction in 1956 on a recently acquired 75 acre tract of land of a new, modern plant containing 270,000 square feet of floor space at an estimated cost of $2,500,000 and plans to spend approximately $500,000 for new machinery and equipment.

These capital expenditures, aggregating approximately $3,000,000 represent the first phase of the company's improvement and expansion program designed eventually to house all operations under one roof, provide more efficient materials handling equipment and multi-purpose production equipment.

Joins Bell & Farrell

(Special to THE FINANCIAL CHRONICLE)

MADISON, Wis. — Robert A. Schweke has become associated with Bell & Farrell, Inc., 119 Monona Avenue. Mr. Schweke was formerly with Bache & Co., de Pontet & Co., Inc., and Osborne & Thurlow in New York City.

Marshall Co. Adds

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Alvin Buchmann, Jr. is now connected with The Marshall Company, 765 North Water Street.

George A. Dixon

(Special to THE FINANCIAL CHRONICLE)

George A. Dixon, a member of the New York Stock Exchange, passed away July 24 at the age of 65 following a brief illness.

Dormand in Secs. Business

Dormand & Co., Inc. is engaging in a securities business from offices at 509 Fifth Avenue, New York City.

Fountain & Scott Open

Eugene J. Fountain and William S. Scott are engaging in a securities business from offices at 37 Wall Street, New York City.

Form Research Mut. Corp.

Research Mutual Corporation has been formed with offices at 50 Broad Street, New York City to engage in a securities business.

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The State of Trade and Industry

casualties ranged 40% higher. The upturn in service failures centered in the business and repair lines. The construction increase came principally from general builders.

More business succumbed than a year ago in all geographic areas except the New England and Mountain states. Non-metropolitan districts accounted largely for the upturn from a year ago. Their rise from 1955 amounted to 28%, as against 9% in the cities.

Rising factory output and seasonably declining sales are putting a temporary brake on the auto industry's inventory reduction program, "Ward's Automotive Reports" stated on Friday last.

Noting that United States passenger car completions are scheduled at an 11-week high of 113,727 units last week against 112,361 in the preceding week, "Ward's" said the auto industry is moving "on target" for 450,000 assemblies this month.

Such volume would match a 4% increase in entire July output over June against a projected 9% fall-off in sales, promising little in the way of reduction in terms of days' supply of new cars from the 34 days' on hand at end of June.

The industry's statistical publication noted, however, that such a turn of events would not be contra-seasonal, since in each year since 1950 dealer end-of-month inventories of new cars on the days' supply basis have increased in July compared with June.

The reporting service added that in terms of actual units some 60,000 cars may be taken out of dealer stockpiles this month compared with 125,000 in June, swelling to nearly 250,000 the reduction in inventory since early May. It added, however, that the days' supply of cars is the more normal criterion of inventory strength.

Boosting auto production this month are Ford Motor Co. and Chrysler Corp., the latter producer apparently aiming to recoup output losses encountered during June. Ford, of course, several weeks ago announced an increase in output schedules for July.

June building permits for 217 cities had a total valuation of $558,856,212, according to the latest survey by Dun & Bradstreet, Inc. This was a drop of 6.2% from the May figure of $596,114,034 and 11.9% less than in June 1955, when permit volume reached an all-time monthly high of $634,030,839. Declines from year-ago levels were greatest in the South Atlantic and Middle Atlantic groups, off 36.1 and 34.0%, respectively.

For New York City alone, building plans during June amounted to $50,349,355. This was down 29.0% from $70,889,351 in May and 49.2% from $99,080,484 in June last year.

The rate of new business incorporations in June dropped below that of the previous month, and for the second time this year, fell below the level of the corresponding 1955 month, according to Dun & Bradstreet, Inc. New concerns chartered during June numbered 11,952, a decline of 9.1% from 13,142 in May, and 5.2% from 12,605 in June a year ago. The June count at 11,952, was the smallest monthly total since last December.

Despite the June recession, the first six months of 1956 set a new all-time high with 76,257 new business formations for the period. This was 2.6% above the similar 1955 period with a total of 74,357.

Steel Output Expected to Rise to 15.6% of Capacity In Fourth Week of Strike

Stop-strike forces are gathering in the steel walkout, "Steel" magazine stated on Monday last. The heat will be on to end the strike by Aug. 13 when the Democratic national convention convenes. Otherwise, it commented the Democrats would have good talking points about industry and labor suffering under a Republican administration "dominated by businessmen." If the steel industry is back at work on a strong basis by convention time, the Republicans will be able to point with pride at a record of no interference by government in the internal affairs of management and labor, it pointed out.

The metal working magazine said the 80-day injunction of the Taft-Hartley Act could be invoked so as to put the steelworkers back on the job just after the convention starts and keep them there until just after the national elections. But, it pointed out that the administration wants a settlement, not a postponement.

A popular voice not to be forgotten is the members of the United Steelworkers of America. Even with "payments deferred until the strike is over" by the finance companies and dollars and food from the union fund, the workers probably will be satisfied with their vacation and looking forward to their $100-a-week pay checks again.

Steel-using plants closed for the duration will jump from 2.5% to 15% the first 15 days of August. Between Aug. 15 and 30, another 10% will close. The publication estimated the strike's cost to date, July 1 to July 23, at $831,000,000. It said $660,000,000 was in steel product sales, $150,000,000 in steelworkers' wages and $21,000,000 in other wages.

"Steel" said companies are encouraging vacations for their white collar men while the strike is on, but there doesn't seem to be much pressure on an industry-wide basis. Some have started training courses for supervisors and executives. A few companies admit the possibility of furloughing some salaried workers, but only as a last resort.

While most steel users are having to exist now on their inventories, a few continue to receive shipments from unstruck mills. Steel for some of their suppliers is being furnished by Ford and General Motors.

Even though steel production has almost stopped, the magazine reported expansion plans continuing. It said to look for a Federal move in a few weeks to establish a new goal for structurals and to enlarge the one for plates. Coming up in about six months is a study of fast amortization for the whole steel industry. Most projects aren't eligible now.

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

15.6% of capacity for the week beginning July 23, 1956, equivalent to 385,000 tons of ingot and steel for castings as compared with 15.3% of capacity and 377,000 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 85.9% and production 2,114,000 tons. A year ago the actual weekly production was placed at 2,190,000 tons or 90.7%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

Electric Output Shows Further Gains In Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 21, 1956, was estimated at 11,125,000,000 kwh., according to the Edison Electric Institute.

This was an increase of 247,000,000 kwh. above that of the previous week. It increased 505,000,000 kwh. or 4.8% above the comparable 1955 week and 2,022,000,000 kwh. over the like week in 1954.

Car Loadings in the Latest Week Despite Coal Miners' Annual Vacation and Steel Strike Rose 29.6% Above Preceding Week

Loadings of revenue freight for the week ended July 14, 1956, increased 141,691 cars or 29.6% above those of the preceding week, despite the coal miners' annual vacation and the steel strike, the Association of American Railroads reports.

Loadings for the week ended July 14, 1956, totaled 619,988 cars, a decrease of 174,150 cars or 21.9% below the corresponding 1955 week, and a decrease of 74,557 cars, or 10.7% under corresponding week in 1954.

U. S. Car Completions Strike An 11-Week High

Automotive output for the latest week ended July 20, 1956, according to "Ward's Automotive Reports," attained an 11-week high record.

Last week the industry assembled an estimated 113,727 cars, compared with 112,361 (revised) in the previous week. The past week's production total of cars and trucks amounted to 135,309 units, an increase of 1,536 units above the preceding week's output, states "Ward's."

Last week's car output rose above that of the previous week by 1,366 cars, while truck output advanced the past week by 170 vehicles. In the corresponding week last year 169,096 cars and 27,338 trucks were assembled.

Last week the agency reported there were 21,582 trucks made in the United States. This compared with 21,412 in the previous week and 27,338 a year ago.

Canadian output last week was placed at 9,545 cars and 2,374 trucks. In the previous week Dominion plants built 10,025 cars and 2,375 trucks, and for the comparable 1955 week, 9,688 cars and 2,291 trucks.

Business Failures Lower In Latest Week But Hold Noticeably Above Like Period of 1955

Commercial and industrial failures declined to 223 in the week ended July 19 from 251 in the preceding week, reported Dun & Bradstreet, Inc. The toll remained noticeably above the 172 of the comparable week last year and the 188 of the similar 1954 period. However, they were under the 251 of pre-war 1939.

Failures with liabilities of $5,000 or more fell to 189 from 202 last week but exceeded the 140 of this size group a year ago. Although small failures with liabilities under $5,000, declined to 34 from the 49 of the previous week, they remained higher than the 32 of a year ago. Liabilities in excess of $100,000 were incurred by 12 of the failing concerns as compared with 16 last week.

Failures decreased in all industry and trade groups except wholesaling, where the toll rose to 24 from 21. More retail, construction and commercial service businesses failed than a year ago, but yearly decreases were reported in manufacturing and wholesaling.

A decline in failures occurred in six of the nine major geographic regions last week, with the Middle Atlantic States reporting a decrease to 59 from 87 and the South Atlantic States to 17 from 30. There were mild decreases in the New England, West South Central, Mountain and Pacific regions. Failures in the East North Central States climbed to 39 from 27, in the West North Central States to 13 from 6 and in the East South Central States to 5 from 4. All regions reported more failures than a year ago, except the New England and Mountain States.

Wholesale Food Price Index Dips 2.6% From Like Period a Year Ago

Following the mild upward movement of the two previous weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., turned lower the past week to stand at $6.01 on July 17. This compared with $6.06 a week earlier and represented a drop of 2.6% from $6.17 on the corresponding date a year ago.

Moving up in wholesale cost last week were flour, wheat, corn, rye, oats, barley, lard, sugar and hogs. Lower were hams, bellies, cheese, coffee, cottonseed oil, cocoa, eggs, potatoes 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 Turned Irregularly Lower the Past Week

The general commodity price level showed a slight drop last week following irregular movements during the period. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 286.87 on July 17, as against 287.51 a week earlier and 273.04 on the corresponding date last year.

Grain markets continued the upward trend of last week with wheat and rye again scoring the sharpest gains.

Strength in the latter stemmed from the latest official forecast of a yield of 21,986,000 bushels, which would be considerably lower than yast year's harvest of 29,678,000 bushels.

Wheat was irregular but advanced sharply following the week-end announcement of the Department of Agriculture that on Sept. 4 the government would discontinue cash subsidies on wheat exports. Instead, payments in wheat from government stocks will be made. Oats advanced to new seasonal highs influenced in part by the forecast that the 1956 crop (1,144,000,000 bushels) will be the smallest since 1943. Average daily purchases of grain and soybean futures on the Chicago Board of Trade the past week totaled about 57,000,000 bushels, compared with 62,400,000 the previous week and 58,900,000 in the same week a year ago.

Bookings of Spring wheat bakery flours expanded sharply over the past weekend. Buying was stimulated by substantial mill price concessions and the announcement late last week that a much greater portion of the wheat export trade will be supplied by "free" wheat. A good volume in rye and family flours was reported early in the week.

Coffee prices worked gradually lower during the week reflecting a seasonal falling off in demand and the recent sharp increases in world production estimates by the U. S. Department of Agriculture.

Cocoa prices were somewhat steadier at the close after fluctuating in a narrow range. Warehouse stocks of cocoa increased and totaled 421,480 bags, against 414,809 a week ago and 247,055 last year. Demand for both world sugar and domestic raws broadened considerably with prices rising to the best levels of the year. Lard prices fluctuated over a wide range and finished higher for the week. Hog prices advanced moderately under good demand. Market receipts of hogs continued larger than a year ago.

Cotton prices displayed a weaker trend in less active trading last week.

Selling was influenced by an official acreage estimate that was higher than expected and continued favorable crop advices.

Sales in the 14 spot markets a week ago were reported at 34,800 bales as compared with 549,000 the previous week, and 38,300 in the corresponding week a year ago. Sales of government-owned cotton for export against bids opened on July 10 proved to be larger than expected and totaled 393,629 bales. This brought total sales under the export program so far to 2,865,365 bales. CCC loan repayments in the first week of July totaled 7,300 bales, the smallest volume since early January.

Trade Volume Held at High Level Last Week With Fresh Gains Above Like Period a Year Ago

While retail sales tended to dip in some of the steel manufacturing areas where workers were on strike, retail volume for the country as a whole was maintained at a high level with continued gains from a year ago. Although the weather was unusually cool for the time of year in some areas, sales of air conditioners and fans were sometimes unprecedentedly high.

The rapid pace of consumer buying reduced inventories materially at many stores and stock of summer apparel were frequently scant.

The dollar volume of retail trade in the period ended on Wednesday of last week was 3 to 7% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England and Pacific Coast +2 to +6; East +1 to +5; South +3 to +7; Middle West +7 to +11; Northwest —1 to +2 and Southwest +4 to +8%.

Summer apparel sales held up remarkably well the past week. Gains in volume compared with a year ago were sometimes sizable. Beachwear, lingerie and women's cotton dresses were among the best sellers, while children's clothing and shoes continued to sell well. Volume in men's wear varied, although sport clothes usually attracted favorable attention. There was some advance buying of Fall clothes.

Consumers' purchases of food were up slightly the past week. Soft drinks, bakery products and fresh produce were heavily purchased. Volume in dairy products and frozen foods was high and steady. The buying of fresh meats dipped slightly, although smoked and canned meats were high in popularity.

With the average nation-wide temperature slightly higher than normal last week, air conditioners and fans were usually the leading sellers among the household appliances.

In furniture, refrigerators and television sets, sales were spotty, varying from "very strong" in some areas to sluggish in some others.

There was a slight gain in the overall level of wholesale trade in the period ended on Wednesday of last week. Volume remained well above a year ago. Retailers frequently sought fill-in merchandise in an attempt to balance their depleted inventories with the high level of sales.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index of the week ended July 14, 1956, increased 2% above those of the like period last year. In the preceding week, July 7, 1956, an increase of 3% was reported. For the four weeks ended July 14, 1956 an increase of 4% was reported. For the period Jan. 1, 1956 to July 14, 1956, a gain of 4% was registered above that of 1955.

Retail trade volume in New York City the past week was bolstered by cool weather and major promotions by several stores.

Trade observers estimated the increase in total sales to be 4 to 6% above the similar period a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 14, 1956, registered an increase of 5% above those of the like period last year. In the preceding week, July 7, 1956, an increase of 5% (revised) was recorded. For the four weeks ending July 14, 1956, a gain of 7% was recorded. For the period Jan. 1, 1956 to July 14, 1956, the index recorded a rise of 4% above that of the corresponding period in 1955.

Kidder, Peabody Group Offers Food Machinery & Chemical Debentures

A group headed by Kidder, Peabody & Co. offered yesterday (July 25) for public sale $30,000,000 3.80% sinking fund debentures of Food Machinery & Chemical Corp. The debentures, due July 15, 1981, are priced at 100% to yield 3.80% to maturity.

The proceeds will be used by the company for general corporate purposes including the repayment of $17,000,000 of promissory notes and also the financing of part of the $25,000,000 modernization and expansion program planned for 1956.

The initial optional redemption price is 105% for the two years ending July 15, 1958 and the debentures are redeemable for the sinking fund at par.

Food Machinery and Chemical manufactures a diversified line of products in 57 plants located in various parts of the United States. Of the total net sales and revenues for 1955, industrial and agricultural chemicals totaled 48%, agricultural, industrial and food processing machinery totaled 35%; and military products accounted for 17%.

In the five years from 1951 to 1955 consolidated net sales of the company and its subsidiaries increased 74% from $151,849,843 to $264,619,766 and net income increased 53% from $9,745,779 to $14,881,575. Sales and revenues for the quarter ended March 31, 1956 totaled $69,928,120 compared with $61,885,315 for the comparable 1955 period and net income increased from $3,226,298 to $3,916,510 for the same period.

Harry Peters Adds

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo. — James I. Geddes has become affiliated with Harry W. Peters, 411 Main Street.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla. — Elmer E. Green is now with Merrill Lynch, Pierce, Fenner & Beane, 1311 East Las Olas Boulevard.

Joins Columbia Secs.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Clarence J. Hofner, William Beck, Louis Mayo, Jr. and Edward A. Robinson, Jr. are now connected with Columbia Securities Company, Inc. of Florida, 3839 Biscayne Boulevard.

With Cosgrove, Miller

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla. — Michael J. Brand is now connected with Cosgrove, Miller & Whitehead.

Grimm Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Charles F. Chaney is now affilated with Grimm & Co., 65 East Robinson Avenue. He was formerly with A. M. Kidder & Co.

With A. B. Morrison Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—John G. Paseo has been added to the staff of A. B. Morrison & Co., du Pont Building.

Joins A. M. Kidder Staff

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla. — Mrs. Margaret B. Hilliard has become connected with A. M. Kidder & Co., 16 South Palm Avenue.

M. A. Blumenfield Opens

Martin A. Blumenfield is conducting a securities business from offices at 654 Madison Avenue, New York City.

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) being offered to stockholders on a basis of one new share for each 4 1/6 shares held as of July 23; rights to expire Aug. 13. **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.**
June 29 filed 47,729 shares of common stock (par $10) being 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**—$38 per share. **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.

★ **Amphenol Electronics Corp. (8/14)**
July 23 filed 120,000 shares of common stock (par $1), of which 20,000 shares are for the account of a selling stockholder and 100,000 shares for the company's account. **Price**—To be supplied by amendment. **Proceeds**—To retire $1,000,000 short term bank loans and to reimburse treasury funds for recent capital expenditures. **Underwriter**—Hornblower & Weeks, New York.

• **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 being 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 being offered for subscription by common stockholders at the rate of one share for each 10 shares held as of July 10; rights to expire on Sept. 25. **Price**—For debentures, 100% per $100 principal amount; for stock, $12.50 per share. **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. (7/30-8/3)**
May 31 filed $9,250,000 of convertible subordinated debentures due July, 1971. **Price** — 100% of principal amount. **Proceeds**—Together with $7,750,000 to be borrowed from insurance companies, for construction or acquisition of new plants and equipment and for working capital. **Office**—West Haven, Conn. **Underwriter**—Reynolds & Co., Inc., New York.

Associated Grocers, Inc., Seattle, Wash.
April 20 filed 5,703 shares of common stock; $2,000,000 of 25-year 5% registered convertible debenture notes; and $1,500,000 of 5% coupon bearer bonds. **Price** — Of stock, $50 per share; and of notes and bonds, 100% of principal amount. **Proceeds**—To reduce bank, mortgage loan, or other indebtedness; and for working capital. **Underwriter**—None.

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. (8/8)**
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.

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) being offered for subscription by stockholders at the rate of 0.04455 of a new share for each share held as of June 13; rights to expire on July 31. **Price**—$24 per share. **Proceeds**—For construction costs. **Office**—Rapid City, S. D. **Underwriter**—None.

• **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 as of Aug. 2 (with an oversubscription privilege); rights to expire on Aug. 16. **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.

★ **British Aluminum Co., Ltd. of England**
July 23 filed 50,000 American depositary receipts for ordinary registered stock, through Guaranty Trust Co. of New York.

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. (8/6)**
July 13 filed $2,900,000 6% convertible sinking fund debentures due Aug. 1, 1968. **Price**—To be supplied by amendment. **Proceeds** — For new equipment, working capital and general corporate purposes. **Underwriter**—Cruttenden & Co., Chicago, Ill.

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.

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.

★ **Cohio Uranium Corp.**
July 10 (letter of notification) 400,000 shares of common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—Suite 800, Denver Club Bldg., Denver, Colo. **Underwriter**—None.

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 Water Co., Chicago, Ill.
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. **Offering**—Expected this week.

★ **Consumers Power Co., Jackson, Mich. (8/14)**
July 20 filed $40,000,000 of first mortgage bonds due 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.

Continental Equity Securities Corp.
March 28 filed 40,000 shares of class A common stock (par $5) and 80,000 shares of class B common stock (par 50 cents). **Price**—Of class A stock, $12.50 per share, and of class B stock, 50 cents per share. **Proceeds**—To increase capital and surplus. **Office**—Alexandria, La. **Underwriter**—None.

Crater Lake Mining & Milling Co., Inc.
March 8 (letter of notification) 575,000 shares of common stock. **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office** — 1902 East San Rafael, Colorado Springs, Colo. **Underwriter** — Skyline Securities, Inc., Denver, Colo.

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.

★ **Detroit Edison Co.**
July 24 filed $59,778,900 of 3¾% convertible debentures due Sept. 14, 1971, to be offered for subscription by stockholders of record Aug. 17, 1956 at the rate of $100 of debentures for each 21 shares of stock held. **Price**—100% of principal amount. **Proceeds** — To repay short term bank loans and for construction and other purposes. **Underwriter**—None. **Offering**—Expected in August.

● **Devall Land & Marine Construction Co., Inc. (8/30)**
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.

● **de Vegh Mutual Fund, Inc.**
July 2 filed 35,000 additional shares of capital stock (par $1), which are to be issued only in connection with the payment of future capital gains distributions in stock and the reinvestment of future dividends from investment income (it had previously been indicated in these columns that the proceeds would be used for investment).

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 (8/3)**
June 4 (regulation "D") 500,000 shares of common stock (par $1). **Price**—60 cents per share. **Proceeds**—For general corporate purposes. **Underwriter** — Foster-Mann, Inc., New York.

★ **Eastern Shopping Centers, Inc.**
July 20 filed 3,140,000 shares of common stock (par $1), of which 2,140,000 shares are to be offered for subscription by holders of common stock and 3½% convertible subordinated debentures, due 1969, of Grand Union Co. on the basis of one share of Eastern for each Grand Union share held and on basis of 4.8216 shares of Eastern for each $100 of debentures held; and the remaining 1,000,000 shares are to be sold to Grand Union Co. **Price**—$2 per share. **Proceeds**—To locate and develop shopping centers East of the Mississippi. **Underwriter**—None.

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.

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.

★ **Flour City Ornamental Iron Co.**
July 3 (letter of notification) 27,142 shares of common stock (par $5). **Price**—$10.75 per share. **Proceeds**—For working capital. **Address**—Minneapolis, Minn. **Underwriters** — Woodard-Elwood & Co., Minneapolis, Minn., and Harold E. Wood & Co., St. Paul, Minn.

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 Acceptance Corp., Allentown, Pa. (8/9)**
July 20 filed $20,000,000 of senior debentures due 1971. **Price**—To be supplied by amendment. **Proceeds**—Approximately $16,000,000 will be used to liquidate Securities Credit Corp.'s liability for notes receivable discounted; and for working capital. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston and New York; and Union Securities Corp., New York.

★ **General Capital Corp., Boston, Mass.**
July 23 filed (by amendment) an additional 5,000 shares of common stock.

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. Statement effective July 16.

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.

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.

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NEW ISSUE CALENDAR

July 30 (Monday)
Armstrong Rubber Co. ---- Debentures
(Reynolds & Co., Inc.) $9,250,000
Gold Seal Dairy Products Corp. ---- Class A
(All State Securities Dealers, Inc.) $1,000,000

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) $2,250,000

August 1 (Wednesday)
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

August 2 (Thursday)
Braniff Airways, Inc. ---- Common
(Offering to stockholders—to be underwritten by F. Eberstadt & Co.) 1,105,545 shares
Southern Pacific Co. ---- Equip. Trust Ctfs.
(Bids noon EDT) $9,660,000

August 3 (Friday)
Eastern-Northern Explorations, Ltd. ---- Common
(Foster-Mann, Inc.) $300,000

August 6 (Monday)
California Eastern Aviation, Inc. ---- Debentures
(Cruttenden & Co.) $2,900,000
Mica & Minerals Corp. of America ---- Common
(Peter Morgan & Co.) $570,000

August 8 (Wednesday)
Bahamas Helicopters, Ltd. ---- Common
(Blair & Co. Incorporated) 300,000 shares
Delaware, Lackawanna & Western RR. ---- Equip. Trust Ctfs.
(Bids noon EDT) $3,510,000
Republic Cement Corp. ---- Common
(Vickers Brothers) $9,650,000

August 9 (Thursday)
General Acceptance Corp. ---- Debentures
(Paine, Webber, Jackson & Curtis and Union Securities Corp.) $20,000,000

August 14 (Tuesday)
Amphenol Electronics Corp. ---- Common
(Hornblower & Weeks) 120,000 shares
Consumers Power Co. ---- Bonds
(Bids 11:30 a.m. EDT) $40,000,000
Universal Match Corp. ---- Debentures
(A. C. Allyn & Co. Inc. and Scherck, Richter Co.) $6,500,000
Warner & Swasey Co. ---- Common
(Blyth & Co., Inc.) 120,000 shares

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 11 a.m. EDT) $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 11 a.m. EDT) $10,000,000

August 30 (Thursday)
Devall Land & Marine Construction Co., Inc. ---- Com.
(Vickers Brothers) $300,000

August 31 (Friday)
Illinois Bell Telephone Co. ---- Common
(Offering to stockholders—no underwriting) $58,053,100

September 5 (Wednesday)
Industrial Limerock, Inc. ---- Common
(M. S. Gerber, Inc. and James N. Toolan & Co.) $600,000
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 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

November 27 (Tuesday)
Carolina Power & Light Co. ---- Bonds
(Bids to be invited) $15,000,000

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and to repay outstanding obligations. **Office**—Remsen, N. Y. **Underwriter**—All States Securities Dealers, Inc., New York.

★ Grand Union Co., East Paterson, N. J.
July 23 filed 273,218 shares of common stock (par $5) for issuance under company's Employees' Restricted Stock Option Plans.

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.

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.

● Handy & Harman
June 25 (letter of notification) 7,400 shares of common stock (par $1) to be offered to employees. **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.

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.

★ Hollander (A.) & Son, Inc. (N. J.)
July 20 (letter of notification) 23,392 shares of common stock to be offered for subscription by common stockholders of A. Hollander & Son, Inc. (Del.) on the basis of one new share for each 10 shares of the Delaware company held. **Price**—At par ($12.50 per share). **Proceeds**—To purchase certain assets of the Delaware company and for working capital. **Office** — Newark, N. J. **Underwriter**—None.

★ Holliday Mines, Inc.
July 6 (letter of notification) 700,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For exploration and development; purchase of equipment; and working capital. **Offices**—Route 7, Box 436, Vancouver, Wash.; and Noxon, Mont. **Underwriter**—None.

Hometrust Corp., Inc., Montgomery, Ala.
Jan. 5 filed 125,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds** — To expand operations of subsidiary and increase investment therein. **Underwriter**—None.

Idaho-Alta Metals Corp.
March 7 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For exploration and development expenses. **Underwriter** — Fenner Corp. (formerly Fenner-Streitman & Co.), New York.

Ideal-Aerosmith, Inc., Hawthorne, Calif.
Dec. 16 (letter of notification) 150,000 shares of capital stock (par $1). **Price** — $2 per share. **Proceeds** — For equipment, machinery, inventory, etc. **Office**—12909 So. Cerise Ave., Hawthorne, Calif. **Underwriter**—Samuel B. Franklin & Co., Los Angeles, Calif.

★ Industrial Limerock, Inc., Miami, Fla. (9/5-6)
July 23 filed 300,000 shares of common stock (par one cent), together with 75,000 common stock purchase warrants. **Price**—$2 per share. **Proceeds**—For equipment, working capital and general corporate purposes. **Underwriters**—M. S. Gerber, Inc. and James M. Toolan & Co., both of New York.

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.

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.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 326 West Montezuma St., Cortez, Colo. **Underwriter** — Bay Securities Corp., New York, New York.

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.

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.

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 non-assessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

Lumberman's Investment & Mortgage Co.
May 2 filed 50,000 shares of common stock (par $10). **Price**—$12 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — Denver, Colo. **Underwriter**—None.

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.

★ Managed Funds, Inc., St. Louis, Mo.
July 23 filed (by amendment) 2,000,000 additional shares of common stock.

● Markwood Industries, Inc.
June 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.

★ Maryland Motor Truck Association, Inc.
July 11 (letter of notification) $50,000 of first debenture bonds, due June 1, 1976. **Price**—At par ($100 and multiples thereof). **Proceeds**—To construct permanent headquarters. **Office**—3000 Washington Blvd., Baltimore 30, Md. **Underwriter**—None.

★ Mascot Mines, Inc.
July 9 (letter of notfication) 280,000 shares of common stock (par 17½ cents). **Price**—25 cents per share. **Proceeds**—For payment on properties; repayment of advances; exploration and development; and working capital. **Office**—508 Peyton Bldg., Spokane, Wash. **Underwriter**—Standard Securities Corp., Spokane, Wash.

★ Maule Industries, Inc.
July 9 (letter of notification) 2,170 shares of common stock (par $1) to be offered to employees. **Price**—$3.50 per share to employees. **Proceeds**—For general operating capital. **Office**—5220 Biscayne Blvd., Miami, Fla. **Underwriter**—None.

● Mica & Minerals Corp. of America (8/6)
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 Suite 1730, 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.

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.

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 Business Machines Corp.**
July 19 (letter of notification) 138,750 shares of common stock (par 10 cents) to be sold privately to Milton J. Shuck of New York City. **Price** — For an aggregate of $50,000. **Proceeds**—To selling stockholder. **Office**—944 Halsey St., Brooklyn 33, N. Y.

Mohawk Silica Co., Cincinnati, Ohio
March 23 (letter of notification) 3,000 shares of 8% cumulative convertible preferred stock (par $50) and 3,000 shares of common stock (no par) to be offered in units of one share of preferred and one share of common. **Price** — $60 per unit. **Proceeds** — For mining expenses and processing silica. **Office**—2508 Auburn Ave., Cincinnati, Ohio. **Underwriter**—None.

Mormon Trail Mining Corp., Salt Lake City, Utah
Feb. 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—223 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Frontier Investment, Inc., Las Vegas, Nev.

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.
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. **Offering**—Expected today (July 26).

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 Pheonix, and Marcus T. Baumann, Vice-President and Treasurer, of Tucson, Ariz.

★ **North American Industries, Inc.**
July 6 (letter of notification) 1,100,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For mining expenses. **Office**—1112 Fremont St., Las Vegas, Nev. **Underwriter**—None.

★ **North Carolina Telephone Co., Matthews, N. C.**
July 24 filed 828,572 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of two shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To acquire physical properties and franchises of the Norwood and Marsnville (N. C.) exchanges of the United Telephone Co. of the Carolinas, Inc.; to reduce short term indebtedness; for construction and modernization program; and for working capital. **Underwriters** — R. S. Dickson & Co., Inc., Charlotte, N. C. and McCarley & Co., Inc., Asheville, N. C.

● **Northern Indiana Public Service Co.**
July 10 filed 370,894 shares of 4.40% cum. preference stock (convertible through Dec. 1, 1966—par value $40 per share) being 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**—$40 per share. **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.

★ **NYPA Gas Corp., Buffalo, N. Y.**
July 11 (letter of notification) 5,586 shares of common stock (no par) to be offered to present stockholders. **Price**—$8 per share. **Proceeds**—For oil and gas drilling expenses. **Office**—606 Root Bldg., 84 W. Chippewa St., Buffalo 2, N. Y. **Underwriter**—None.

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.

★ **Perkin-Elmer Corp.**
July 9 (letter of notification) not more than 10,000 shares of common stock (par $1) to be offered to employees. **Price**—At 85% of market value at the time of offering. **Proceeds**—For working capital. **Office**—Main Ave., Norwalk, Conn. **Underwriter**—None.

Pinellas Industries, Inc., St. Petersburg, Fla.
Feb. 16 (letter of notification) 8,000 shares of class A common stock (par $1). **Price**—At the market (maximum $6). **Proceeds**—For working capital. **Office**—34th St. & 22nd Ave., North, St. Petersburg, Fla. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

● **Popular Plastic Products Corp.**
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 Securties Corp., New York. **Offering** — Expected today (July 26).

● **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. **Offering**—Being postponed. Larger deal expected in near future.

★ **Producers Fuel Co.**
July 17 (letter of notification) 60,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For the acquisition of new properties; exploration and development and working capital. **Office**—1111 Keystone Bldg., Pittsburgh 22, Pa. **Underwriter**—None.

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**—573 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.

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.

★ **Reed Roller Bit Co.**
July 6 (letter of notification) 10,000 shares of common stock to be offered under company's Employees Stock Purchase Plan. **Price**—At a price not to exceed an aggregate of $300,000. **Proceeds** — For the purchase of the stock. **Office** — 6501 Navigation Blvd., Houston, Tex. **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. (8/8)**
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.

★ **Rex Uranium Corp., Farmington, N. M.**
July 10 (letter of notification) an undetermined number of shares of common stock (par five cents). **Price**—Aggregate amount not to exceed $50,000. **Proceeds** — For mining expenses. **Underwriter**—None.

★ **Rockwood Corp.**
July 9 (letter of notification) 2,000 shares of common stock (par $25). **Price** — $25 per share. **Proceeds** — For plant expansion and machinery. **Underwriter**—None.

Schwartz Carbonic Co., El Paso, Texas
Feb. 27 (letter of notification) 30,700 shares of common stock to be offered for subscription by stockholders on basis of 0.6158 new share for each common share held. **Price**—$7.50 per share. **Proceeds**—For expenses incident to manufacturing and sales of carbon dioxide. **Office**—1600 East Eleventh St., El Paso, Tex. **Underwriter**—None.

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.

★ **Servonics, Inc.**
July 16 (letter of notification) 204,000 shares of common stock, of which 79,000 shares are subject to an offer of rescission. **Price**—At par ($1 per share). **Proceeds**—For purchase of tools and equipment and working capital. **Office**—822 N. Henry St., Alexandria, Va. **Underwriter**—None.

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.

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★ Southwest American Houses, Inc.
July 13 (letters of notification) 20,500 shares of common stock (par 10 cents). **Price** — At market (estimated at $2.375 per share). **Proceeds** — For the account of selling stockholders. **Office** — 1200 Givens St., Houston, Tex. **Underwriter**—Aetna Securities Corp., New York, N. Y.

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.

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.

★ Standard Oil Co. (Indiana)
July 23 filed $1,108,000 of participations in Standard's Thrift Plan for Employees of Utah Oil Refining Co. and its subsidiary, together with 18,352 shares of Standard Oil capital stock, being the estimated number of such shares which may be purchased by the Plan Trustee for the account of employees over a three-year period beginning Aug. 1, 1956. Utah Oil is a subsidiary of Standard.

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. **Offering**—Expected today (July 26).

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) $115,000 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. **Offering**—Withdrawn owing to steel strike.

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.

★ Trinity Equipment Corp.
July 20 (letter of notification) $250,000 of 6% subordinated debentures due July 1, 1976 and 40,000 shares of common stock (par $1) to be offered in units of $500 of debentures and 80 shares of stock. **Price**—$580 per unit. **Proceeds**—For expansion and working capital. **Business**—Manufacture and sale of thermowells. **Office** — 472 Westfield Avenue East, Roselle Park, N. J. **Underwriter**—Schuster & Co., Inc., New York.

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. **Offering**—Put off indefinitely.

● United Cement Co., Inc.
July 13 (letter of notification) 3,700 shares of common stock (par $1) to be offered to stockholders. **Price**—$12 per share. **Proceeds**—For expenses necessary for manufacturing of lime and cement. **Address**—P. O. Box 27, Montevallo, Ala. **Underwriter**—None.

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.

★ Universal Match Corp. (8/14)
July 20 filed $6,500,000 of convertible subordinated debentures due Aug. 1, 1976. **Price**—To be supplied by amendment. **Proceeds**—To finance diversification program. **Underwriters**—A. C. Allyn & Co., Inc., Chicago, Ill., and Scherck, Richter Co., St. Louis, Mo.

★ Value Line Special Situations Fund, Inc.
July 20 filed 10,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

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.

★ Vita Food Products, Inc., New York
July 20 filed 89,480 shares of common stock (par 25 cents), of which 69,480 shares are to be offered to public and 20,000 shares to 27 selected executives and key employees. **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Underwriter**—Granbery, Marache & Co., New York.

★ Warner & Swasey Co., Cleveland, Ohio (8/14)
July 19 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For proposed expansion program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

★ Washington Mutual Investment Fund, Inc.
July 25 filed (by amendment) 1,000,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Washington, D. C.

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 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.

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.

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.

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 383,853 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. 5 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., Boulder, 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. (11/27)**
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 Nov. 27.

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.

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.

★ **Delaware, Lackawanna & Western RR. (8/8)**
Bids will be received by the company up to noon (EDT) on Aug. 8, at Room 2008, 140 Cedar St., New York 6, N. Y., for the purchase from it of $3,510,000 equipment trust certificates, series N, to be dated May 15, 1956, and to mature in 30 equal semi-annual instalments of $117,000 each from Nov. 15, 1956 to May 15, 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

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.

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.

★ **Great Southwest Corp. (Texas)**
July 16 it was announced this corporation is planning a 5,000-acre industrial development on two sites midway between Dallas and Fort Worth, Tex. Carl M. Loeb, Rhoades & Co., New York, who has acquired a substantial interest in the corporation, may handle any new financing that may be necessary.

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.

● **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. Hearing on this project started on July 9. **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.

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.

★ **May Department Stores Co.**
July 19 it was announced that this company may undertake financing for one or more real estate companies. **Proceeds** — For development of branch stores and regional shopping centers. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, New York.

● **Meadowbrook National Bank, West Hempstead, New York**
July 24 stockholders were offered 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. **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 Pacific RR.**
Bids are soon expected to be invited for the purchase from the company of $2,625,000 equipment trust certificates, series F, to mature in 15 equal annual instalments (this is the first part of a $5,325,000 issue). Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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★ National Pool Equipment Co., Birmingham, Ala.
July 23 it was reported early registration is expected of 200,000 shares of common stock. **Price**—Expected at $3 per share. **Proceeds** — For general corporate purposes. **Business** — Manufactures swimming pools and related equipment. **Underwriters**—Mid-South Securities Co. and Clark, Landstreet & Clark, Inc., Both of Nashville, Tenn.

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 $2,250,000 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.
July 19 it was reported company plans to finance its 1956 construction program (costing about $40,000,000) through issuance of debentures and treasury funds in latter part of year. **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.

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 Pacific Co. (8/2)
Bids will be received by this company up to noon (EDT) on Aug. 2 for the purchase from it of $9,660,000 equipment trust certificates, series UU, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Southern Union Gas Co.
April 19 it was announced company is considering issuance and sale to stockholders later this year of some additional common stock on a pro rata basis (with an oversubscription privilege). **Underwriter**—None.

Spencer Telefilm Corp., Beaumont, Texas
Jan. 16 it was announced company plans to offer publicly to Texas residents 75,000 shares of capital stock. **Price**—$1.50 per share. **Business**—To produce, sell and distribute syndicated films for television. **Underwriter**—Porter-Stacy Co., Houston, Tex.

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.

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. Rights will expire on Aug. 1. Unsubscribed stock will be offered to residents of Oklahoma only. **Price**—$2 per share. **Underwriter**—None.

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.

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.

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Observations . . .

institution's housing developments which are actually a thinly disguised equity type, but without some of the Advantages. We prefaced our article with the comment that it was prompted by the prevalent misconceived assumptions of the comparative risk of common stocks as revealed in the public discussion over the proposal to permit life insurance companies to sell Variable Annuities. But our conclusion, it was clearly stated, was taken "wholly irrespective of one's stand on the desirability of the proposal to introduce *variability* into annuities" (in fact, on balance, we are against the pending proposal); and, relating rather to institutional portfolio attitudes toward the common stock, was concentrated on our finding that "we must realize that the common stock holds no monopoly on risk or fluctuability." Thus, our implication was concerned with the suitability of the common stock in the institutional portfolio, rather than with the technique of policy selling.

The following timely communication, dealing with various aspects of the Variable Annuity proposal and coming from an investment authority speaking on behalf of one of the important groups participating in the current public discussion, we are glad to reproduce:

DEAR MR. MAY:

I have read with a great deal of interest your column in the July 12 issue of The Commercial and Financial Chronicle. Quite properly it points out that there is a risk in any type of investment, and that the important thing from the investor's standpoint is to determine what type of risk and what degree of risk he can afford to assume.

The article neglects to point up one important element of the arguments we have presented against variable annuities that deals with the risk factor. This is that throughout the history of the life insurance business in America, people buying insurance contracts have known that they were buying contracts that were riskless to them. That is, while the insurance company was investing in real estate, mortgages, and various other fixed income investments, all of which involve a certain element of risk, the policyholder was receiving a contract in which the company guaranteed to pay a fixed dollar amount upon the occurrence of a specifically defined event.

Variable contracts as contemplated by bills currently before the New Jersey Legislature provide no such guarantee to the purchaser. All of the risk of investment loss is borne by the insurance company's customer; the company bears none of the investment risk itself. If insurance companies are to be permitted to sell in interstate commerce an investment contract where the customer takes all the investment risk, it is our belief that they should submit to the same Federal and State regulation to which other forms of risk investment are subjected in the public interest. Why shouldn't this transfer of the insurance company's risk be fully disclosed in a statutory prospectus as required by the 1933 and 1940 Federal Acts? Unless this is done it is our opinion that most of the public would not understand that in buying a variable contract from a representative of an insurance company—which had always issued only contracts in which the insurance company assumed the investment risk—they were indeed buying an entirely different contract from the traditional one.

In short, we have never said that we are opposed to people undertaking the risk which is inherent in investment. However, we have always stated our belief that people should understand thoroughly the extent of risk that they undertake in any savings or investment program, and that this understanding is not likely to exist if variable contracts are sold by life insurance agents in the manner that the New Jersey variable annuity bills would permit.

July 13, 1956

Cordially yours,

HUGH W. LONG

on behalf of Open-End Investment Co. Committee

We agree with Mr. Long that the Variable Annuity technique is objectionable on the ground of the difficulty of disclosing the nature of the risks, both income and assetwise; and because of the regulatory deficiencies. On the other hand, our article did endeavor to rebut the credo, typically stated by Mr. Long, that "throughout the history of the life insurance business in America, people buying insurance contracts have known that they were buying contracts that were riskless to them," with its implication that whatever risk involved was shiftable to "the institution."

This comfortably, and quite typically, seeks to escape from the reality that the company, no more than the policyholder, is not free from the impact of underlying asset deterioration. We have endeavored to show that actually the institutional portfolio's bond, mortgage, and housing development, in the long run must be subjected to the acid test of performance as is the common stock.

Bumps on That Regulation Road

The practical difficulties involved in regulation, through successive variations, are again highlighted in the SEC's further proposal for revision of "Regulation A" which would confine its exemption from registration, now granted to all offerings not exceeding $300,000 in amount, to so-called "seasoned" companies. Issues of even less than $50,000, if "un-seasoned," would be required to use an offering circular.

The Commission in its proposal lays down the criteria of *earnings*. Exemptions would be unavailable to companies which have not had a net income from operations for at least one of the past five fiscal years.

Even if this qualification comprised a test of reasonably inclusive "seasoning," it is difficult to see where this is consistent with the continually re-affirmed purposes and philosophy of the securities acts. In discussing his proposals at an informal news conference, Chairman Armstrong maintained that it would promote disclosure as well as enforcement obligations. It is not to be assumed that consistency would prompt the conviction that *no* issues shall be exempted from such unexceptionable prescriptions? But if not, surely the test cannot be the concept, so tenuously defined, as "seasoning."

In line with our citation of the imponderables in the way of lofty regulatory aims, Chairman Armstrong disclosed during the conference, that, on representations from the Small Business Administration, an important segment of the nation's equity financing would be obstructed if another proposal previously promulgated by the Commission were adopted, it has just been dropped. This long-standing proposal in question embodied a rule providing, by escrow or otherwise, for the return to new issue subscribers of the money paid in unless a minimum (as 85%) of the total offering shall have been sold and paid for within six months of the offering.

Continued from first page

Today's Stock Market

fess to understand very much about it myself. All I know is that cheap money is stimulating and dear money the reverse.

Money is the lifeblood of the body economic. Our Federal Reserve System supplied a heart to that body — a heart that pumps new blood into the body with stimulating effects when needed, but siphons it off when not needed.

Prior to the establishment of our Federal Reserve System in 1913, our economy suffered from periodic heart attacks—or money panics. They were the chief cause of the severe depressions and deflations that periodically prostrated our economy.

But since our Federal Reserve System has been functioning that has not occurred. We occasionally have a period of arteriosclerosis after a business boom ages or a bull market gets old, and that is what we are witnessing today. It will be cured in due course, and there is no need for fearing the old-fashioned type of heart attack.

Back in 1953, when most everyone thought we were headed down the drain, the monetary authorities abruptly reversed their course, they began to buy bonds in the open market and did everything possible to ease the monetary situation. One step followed another in quick succession. Their efforts continued into 1954. This reversal was apparent as early as May, 1953; in that month we published our reasons for being bullish on the situation insofar as money was concerned in a study entitled "Money and the Market."

It was not difficult then to see the effects that easy money might have on the situation. Stocks were low, yields were high. Easy money seemed certain to stimulate business activity, to increase earnings and dividends, and eventually bring a revival of sentiment — and that is just what happened.

But now the monetary situation is the reverse of what it was in 1953. Money has firmed not only in the U. S. but all around the world; demands for loans have made it scarce, and the various monetary authorities have taken steps to see that the great demand for loans will not mushroom into a great inflation.

There is nevertheless great complacency that the Federal Reserve will see to it that nothing too bad happens in the way of a decline in business or a bad break in stock prices, especially since this is an election year.

On this point I cannot emphasize too strongly that our Federal Reserve Board is as near a non-political, purely objective body as any can be, and it will not be pressured into relieving what may seem to some a difficult situation because of political considerations.

Federal Reserve Board Chairman Martin, speaking before the Pennsylvania Bankers Association in Atlantic City on May 4, stated that the Federal Reserve System has the authority to influence the money supply "for the purpose of providing a money supply in harmony with economic needs —not for arbitrary juggling of the money supply to fix some particular level of interest rates, either high or low. . . . The fundamental requisite is to see that the volume of bank reserves is appropriate to high level stability in the economy and then to let interest rates be determined in the market place where they can rise or fall in response to supply and demand. . . . If borrowers crowd banks with loan demands on a scale much greater than average normal growth, they can expect the result to be some rise in interest rates. If that rise occurs, it really signals continuance of the Federal Reserve Policy of letting the supply and demand for credit be reflected in market rates of interest.

"No reliable yardstick has yet been devised to measure what people may be thinking. What things really are may count most in the long run, but what often counts in the short run is what things seem to be—what people think they are. I recall a brief period some three years ago when we were proceeding on technical measurements of the money supply that even in retrospect seemed to be pretty close to perfect. But even if they were right in fact, they were wrong on the scales of psychology, and what counted was not what the facts were, but what people thought they were. . . . The only feasible thing we could do was to adjust the situation as soon as we saw it."

The point is that reassurance to the public, to business and to the Administration that no one need fear a real choking off of monetary supply has been interpreted in some quarters as a reversal of recent monetary policy. Nothing we believe could be farther from the truth.

In 1953, we saw the writing on the wall, and we believed what our monetary officials were saying and doing, and the results justified that belief. Today, we feel the same way. We are not, as many others are, looking for reasons for believing our monetary authorities do not mean what they are doing and saying. We go along and believe the efforts the Federal Reserve is making to avert inflation may bring on a bit of deflation with consequent risk to stock prices.

The monetary aspects of the current situation have been and still are bearish, and the better things superficially look, the more bearish they will become. I would say this aspect of the situation accounts for about 50% of our reasons for being cautious.

Sentiment

Sentiment is another elusive factor but, nevertheless, an important one making for the level of stock prices. Extensive research over a long period to time has shown that the prevailing yield on common stocks or the Market Price of $1 of Dividends to be the best measure of sentiment. Further, that sentiment tends to fluctuate within rather well-defined limits ranging from a $14 or lower price for a dollar of dividends to a $30 or higher price for a dollar of dividends.

We have developed an effective chart showing the trend of common stock yields in terms of the price of $1 of dividends. The chart covers the period going back to the turn of the century.

Two and a half years ago, in late 1953, sentiment was low. The investor was able to buy $1 of dividend income for under $17 (a yield of about 6%), indicating a cautious attitude on the part of investors.

Sentiment seemed far to cautious in 1953 — on the basis of the monetary and economic situation and outlook. Thus, it seemed reasonable to expect not only a rise in earnings and dividends, but also an increase in the Market Price of $1 of Dividends. An increase to the Enthusiasm level, represented by a $30 price, seemed much too much to expect, but something between a $20, and possibly a $25 price, that is between Hope and Confidence, seemed an entirely reasonable expectation.

What actually happened was a rise to the $25 price last September. Subsequently, the price dropped to $21.50 early this year, rallied to around $24 in April, and then moved irregularly lower. Our expectation for some time has been that sentiment would recede sufficiently far to carry this Market Price of $1 of Dividends to something below $20 per share — just slightly below the Hope level—but not back to the Caution level of two and a half years ago.

Eventually, over a several year period, we think sentiment may well rise up around the Enthusiasm level achieved at all major bull market peaks in the past, but further betterment of the world situation, a higher degree of equanimity with which investors and businessmen can face the long-term future, and diversion of much of the world's current preoccupation with armament production, with consequent reduction of taxes, must precede such a development.

Profits

The profit picture—that is the outlook for earnings and dividends—is not, in our opinion, a very bearish one. All we are inclined to expect is some shading of recent record earnings and dividends. Back in 1953 when earnings on the Dow-Jones Industrial Average were approximately $27, and the dividend was $16, we made a fortunate guess that earnings might expand to around $35 and dividends to $22. Actually, earnings on the Dow-Jones Industrial Average last year were $35.78, and the current dividend rate is $22.11.

What we see in prospect is no real collapse of business activity —no sharp decline at all. All we look for is some shading in activity in such industries as building and automobiles, and some tempering of corporations' intentions to expand plant. Consumer purchasing power is likely to be well-maintained. All in all, a 5 to 10% decline in activity, a 10% decline in earnings and a 7% decline in dividends seem likely.

Were the current D.J.I.A. dividend rate of $22.11 to decline by 7%, it would be approximately $20.50. Were this capitalized by the market at a 5¼% yield basis (or 19 times), we would get a Dow-Jones Industrial Average of 390. That, is what we consider to be the risk in this market.

Some of my friends have twitted me about being too cautious too soon of having taken them out of the market too early. This is an old story. The top of a market is not the reverse of a bottom. Bottoms usually occur decisively and promptly, and are easily identified, at least in retrospect.

Tops in contrast usually extend over a long period of time and various stocks and groups top off at different periods to time. Rotating strength in stock after stock, group after group, each representing a distinct minority of the market, give the market an appearance of strength that belies its real position. Thus I can appreciate my friends' attitude.

And all I can say at least to date is to repeat what Baron Rothschild said more than 150 years ago: "I made my fortune by buying low and selling too soon."

Hood Representative for North American Secs.

LOS ANGELES, Calif.—John J. Hood has been appointed Wholesale Representative for North American Securities Company in southern California and Arizona, with headquarters in Los Angeles. This company is manager and distributor for Commonwealth Investment Company and Commonwealth Stock Fund, two mutual funds with total assets exceeding $100,000,000.

Prior to joining North American, Mr. Hood was Vice-President and General Manager of Service Metal Fabricators of Santa Monica.

Now With J. Logan

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert Blitz is now affiliated with J. Logan & Co., 2115 Beverly Boulevard.

Mutual Funds

By ROBERT R. RICH

Investment Companies' Assets at $9.9 Billion; 83,484 Accumulation Plans Opened in First Half

Net assets of the 152 member companies of the National Association of Investment Companies stood at $9,896,835,000 on June 30, 1956, a gain of $860,226,000 over the 1955 year-end total of $9,036,609,000, the Association announced.

The 126 open-end (mutual fund) companies' net assets increased by $774,449,000 during the first half, to a total of $8,611,-973,000 on June 30, the Association reported. Total net assets of the 26 closed-end company members on the same date were $1,-284,862,000, compared with $1,199,085,000 at the end of 1955.

Investor purchases of new mutual fund shares amounted to $669,625,000 during the first half of 1956, about 11% above the $602,075,000 of new investment in the first six months of 1955. Purchases of new mutual fund shares during the second quarter of the year totaled $319,718,000, down slightly from the first quarter total of $349,907,000.

Redemptions of holdings by investors in the 126 open-end member companies came to $118,207,000 in the second quarter. Redemptions amounted to $116,972,000 in the first quarter. Total redemptions of $235,179,000 for the first six months of 1956 were 6% lower than the $249,971,000 of redemptions for the comparable period of 1955.

Mutual fund investors opened 83,484 accumulation plans for the regular purchase of mutual fund shares during the first half of this year. Of these, 40,993 plans were started in the first three months, and 42,491 in the second quarter. In each of the six months covered, more than 10,000 plans were opened. The total number of accumulation plans in effect at the end of June was estimated at 392,000.

The number of shareholder accounts in both open- and closed-end member companies reached 2,497,254 on June 30, contrasted with 2,272,549 reported by the Association six months earlier. This represents a total gain of 224,705 accounts.

During the first six months of 1956, investment income dividends of $131,116,000 and net capital gains distributions of $75,-602,000 were made to shareholders of the 126 open-end companies. The 26 closed-end members paid their common stockholders $12,089,000 from investment income and $22,272,000 from security profits. Preferred stock dividends amounted to $1,702,000 and interest payments totaled $295,000.

Securities (excluding U. S. Government securities) bought by the open-end companies for investment portfolios during the 1956 second quarter totaled $630,180,000, while total sales of portfolio holdings amounted to $354,693,000. This compares with purchases of $540,092,000, and sales of $359,151,000 in the first quarter. For the first half of this year, purchases for portfolio totaled $1,-170,272,000 and sales, $713,844,000.

Cash, U. S. Government securities and short-term corporate obligations held by the 126 mutual funds totaled $417,827,000, or 4.9% of total net assets on June 30. This compares with $598,-565,000, or 5.9% on March 31, 1956 and $437,966,000, or 5.6% at year-end 1955.

Fidelity Fund Cites Asset Gain

As of June 30, 1956, Fidelity Fund reported a net asset value of $239,154,780. This is an increase of approximately 9.9% over the net asset value of $217,596,660 on Dec. 31, 1955 and approximately 21.3% over the net asset value of $197,153,711 as of June 30, 1955. The number of shares outstanding and the number of shareholders attained new highs as of June 30, 1956.

Net asset value per share as of June 30, 1956 was $14.95 compared with $14.80 as of Dec. 31, 1955 and $14.32 on June 30, 1955.

On June 25, 1956, a dividend of 11 cents per share was paid by the Fund from investment income, bringing the total for the first half year to 22 cents per share compared with 20 cents in the same period of 1955.

MIT Shareholders Show Large Gain

Massachusetts Investors Trust reports total net assets of $1,066,-057,703 representing 91,209,533 shares owned by 141,974 shareholders for the quarter ended June 30, 1956. For the same period a year ago the Trust had assets of $904,905,194 with 126,901 shareholders and the equivalent of 86,138,229 shares outstanding. Shares were split 3-for-1 on June 29 of this year.

The net asset value per share on June 30, 1956 was $11.69. This amount together with a capital gain payment of 28 cents (adjusted) in February is equivalent to $11.97 and compares with a per share asset value of $10.50 last year at this time.

The Trust also reports that the growth in the number of shareholders since the year end was 11,107, one of the largest six months' gains in shareholders in the Trust's 32-year history.

Scudder Fund Reports Net Asset Gain of 17.7%

President Stires cites dynamic force behind Canada's postwar economic growth.

A substantial increase in per share net asset value of Scudder Fund of Canada Ltd. was registered during the fiscal year ended May 31, 1956, according to the Fund's annual report issued for publication by Hardwick Stires, President.

Total net asset value on May 31 amounted in Canadian dollars to $54,458,419, equal in U. S. dollars to $44.02 a share on the 1,250,000 shares outstanding. The per share net asset value was 17.7% higher than the $37.41 per share reported as of the close of the preceding fiscal year and 46.7% larger than per share net asset value of $30 on June 14, 1954 when the Fund commenced operations. Net assets on May 31, 1955 had a value of $36,834,789 (Canadian dollars) equal to $37.41 (U. S. dollars) a share on the 1,000,000 shares then outstanding.

Mr. Stires stated that the principal policy determinant of the Fund is participation in the long-term development of the Dominion, "whose postwar rate of industrial development to date has outstripped not only the U. S. but also the rate at which private Canadian capital can finance it."

A dynamic force behind Canada's postwar growth, he said, "has undoubtedly been the almost uninterrupted expansion in the annual volume of capital expenditure on new plant, equipment and housing. The government forecast for 1956 is a remarkable increase of 21% over the amount actually spent on capital investment in 1955, which was itself a record year some 11% higher than in 1954."

Canada, in many fields, "is just beginning to enjoy the benefits of the discoveries and development expenditures that have been made in recent years," Mr. Stires said. He pointed out that with the construction of gas pipelines, Canada's large western reserves of natural gas, now substantially untapped, can be brought into production. The Dominion's production of iron ore this year is expected to exceed 20 million tons compared with a little over seven million tons only two years ago.

Production of uranium is expected to increase several-fold within the next year, he continued. Copper production from the large Gaspe property controlled by Noranda Mines began on a full scale basis this Spring. The important new base metal property of Geco Mines in Ontario will go into production next year, and the vast mineral discoveries in New Brunswick and the Pine Point area of The Northwest Territories should serve to increase Canadian production of lead, zinc and other metals in future years, he said.

At the end of May the Fund had 95.5% of net assets invested in common stocks and 3.7% in Government of Canada securities, corporate bonds and notes, and preferred stocks. Major industry investments were metals and mining, 23.8% of net assets; petroleum 20.5%; construction, 9.2%; paper 9.3%; non-Canadian, 15.5%.

During the year ended May 31, 1956 the Fund purchased securities with an aggerate cost of $24,-811,575 and sold securities valued at $13,469,275.

New additions of securities in the final quarter of the 1956 fiscal year included 1,000 shares Zeller's Ltd., 50,000 shares British Newfoundland Corporation, Ltd., 7,000 shares Abitibi Power & Paper Company, Ltd., and 1,250 shares International Power Company, Ltd. Other additions were 10,000 shares Mining Corp. of Canada, Ltd., 3,000 shares British American Oil Co., Ltd., 5,000 shares Foundation Co. of Canada Ltd. and 3,575 Great Lakes Paper Co. Ltd.

Sales of securities during the quarter include $250,000 Gunnar Mines Ltd. 5%, Oct. 1, 1960, with warrants attached, 10,000 shares of Gunnar Mines Ltd., 10,000 shares Building Products Ltd., 4,995 Canadian Vickers Ltd., 5,000 shares Dominion Oil Cloth & Linoleum Co. Ltd., 6,000 shares Consolidated Mining & Smelting Co. of Canada Ltd., 11,000 shares Bell Telephone Co. of Canada, and 2,000 shares Canadian Breweries Ltd.

Fundamental Reports Net Assets Up $40 Million

On July 1, 1956 total net assets of Fundamental Investors were $363,843,669—the highest July 1 total in its history and a $40 million gain over the 1955 year-end. Net asset value per share on July 1 was $16.74, or 7% above the figure of $15.63 reported at the end of 1955.

On July 1 the number of shareholders of Fundamental Investors reached 76,274—a gain of 12,754 shareholders in 12 months' time, making the Fund one of the most widely held investments in the country.

Dividends paid during the first half of 1956 totalled 24 cents per share, an increase of 1 cent per share over those paid in the corresponding six months of 1955.

Since the 1955 year-end, the Fund's investments in aircraft, finance, machinery, paper and steel stocks were moderately increased, while those in railroad and retail trade issues were reduced. The steel strike is not considered by Fundamental Investors' management to be detrimental to the long-term outlook for steel stocks, and the Fund has maintained its largest investments in the petroleum, steel, railroad, paper and metal groups in that order.

M.I.F. Assets At $10,000,000

Mutual Investment Fund, Inc., an open-end, fully-managed fund, reports assets of over $10,000,000 as of July 2, 1956. This total is an increase of 47% over the previous 12-month period. A corresponding increase is also indicated in the number of shares outstanding, which now exceed 1,000,000.

The fund's portfolio, as of June 30, 1956, consisted of 80% in common stocks; 10% in U. S. Governments and cash; 7% in other bonds and notes; 3% in preferred stocks. Largest common stock investments were in Oils (13%), Chemicals (9%), Utilities (8%), Gas (5%).

Investment Company of America reported today that total net assets of the mutual fund have reached a new record of more than $93 million, compared with approximately $76,500,000 on Jan. 1, 1956, the beginning of the current fiscal year.

The directors also announced the election of Albert P. Drasdo as treasurer. He will continue as vice president, treasurer, and director of Capital Research Company, the investment research affiliate of the mutual fund's investment advisor. Mr. Drasdo is a graduate of Stanford University and the Harvard Business School. He is also treasurer and a member of the Board of Governors of the Los Angeles Society of Security Analysts.

The Electronic Computer Industry

"The electronic data processing industry, as yet in its infancy, not only has good prospects for expansion during the next three or four years, but is on the threshold of great growth over a lengthy period of time," according to the latest issue of "Perspective," published by the Investment Management Department of Calvin Bullock, managers of investment companies with assets of more than $400,000,000.

In a comprehensive review of the development, types, and applications of electronic data processing equipment, the study says digital, rather than analog, computers will see the greatest sales growth. Partly because of the rapid rate of obsolescense in the field, it is likely that about 85% of all computers will be rented, and only about 15% bought, according to the report. Monthly rentals are estimated at about 3% of direct purchase prices.

The industry feels that revenue from sale or rental of medium size computers will approximate that for the "giant brains," according to "Perspective." There is general agreement that from 500 to 600 companies in the country are prospects for the "giant brains," and smaller units can be used by many more companies. Payroll processing, inventory control and accounts receivable are areas where companies can effect operating economies by use of electronic equipment, and some companies are studying their use in production scheduling and control, sales analysis, budgeting, and general accounting.

"Perspective" estimates that there are more than 1,000 computers now in use. Some of the older ones will probably be dismantled during the next few years, but large numbers are on order for delivery during the next two or three years. Prices for various types range from about $25,000 to $5,000,000 or more, depending on the amount of auxiliary equipment used.

Tri-Con Assets Reach Total Of $300 Million

Net investment assets of Tri-Continental Corporation, the nation's largest diversified closed-end investment company, were $300,405,688 on June 30, it was reported by Francis F. Randolph, Chairman of the Board and President. The figure was up slightly from March 31, and from $278,027,599 at the start of the year.

New funds amounting to $3,937,039 were received during the second quarter for common stock issued upon exercise of warrants. This compared with $6,403,689 received in the first quarter, reflecting a sharply reduced rate of exercise of warrants.

Common stock asset value was $41.83 per share at June 30, as compared with $43.35 on March 31 and $42.54 at the beginning of 1956. Mr. Randolph pointed out that per share asset value has been affected this year by the issuance of a large number of new shares upon exercise of warrants and, to a lesser extent, by payment of the extra dividend of 50 cents per share of common stock in February.

Net investment income totaled $4,280,253 for the first six months, about the same as for the first half of 1955. Last year, however, the chairman stated, Tri-Continental received in June a dividend with a value of $565,020 from its wholly-owned subsidiary, Union Securities Corporation, which ordinarily would not have been paid until the closing months of the year. With this special factor taken into account, Tri-Continental's net investment income for the first half of 1956 exceeded that of the like period in 1955 by $564,139. Higher income on portfolio investments and income produced by new funds received for common stock issued upon exercise of warrants accounted for this increase, Mr. Randolph said.

Common stock holdings were about 76% of net investment assets at June 30 as compared with 78% at March 31. The moderate decline reflected fluctuations in securities prices in general as well as continued investment in senior securities of new funds received from issuance of common stock upon exercise of warrants. Mr. Randolph reported there were no major shifts in common stock holdings during the quarter. Some reduction was made in aluminum, aviation, chemical, electrical and electronics, paper, railroad, retail trade and rubber industries, and the rayon industry holding was eliminated. Investments in building, drug and public utility fields were increased.

Common stocks of oil companies continued to represent Tri-Continental's largest industry holding and stood at 15.89% of net investment assets at the end of the second quarter. Public utility holdings remained in second place at 13.73% and electrical and electronics companies and chemical companies were third and fourth with 5.29% and 5%, respectively.

A new holding added to the portfolio was 20,000 shares of San Diego Gas & Electric Co., and holdings increased were Shamrock Oil & Gas Corp., by 11,000 shares; American Home Products Corp., 3,600 shares; Johns-Manville Corp., 6,700 shares; Mississippi River Fuel Corp., 4,000 shares; Columbus and Southern Ohio Electric Co., 3,600 shares.

Investments in American Viscose Corp., Sears, Roebuck and Co., Signal Oil and Gas Co., and Southern Pacific Co. were eliminated. Reductions were made in holdings of Aluminum Co. of America, E. I. du Pont de Nemours & Co., Eastern Air Lines, Inc., Florida Power & Light Co., General Electric Co., B. F. Goodrich Co., International Business Machines Corp., International Paper Co., Kaiser Aluminum & Chemical Corp., Minneapolis-Honeywell Regulator Co., Scott Paper Co., Seaboard Oil Co.

Science Fund Reports Gains

Net assets of Science & Nuclear Fund on June 30, 1956 were $1,326,480—up $839,375 or 172% from a year ago. Meanwhile, net asset value per share rose from $10.52 to $11.65—an increase of 10.7%.

Axe Fund Sales Up 50% Over Last Year

Sales of three Axe-Houghton mutual funds for the first half of 1956 ran more than 50% ahead of the total for the same period last year, according to Emerson W. Axe, president. Preliminary figures show a total dollar volume of $13,981,803 for the first six months of this year as against $9,284,749 for the first half of 1955, Mr. Axe reported.

"The funds are Axe-Houghton Fund A, Axe-Houghton Fund B and Axe-Houghton Stock Fund. Axe Science & Electronics Corporation is not included in the sales report. At present, its shares are traded on the American Stock Exchange and while they are redeemable no new shares are sold. It is now in the process of being changed into an open-end fund like the other three Axe investment companies.

Personal Progress

Theodore N. Ofstedahl has resigned as Commissioner of Securities of the State of Minnesota as of August 1st to become Vice President of Minnesota Fund, Inc. and Minneapolis Associates, Inc. in Minneapolis. Minnesota Fund is the largest locally-owned mutual investment fund in the Upper Midwest.

T. N. Ofstedahl

Albert M. Sheldon, Jr., President of the two companies, stated in announcing Ofstedahl's appointment, "Mr. Ofstedahl's long and able service as securities administrator, trustee and attorney should prove uniquely valuable to our shareholders and clients."

Ofstedahl graduated from Zumbrota High School, attended St. Red Wing from 1915 to 1939. He was County Attorney of Goodhue County from 1922 to 1934. While residing in Red Wing he was also Secretary of the United Lutheran Church and President of the Olaf College and practiced law at Kiwanis Club.

Ofstedahl was Senior Counsel of the Minnesota Department of Rural Credit from 1939 to 1944. Governor Thye then appointed him State Commissioner of Securities, which post he has held until the present time.

As President of the National Association of Securities Administrators and as Chairman of its Investment Companies Committee, Ofstedahl achieved national prominence in the fields of "Blue Sky" securities legislation and regulation of mutual investment companies.

* * *

Dr. Phillip L. Merritt, an adviser and member of the board of directors of Atomic Development Mutual Fund, Inc., has been named to the board of directors of Can-Met Explorations, Ltd., one of Canada's largest uranium miners and millers. Can-Met, which operates in the Blind River area, holds a $75,000,000 contract to sell uranium concentrates to the Canadian government. An official of the E. J. Longyear Company, Dr. Merritt for many years was assistant director for raw materials of the U. S. Atomic Energy Commission.

Joins Fairman & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Norman W. Erwin has become affiliated with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

Now NCE Shares

The firm name of Family Fund Investors, 10 East 49th Street, New York City, has been changed to N. C. E. Shares Distributor.

With Shearson, Hammill

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Richard W. Denner has become associated with Shearson, Hammill & Co., 9608 Santa Monica Boulevard. Mr. Denner was formerly with Harris, Upham & Co. and H. Hentz & Co.

Herman Hoffman Opens

REGO PARK, N. Y.—Herman Hoffman is engaging in a securities business from offices at 9740 Sixty-second Drive.

Form Rockwell Secs.

Rockwell Securities Corporation is engaging in a securities business from offices at 70 Wall St., New York City. Officers are Garland L. Culpepper, Jr., President; Vincent P. Barry, Vice-President.

Our Reporter's Report

The corporate new issue market appears headed into that dead-center fortnight which normally marks the first two weeks of August. Looking over the forward calendar it develops that there are only two new issues of consequence up for consideration next week, with the ensuing period just about bare of prospects.

And just as well, it seems, since the period covered should mark the height of the vacation season as it normally has in years passed. Moreover, it probably will require a little time for the market to fully digest the effects of the recent Treasury refinancing operation.

With holders of some $900 million of maturing issues, or thereabouts, electing to take cash in lieu of the new 12½ month notes offered in exchange, the market generally has not been putting on any great show of strength.

Quite to the contrary, the secondary list has been leaning a trifle toward the heavy side. Treasurys have been sagging and as a measure of the behavior of recent corporate offerings, American Telephone & Telegraph's latest issue of 3⅞s have been shading the original offering price on the bid side.

Meantime, the going rate for Treasury money stiffened a trifle this week with new bills bringing an average rate of 2.303% against 2.237% the week previous.

Two Issues in Sight

Underwriters face a relatively dull week in the period ahead with only two projects, both falling into the "Street-size" category, coming up for bids.

On Tuesday, Jersey Central Power & Light Co. is slated to open bids for $10 million of 30-year, first mortgage bonds which will permit it to pay off existing bank loans and finance contemplated new construction.

The following day Michigan Wisconsin Pipe Line Co. will receive bids for $25 million of 20-year, first mortgage pipeline bonds, the purpose being to pay off outstanding bank loans and finance construction.

Pickup Looms Ahead

While the fortnight ahead will be dull in the extreme, the final half of August shapes up as a fairly busy period which will bring to market at least four large issues, that is if nothing happens to change current plans.

Largest of these is Pacific Telephone & Telegraph Co.'s $78 million of 32-year debentures along with 1,562,267 shares of additional common.

Consumers Power Co. will be seeking $40 million through an issue of 30-year first mortgage bonds; Consolidated Natural Gas plans to market $30 million of 25-year debentures, and Tampa Electric Co. has $10 million of 30-year first mortgage bonds slated for market.

Won't Be Rushed

Illinois Power & Light Co.'s offering of $20 million of new 30-year, 3¾%, first mortgage bonds were a bit on the slow side as subscription books were opened.

But those close to the situation were not perturbed by the sluggishness of potential buyers in coming into the market. They were confident of a speedy pickup.

As a matter of fact it was indicated that the group had not been turned down by any of the major names which had indicated buying interest prior to the offering. It appeared to be just a case of pension funds and others being inclined to take their time in converting such indications into actual orders.

Frank C. Beck Opens

PHOENIX, Ariz. — Frank C. Beck is conducting a securities business from offices at 5136 North Thirty-second Place. Mr. Beck was formerly with Waddell & Reed, Inc. and Selected Securities, Inc.

Form Bu. of Medical Ecs.

PHOENIX, Ariz. — Bureau of Medical Economics has been formed with offices at 2025 North Central Avenue to engage in a securities business. Officers are John W. Kennedy, President; Paul B. Jarrett, Vice-President; Robert A. Price, Secretary-Treasurer.

C. N. Clark Opens

SOUTH OZONE PARK, N. Y. —Clairmonte N. Clark is engaging in a securities business from offices at 111-41—146th Street.

With L. A. Huey Co.

(Special to The Financial Chronicle)

DENVER, Colo.—Fred W. Pool has joined the staff of L. A. Huey Co., Ferguson Building. Mr. Pool was previously with Intermountain Securities, Inc.

Three With Intermountain

(Special to The Financial Chronicle)

DENVER, Colo. — William F. Garrow, Ole A. Jacobson and Lee A. Stark have become affiliated with Intermountain Securities, Inc., 309 Columbine Street.

With Barrington Inv.

(Special to The Financial Chronicle)

WORCESTER, Mass. — Edward W. Paine is now with Barrington Investments, 390 Main Street.

Gibbs & Co. Add

(Special to The Financial Chronicle)

WORCESTER, Mass.—Anthony F. Mastrovito is now connected with Gibbs & Co., 507 Main 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 29	§15.6	*15.3	85.9	90.7
Equivalent to—					
Steel ingots and castings (net tons)	July 29	§385,000	*377,000	2,114,000	2,190,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 13	7,083,900	7,085,850	7,065,650	6,626,400
Crude runs to stills—daily average (bbls.)	July 13	¶8,028,000	7,974,000	7,953,000	7,582,000
Gasoline output (bbls.)	July 13	27,196,000	27,736,000	27,363,000	25,726,000
Kerosene output (bbls.)	July 13	2,265,000	2,028,000	2,034,000	1,955,000
Distillate fuel oil output (bbls.)	July 13	12,606,000	12,434,000	12,044,000	11,167,000
Residual fuel oil output (bbls.)	July 13	7,893,000	7,677,000	7,563,000	8,156,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 13	178,366,000	178,549,000	181,487,000	158,822,000
Kerosene (bbls.) at	July 13	27,415,000	26,760,000	23,793,000	31,381,000
Distillate fuel oil (bbls.) at	July 13	104,521,000	98,289,000	84,996,000	108,932,000
Residual fuel oil (bbls.) at	July 13	40,926,000	39,779,000	37,319,000	45,482,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 14	619,988	478,297	801,431	794,138
Revenue freight received from connections (no. of cars)	July 14	488,600	527,925	651,826	618,333
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 19	$391,347,000	$657,377,000	$443,517,000	$360,708,000
Private construction	July 19	234,279,000	437,272,000	305,516,000	228,094,000
Public construction	July 19	157,068,000	220,105,000	138,001,000	132,614,000
State and municipal	July 19	121,059,000	143,067,000	113,166,000	89,899,000
Federal	July 19	36,009,000	77,038,000	24,835,000	42,715,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 14	7,150,000	*1,290,000	10,280,000	9,677,000
Pennsylvania anthracite (tons)	July 14	441,000	52,000	538,000	489,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 14	99	90	131	97
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 21	11,125,000	10,878,000	11,478,000	10,620,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 19	223	251	245	172
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 17	5.179c	5.179c	5.179c	5.176c
Pig iron (per gross ton)	July 17	$60.61	$60.61	$60.29	$59.09
Scrap steel (per gross ton)	July 17	$46.50	$44.83	$44.83	$40.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 18	39.500c	39.475c	44.900c	35.700c
Export refinery at	July 18	35.925c	34.950c	41.725c	36.900c
Straits tin (New York) at	July 18	95.750c	94.750c	94.750c	97.875c
Lead (New York) at	July 18	16.000c	16.000c	16.000c	15.000c
Lead (St. Louis) at	July 18	15.800c	15.800c	15.800c	14.800c
Zinc (East St. Louis) at	July 18	13.500c	13.500c	13.500c	12.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 24	93.56	94.00	94.94	94.20
Average corporate	July 24	103.97	104.31	104.66	108.70
Aaa	July 24	107.62	108.16	108.34	112.19
Aa	July 24	106.04	106.21	106.56	110.52
A	July 24	103.64	104.14	104.31	108.70
Baa	July 24	98.88	99.36	99.84	103.64
Railroad Group	July 24	102.30	102.80	103.13	107.09
Public Utilities Group	July 24	104.31	104.66	105.00	109.24
Industrials Group	July 24	105.34	105.69	106.04	109.60
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 24	3.01	2.97	2.88	2.93
Average corporate	July 24	3.51	3.49	3.47	3.24
Aaa	July 24	3.30	3.27	3.26	3.05
Aa	July 24	3.39	3.38	3.36	3.14
A	July 24	3.53	3.50	3.49	3.24
Baa	July 24	3.82	3.79	3.76	3.53
Railroad Group	July 24	3.61	3.58	3.56	3.33
Public Utilities Group	July 24	3.49	3.47	3.45	3.21
Industrials Group	July 24	3.43	3.41	3.39	3.19
MOODY'S COMMODITY INDEX	July 24	412.2	412.6	412.5	405.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 14	220,607	273,007	235,162	228,679
Production (tons)	July 14	202,972	178,617	289,328	225,674
Percentage of activity	July 14	70	56	99	77
Unfilled orders (tons) at end of period	July 14	528,096	512,197	497,608	642,619
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	July 20	108.97	108.93	108.05	106.91
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 30	971,034	895,964	1,093,393	1,138,539
Dollar value	June 30	$50,851,492	$47,241,503	$55,850,219	$64,376,998
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 30	875,500	812,134	780,237	984,987
Customers' short sales	June 30	5,513	2,837	6,078	5,503
Customers' other sales	June 30	869,987	809,297	774,159	979,484
Dollar value	June 30	$43,198,565	$40,563,965	$40,421,355	$54,404,561
Round-lot sales by dealers—					
Number of shares—Total sales	June 30	253,030	209,510	175,680	261,690
Short sales	June 30	------	------	------	------
Other sales	June 30	253,030	209,510	175,680	261,630
Round-lot purchases by dealers—					
Number of shares	June 30	349,540	327,240	483,540	402,490
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 30	349,860	307,080	427,710	470,800
Other sales	June 30	9,194,310	8,201,790	8,703,810	11,849,630
Total sales	June 30	9,544,170	8,508,870	9,131,520	12,320,430
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 30	1,220,570	1,111,680	1,227,600	1,487,630
Short sales	June 30	186,110	183,410	265,900	248,100
Other sales	June 30	1,044,810	839,360	1,176,950	1,276,710
Total sales	June 30	1,230,920	1,022,770	1,442,850	1,524,810
Other transactions initiated on the floor—					
Total purchases	June 30	228,850	233,870	178,150	272,780
Short sales	June 30	12,000	13,500	17,700	25,100
Other sales	June 30	221,550	221,450	192,950	254,610
Total sales	June 30	233,550	234,950	210,650	279,710
Other transactions initiated off the floor—					
Total purchases	June 30	465,644	435,800	476,604	483,272
Short sales	June 30	80,650	71,530	40,090	82,770
Other sales	June 30	483,273	477,374	517,487	688,559
Total sales	June 30	563,923	548,904	557,577	771,329
Total round-lot transactions for account of members—					
Total purchases	June 30	1,915,064	1,781,350	1,882,354	2,243,682
Short sales	June 30	278,760	268,440	323,690	355,970
Other sales	June 30	1,749,633	1,538,184	1,887,387	2,219,879
Total sales	June 30	2,028,393	1,806,624	2,211,077	2,575,849
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 17	114.0	114.1	114.0	110.0
Farm products	July 17	90.3	90.4	90.7	87.7
Processed foods	July 17	102.4	*102.6	101.9	102.0
Meats	July 17	81.2	81.7	79.4	84.5
All commodities other than farm and foods	July 17	121.3	121.4	121.4	116.3

*Revised figure. ¶Includes 996,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,000 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,319 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of June 30:			
Imports	$264,465,000	$244,839,000	$216,316,000
Exports	251,236,000	*251,775,000	188,662,000
Domestic shipments	12,334,000	11,495,000	12,467,000
Domestic warehouse credits	21,780,000	21,372,000	112,377,000
Dollar exchange	8,924,000	9,240,000	39,790,000
Based on goods stored and shipped between foreign countries	125,297,000	104,317,000	84,964,000
Total	$684,036,000	*$643,029,000	$654,576,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of June (in millions):			
Total new construction	$3,993	$3,707	$3,9?6
Private construction	2,715	2,543	2,766
Residential building (nonfarm)	1,354	1,269	1,545
New dwelling units	1,185	1,105	1,380
Additions and alterations	130	128	133
Nonhousekeeping	39	36	32
Nonresidential building (nonfarm)	752	698	633
Industrial	257	247	190
Commercial	289	265	259
Office buildings and warehouses	105	[illegible]	[illegible]
Stores, restaurants, garages	184	164	169
Other nonresidential building	206	186	184
Religious	61	56	62
Educational	45	42	39
Hospital and institutional	25	24	30
Social and recreational	24	21	22
Miscellaneous	51	43	31
Farm construction	150	139	160
Public utility	448	427	412
Railroad	38	36	34
Telephone and telegraph	85	80	72
Other public utility	325	311	306
All other private	11	10	16
Public construction	1,278	1,164	1,170
Residential building	19	19	24
Nonresidential building	353	337	333
Industrial	33	32	68
Educational	220	216	217
Hospital and institutional	27	27	31
Other nonresidential building	73	62	67
Military facilities	122	113	119
Highway	545	470	449
Sewer and water	115	109	99
Public service enterprises	45	42	26
Conservation and development	63	58	56
All other public	16	16	14
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of June:			
Manufacturing number	183	245	200
Wholesale number	115	118	79
Retail number	551	575	446
Construction number	163	132	114
Commercial service number	93	94	75
Total number	1,105	1,164	914
Manufacturers' liabilities	$10,684,000	$28,450,000	$13,888,000
Wholesale liabilities	7,331,000	5,713,000	3,254,000
Retail liabilities	12,812,000	13,242,000	9,564,000
Construction liabilities	8,598,000	8,877,000	4,702,000
Commercial service liabilities	3,588,000	3,619,000	5,259,000
Total liabilities	$43,013,000	$59,901,000	$36,667,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN — BRADSTREET, INC.—Month of June	11,952	13,142	12,605
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE—Month of June (000's omitted)	$1,623,300	$289,000	$1,390,300
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE— Crop as of July 1 (in thousands):			
Corn, all (bushels)	77,596	------	79,900
Wheat, all (bushels)	50,466	------	47,255
Winter (bushels)	35,372	------	33,660
All spring (bushels)	15,094	------	13,595
Durum (bushels)	2,484	------	1,348
Other spring (bushels)	12,610	------	12,247
Oats (bushels)	35,427	------	39,138
Barley (bushels)	12,867	------	14,553
Rye (bushels)	1,724	------	2,092
Flaxseed (bushels)	5,685	------	4,982
Rice (bags)	1,602	------	1,826
Sorghums (including sirup, bushels)	19,897	------	20,874
Cotton (bales)	16,962	------	17,506
Hay, all (tons)	75,595	------	75,549
Hay, wild (tons)	12,093	------	12,242
Hay, alfalfa (tons)	29,719	------	28,432
Hay, clover and timothy (tons)	15,316	------	16,506
Hay, lespedeza (tons)	4,425	------	4,063
Beans, dry edible (bags)	1,456	------	1,543
Peas, dry field (bags)	366	------	281
Soybeans (bushels)	21,959	------	19,710
Soybeans for beans (bushels)	20,953	------	18,668
Peanuts (pounds)	1,868	------	1,898
Potatoes—			
Winter (bushels)	34	------	30
Early spring (bushels)	26	------	26
Late spring (bushels)	164	------	178
Early summer (bushels)	104	------	111
Late summer (bushels)	198	------	190
Fall (bushels)	875	------	879
Total (bushels)	1,402	------	1,414
Sweetpotatoes (bushels)	287	------	341
Tobacco (pounds)	1,380	------	1,497
Sugarcane for sugar and seed (tons)	252	------	284
Sugar beets (tons)	789	------	740
Hops (pounds)	25	------	24
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of June:			
Seasonally adjusted	141	142	139
Unadjusted	141	*141	139
NEW YORK STOCK EXCHANGE—As of June 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customer's net debt balances	$2,819,641	$2,847,308	$2,757,462
Credit extended to customers	33,934	37,715	46,250
Cash on hand and in banks in U. S.	329,774	337,406	340,161
Total of customers' free credit balances	836,137	869,672	917,481
Market value of listed shares	218,579,189	211,896,052	194,405,657
Market value of listed bonds	104,288,895	104,115,390	104,282,202
Member borrowings on U. S. Govt. issues	65,834	70,122	88,898
Member borrowings on other collateral	2,390,691	2,371,587	2,199,021
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of June:			
Net sales	------	------	------
Net purchase	$239,762,900	$5,720,050	$22,507,500

Business Man's Bookshelf

Dynamic Factors in Industrial Productivity—Seymour Melman—John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y. (cloth) $4.75.

Automation and Electronics: A Guide to Company Experience (bibliography) — Management Research Service, 1342 Cherry Street, Kalamazoo, Mich. (paper) $1.

Economic Developments in Africa 1954-1955 (Supplement to World Economic Survey, 1955)—United Nations Report—Columbia University Press, 2960 Broadway, New York 27, N. Y. (paper) $1.

Economic Developments in the Middle East 1954-1955—(Supplement to World Economic Survey, 1955)—United Nations Report — Columbia University Press, 2960 Broadway, New York 27, N. Y. (paper) $1.50.

Eisenhower: The Inside Story — Robert J. Donovan—Harper & Brothers, New York, N. Y. (cloth) $4.95.

Pick's Currency Yearbook—Franz Pick — Pick's World Currency Report, 75 West Street, New York 6, N. Y. (cloth) $35.

Plant Location — Leonard C. Yaseen — American Research Council, Inc., 7 East 44th St., New York 17, N. Y. (cloth) $10.

Shareholder Democracy: A Broader Outlook for Corporations—Frank D. Emerson and Franklin C. Latcham—The Press of Western Reserve University, Cleveland, Ohio (cloth).

Shopping Centers — Five articles covering shopping centers from planning to completion and operation — Clinton Gamble — Gamble, Pownall and Gilroy, architects—1407 East Las Olas Boulevard, Ft. Lauderdale, Fla. (paper) Copies on request.

Stock Exchange Official Year-Book (London Stock Exchange) — 1956 — Volume I — Thomas Skinner & Co. (Publishers) Ltd., 111 Broadway, New York 6, N. Y. (cloth) Price (2 volumes complete) $33.

DIVIDEND NOTICES

ALUMINIUM LIMITED

DIVIDEND NOTICE

On July 18, 1956 a quarterly dividend of Sixty Cents per share in U.S. currency was declared on the no par value shares of this Company, payable September 5, 1956 to shareholders of record at the close of business August 3, 1956.

Montreal — JAMES A. DULLEA
July 18, 1956 — *Secretary*

Manufacturers of AMERICAN ENCAUSTIC TILING COMPANY, INC.

Ceramic Wall & Floor Tile

COMMON STOCK DIVIDENDS
Declared July 18, 1956

Quarterly—15¢ per share
Payable August 30, 1956
Record Date August 16, 1956

Special—5% Stock Dividend
Payable September 10, 1956
Record Date August 16, 1956

America's OLDEST Name in Tile

THE SOUTHERN COMPANY (INCORPORATED)

The Board of Directors has declared a quarterly dividend of 25 cents per share on the outstanding shares of common stock of the Company, payable on September 6, 1956 to holders of record at the close of business on August 6, 1956.

L. H. JAEGER,
Treasurer and Secretary

THE SOUTHERN COMPANY SYSTEM
Serving the Southeast through:
ALABAMA POWER COMPANY
GEORGIA POWER COMPANY
GULF POWER COMPANY
MISSISSIPPI POWER COMPANY
SOUTHERN SERVICES, INC.

AMERICAN & FOREIGN POWER COMPANY INC.

TWO RECTOR STREET, NEW YORK 6, N. Y.

COMMON STOCK DIVIDEND

The Board of Directors of the Company, at a meeting held this day, declared a quarterly dividend of 20 cents per share on the Common Stock for payment September 10, 1956 to the shareholders of record August 10, 1956.

IMPORTANT

This dividend will not be distributed to holders of the old Preferred and Common Stocks of the Company until such shares have been exchanged for the new securities to which those holders are entitled under the Plan of Reorganization of the Company, which became effective February 29, 1952.

Holders of the old stock are urged to communicate with the Company.

H. W. BALGOOYEN,
Executive Vice President and Secretary

July 20, 1956.

DIVIDEND NOTICES

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of Allegheny Ludlum Steel Corporation held today, July 12, 1956, a dividend of forty cents ($0.40) per share was declared on the Common Stock of the Corporation, payable September 29, 1956, to Common stockholders of record at the close of business on September 7, 1956.

S. A. McCASKEY, JR.
Secretary

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

A regular quarterly dividend of thirty-six cents ($.36) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable September 10, 1956, to the holders of record at the close of business August 10, 1956.

W. J. ROSE, Secretary

July 24, 1956.

Bayuk Cigars Inc.

A quarterly dividend of twenty-five cents (25c) per share on the Common Stock of this Corporation was declared payable September 14, 1956 to stockholders of record August 30, 1956. Checks will be mailed.

Charles L. Nace
Treasurer

Philadelphia, Pa.
July 20, 1956

GRIGGS EQUIPMENT, INC.

DIVIDEND NOTICE

On June 18, 1956, Directors of Griggs Equipment, Inc., manufacturers of school and church equipment, declared a quarterly dividend of Ten Cents ($0.10) per share on Common Stock, payable July 31 to record holders as of July 16, 1956.

O'okiep Copper Company Limited

Dividend No. 39

The Board of Directors today declared a dividend of twenty shillings per share on the Ordinary Shares of the Company payable September 4, 1956.

The Directors authorized the distribution of the said dividend on September 14, 1956 to the holders of record at the close of business on September 7, 1956 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to approximately $2.79 per share, subject, however, to any change which may occur in the rate of exchange for South Africa funds prior to September 4, 1956. Union of South Africa non-resident shareholders tax at the rate of 7.05% will be deducted.

By Order of the Board of Directors,
F. A. SCHECK, *Secretary.*

New York, New York, July 25, 1956.

MERCK & CO., INC.

RAHWAY, N. J.

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, and $1.00 a share on the $4.00 convertible second preferred stock, have been declared, payable on October 1, 1956, to stockholders of record at the close of business September 10, 1956.

CARL M. ANDERSON,
Secretary

July 24, 1956

DIVIDEND NOTICES

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share on the 10,020,000 shares of the Company's capital stock outstanding and entitled to receive dividends, payable September 15, 1956, to stockholders of record at the close of business August 24, 1956.

E. F. VANDERSTUCKEN, JR.,
Secretary.

UNION CARBIDE AND CARBON CORPORATION

A cash dividend of Seventy-five cents (75¢) per share on the outstanding capital stock of this Corporation has been declared, payable Sept. 1, 1956 to stockholders of record at the close of business Aug. 3, 1956.

BIRNY MASON, JR.
Secretary

Pullman Incorporated

356th Dividend and 90th Consecutive Year of Quarterly Cash Dividends

A regular quarterly dividend of seventy-five cents (75¢) per share will be paid on September 14, 1956, to stockholders of record August 20, 1956.

CHAMP CARRY
President

PULLMAN-STANDARD CAR MANUFACTURING CO. — KELLOGG — TRAILMOBILE

Sinclair Oil Corporation

600 FIFTH AVENUE
NEW YORK 20, N.Y.

COMMON STOCK DIVIDEND No. 103

On July 18, 1956 a regular quarterly dividend of 75 cents per share was declared on the Corporation's Common Stock, payable September 15, 1956 to stockholders of record at the close of business on August 15, 1956.

SINCLAIR
A Great Name in Oil

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 70

A regular quarterly dividend of 45 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable September 13, 1956 to stockholders of record at the close of business on August 31, 1956.

H. E. JACKSON,
Vice President and Treasurer

Dated: July 21, 1956.

DIVIDEND NOTICES

United States Pipe and Foundry Company

New York, N. Y., July 20, 1956

The Board of Directors this day declared a quarterly dividend of thirty cents (30¢) per share on the outstanding Common Stock of this Company, payable September 15, 1956, to stockholders of record on August 31, 1956.

The transfer books will remain open.

UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary & Treasurer*

UNITED STATES LINES COMPANY

Common Stock DIVIDEND

The Board of Directors has authorized the payment of a dividend of thirty-seven and one-half cents ($.37½) per share payable September 7, 1956, to holders of Common Stock of record August 17, 1956, who on that date hold regularly issued Common Stock ($1.00 par) of this Company.

CHAS. F. BRADLEY, *Secretary*
One Broadway, New York 4, N. Y.

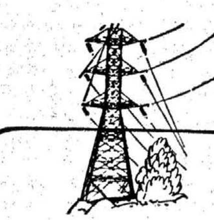
67th REGULAR DIVIDEND & SPECIAL STOCK DIVIDEND

The directors, on July 20, declared a regular quarterly dividend (No. 67) of thirty (30) cents per share on the Common Stock, payable on September 20 to shareholders of record August 7. The quarterly dividend (No. 5) on the 4½ per cent Cumulative Preferred Stock, Series A, at 28⅛th cents per share, and the quarterly dividend (No. 5) on the 5½ per cent Cumulative Convertible Second Preferred Stock, Series of 1955, at 41¼th cents per share, each will be paid on September 1 to shareholders of record August 7.

The directors have also declared a five (5) per cent stock dividend which will be distributed on September 20 to holders of Common Stock of record on August 7.

W. D. FORSTER, Secretary
July 20, 1956

SUNRAY MID-CONTINENT *Oil Company*
SUNRAY BLDG. TULSA, OKLAHOMA



Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

CUMULATIVE PREFERRED STOCK, 4.08% SERIES
Dividend No. 26
25½ cents per share.

CUMULATIVE PREFERRED STOCK, 4.24% SERIES
Dividend No. 3
26½ cents per share.

CUMULATIVE PREFERRED STOCK, 4.88% SERIES
Dividend No. 35
30½ cents per share.

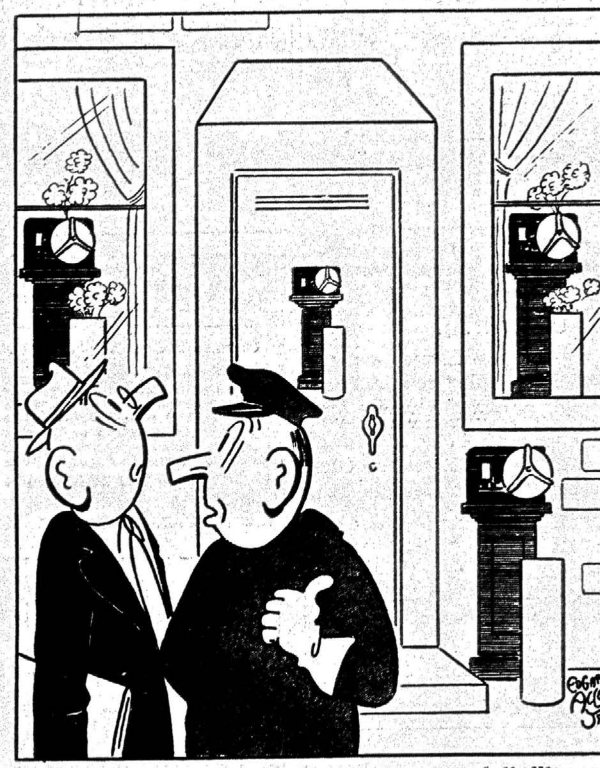
The above dividends are payable August 31, 1956, to stockholders of record August 5. *Checks will be mailed from the Company's office in Los Angeles, August 31.*

P. C. HALE, *Treasurer*

July 20, 1956

Edison

BUSINESS BUZZ



"Some people just can't retire gracefully!"

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—This fiscal year will be the year of the $70 billion Federal budget. This is the development which appears inescapable from the available current news.

First, there was the official announcement of the preliminary 1956 fiscal year budget results. They give an assessment of the Eisenhower fiscal trends and results. The Administration's promise (or alibi) that fiscal 1953 was a "Truman year" will be utilized in making comparisons.

Total Federal spending during the year just closed at $66,386 million was $7,888 million lower than the $74,274 million spent in fiscal 1953.

In January 1955, in submitting his budget for fiscal 1956, Mr. Eisenhower estimated revenues for the year at an even $60 billion, if Congress would continue the higher rates of corporation and excise taxes. Congress did. The actual revenues reported in the announcement of 1956 budget results were $68,141 million—$8,141 million more than was estimated some 18 months previously.

One of the startling conclusions from these figures is this: Between January 1955 when Mr. Eisenhower cast up his first estimates for fiscal 1956 and June 30, 1956, revenues exceeding the first estimates by $8,141 million were $253 million—a quarter billion—greater than the total achieved cut in all Federal spending from fiscal 1953 through 1956. The end of the Korean war made possible a cut in national security spending from 1953 to 1956 of practically $10 billion (actually $9,999 million).

Spending Rises $4 Billion

In January 1955, when Mr. Eisenhower made his estimates for fiscal 1956, he figured total Federal spending at $62.4 billion versus the (roughly) $66.4 billion which actually took place. This was a $4 billion rise in spending over an 18-month period.

Hence if the gods had not favored the Eisenhower Administration with a boom and revenues had held at $60 billion, the deficit would have been in the neighborhood of $6.4 billion versus the actual surplus of $1,754 million.

In other words, the figures of the preliminary results in fiscal 1956 tell one clear story: Control of spending has not been achieved and a fair surplus is simply left to Lady Luck.

On the other hand, if the Eisenhower Administration had been dedicated to holding down expenses, cutting other places to offset inescapable rises, the picture would have been different. In other words, if the Administration had held spending at $62.4 billion as first budgeted, the surplus instead of having been $1¾ billion, would have been about $5.7 billion.

Expenses Rising

It seems all but impossible that Federal spending will fall below $70 billion for the current year, which ends June 30, 1957.

For one thing, highway spending should rise by something like a billion dollars (it should rise some $2 billion per year on the average for the next 13 years beginning with this fiscal year). Even though some of these additional expenses will be met by additional taxes, this will not negate the rise in total spending.

Then there is military spending. The three services have submitted to the Secretary of Defense aggregate demands for over $48 billion of spending in fiscal 1958, next year. For next year the Administration must make drastic cuts in manpower or Armed Force levels to hold Defense Department military spending in the area of $40 million.

What gives rise to higher domestic military spending is the higher cost of the Buck Rogers war machine, and the fact that deliveries are beginning to rise finally on all sorts of equipment, Buck Rogers-type and conventional.

So Defense Department military spending probably will rise by something like $2 billion over the preliminary $35,686 million reported for 1956. (Incidentally, this sum exceeds total collections from individual income taxes.)

Soil Bank

Then there is the $1.3 billion by which the soil bank from now on will be added to the $4.1 billion paid out for farm price supports and soil conservation in fiscal 1956. As has previously been reported in this column, True D. Morse, Under Secretary of Agriculture, officially told a committee of Congress he could not say how many years it would be before the soil bank's operation would diminish the burden on the Commodity Credit Corp. price support operations. Of course, the latter could drop this year if between now and June 30, 1957, there was a general crop failure of great and national magnitude.

Finally, in addition to defense, highway, the soil bank, and military spending, government spending is increasing pretty generally all up and down the line. As compared with fiscal 1953, the following categories of government spending for 1956 were higher: Veterans benefits, public assistance grants, and interest on the public debt. There were, of course, cuts in some categories of spending over the three years.

Mouse Bites Cat

This is another of the "mouse bites cat" pieces of news. The Hebert subcommittee (after Rep. F. Edward Hebert, D., La.) of the House Armed Services committee, after investigating the profits of airframe manufacturers, came to the conclusion that they were not excessive.

Because of the relatively high rate of returns of some airframe manufacturers in relation to their invested capital base, many observers in Washington were sure that the Hebert subcommittee was bound to come up with recommendations that their profits were altogether too high especially inasmuch as there were heavy government investments in most of these plants.

It might be added that many of the companies themselves were nervous over the inquiry.

What happened is that which seldom happens in a Congressional investigation but which those who knew the judicial temper of Rep. Hebert and the combined financial acumen of both Mr. Hebert and his subcommittee Chief of Staff, John Courtney, expected. They examined the facts dispassionately and reported what they found.

"Adjustments either with individual companies or on individual contracts on redetermination will, in our opinion, more than account for what may appear, in a few instances, to be overpayments. When these are balanced off against the low profit contracts, it will then appear that on the average the profits of these 12 companies are not excessive," the Hebert group concluded.

Hits Renegotiation Delay

The Hebert subcommittee hit the long delay in contract renegotiation. It is anticipated that by this time, Congress will have extended the Renegotiation Act, with restrictive modifications, for another two years.

"We think it inexcusable to allow statutory renegotiation to be four years behind. If more help is needed, it should be requested, and four years is unfair to the government and unfair to the contractors, who are expected to plan for the future," the report observed.

"Planning is particularly important in an art which is progressing as fast as aerodynamics and all its counterparts. Vast sums are being expended in design competition and technical research, and to have statutory renegotiation impending for long periods is, in our opinion, a serious handicap to the progress of this industry as an arm of national defense."

Britain Reversing On Social Security

Britain for its early enactment of welfare proposals, is often looked upon as the mecca of the new "liberal" faith. Yet the Chamber of Commerce of the United States has brought to light the fact that the United Kingdom is seeing sentiment arising toward a reversal in the direction of "social security" as voted by Congress when it made eligible at age 50 persons disabled from work, and in some respects will lower the eligible pension age for women.

While Britain originally provided for pensions payable at age 65, by 1940 the eligible age for women had been cut to 60, while for men it stayed at 65. Recently a Royal Commission which studied social security in Great Britain recommended that the retirement age for both men and women be gradually moved up to age 68.

The Commission recommended this step because of the excessive cost of pensions at the lower age, because of the progressively-increasing proportion of people in the older age brackets, and because of the need for workers, the Chamber of Commerce noted.

[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.]

With Makris & Kakouris

(Special to The Financial Chronicle)

MIAMI, Fla. — Constantine D. Massouras has been added to the staff of Makris & Kakouris Investment Bankers, Ainsley Bldg.

Two With Keller Bros.

(Special to The Financial Chronicle)

BOSTON, Mass. — Norma A. Colsia and Samuel Colsia have joined the staff of Keller Brothers Securities Co., Zero Court Street.

Keller Co. Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Gordon B. Gershman has become affiliated with Keller & Co., 53 State St.

Forms Philip Khouri Co.

(Special to The Financial Chronicle)

BOSTON, Mass.—Philip Khouri is engaging in a securities business from offices at 10 State St. under the firm name of Philip Khouri & Co. In the past he was with Fred R. Harty.

With California Investors

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Thomas A. Carruth is now connected with California Investors, 3932 Wilshire Boulevard.