ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 184 Number 5562 New York 7, N. Y., Thursday, August 23, 1956 Price 40 Cents a Copy

EDITORIAL

As We See It

Compared to many, perhaps most, national election years, the uncertainties which the country must face as a result of the current political campaign are minimal, to use a medical term. True it is, of course, that the President has suffered two major illnesses and, as a result, his survival in good health for another full term is subject to more uncertainty than otherwise would be the case. Any successor during the term would inevitably come into office relatively unseasoned. It is likewise a fact that should Governor Stevenson, contrary to what appears to be the popular impression, be elected this autumn, he would have to prove himself able to hold the line he apparently is laying out for himself. But some such hazards as these, or others of comparable magnitude, are nearly always present.

Nevertheless, the general direction and the essential tone of another Eisenhower Administration or of a possible Stevenson regime are exceptionally well determined. President Eisenhower is now well seated in the saddle as leader and director of his party, and Stevenson with his extraordinary victory at Chicago is about as clearly the master of his party. Both have minorities to trouble them, and both may have to make concessions here and there, but there is no reason why either should not be able to set the course of his Administration in all essential matters. There was, of course, considerable doubt on this score when General Eisenhower took office in early 1953, and certainly the same could

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Prospects for Private Investment Abroad

By DR. JULES I. BOGEN*
Professor of Finance, Graduate School of Business, New York University

In analyzing prospects for private lending and investment abroad, Dr. Bogen observes: (1) banks and other lenders may increase commitments in event of a demand decline here and continued favorable investment conditions abroad; (2) individual equity ownership is still overwhelming, though institutional is becoming relatively more important; (3) continued plant-equipment spending spells still higher business demand for funds with substantially higher external corporate financing; (4) commercial banks again are primarily lenders rather than investors, and (5) consumer borrowing will continue heavy.

The personal savings of the American people are now invested mainly through financial institutions. This contrasts with the situation that prevailed in the 1920s, when a large proportion of personal savings was being invested directly in securities.

Dr. Jules I. Bogen

Because of this institutionalization of savings, interest in foreign lending and investing in the United States is profoundly affected by changes in the institutional structure of American finance, and by the character and magnitude of the demands for funds that are being made upon these financial institutions by domestic sources.

Profound changes have taken place in institutional structure of American finance since the prewar period. These changes are summarized in the following table, comparing assets of the

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*An address by Dr. Bogen before the Ninth Annual International Banking Summer School, Rutgers University, New Jersey.

Federal Highway Program And Its Implications

By ELIZABETH ELLSWORTH COOK
Publicity Manager, Hemphill, Noyes & Co., N. Y. City

Writer explains why Federal Highway Program may induce some states to give up building toll roads whereas others may still prefer to continue constructing toll facilities. Miss Cook points out Act (1) does not permit duplication to existing useful toll roads; (2) permits no dictation to states as to which roads to build and where; (3) constitutes a marked expansion-change compared to previous Federal aid programs; and (4) has a purpose besides the declared one, and cites Commerce Secretary's comment that it is the start of the greatest public works program in history. Finds constant ratio between wealth produced and transportation consumed obviously compels better highway systems.

On June 29 the President signed into law the Federal-Aid Highway Act of 1956. It sets up a 13-year plan for road building which may cost from $45 to $50 billion, the greater portion to be Federally collected taxes, the remainder to be supplied by the states. Experience with Federal projects suggests that it will cost more and will go on indefinitely. Indeed the wording of the law seems to assume that such will be the natural sequel of present plans.

Elizabeth E. Cook

Purpose

The law states, "It is hereby declared to be in the national interest to accelerate the construction of the Federal-Aid highway systems, including the Interstate System, since many of such highways, or portions thereof, are in fact inadequate to meet the needs of local and interstate commerce, the national and the civil defense." In his message to Congress in February 1955, President Eisenhower mentioned, as reasons for pressing his proposed program, national defense, highway safety, cost to motorists of poor roads, and the lag

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 28.

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

Getty Oil Company — Merton S. Allen, of Harris, Upham & Co., New York City. (Page 2)

Kaiser Steel Corporation—William H. Tegtmeyer, President, W. H. Tegtmeyer & Co., Chicago. (Page 2)

MERTON S. ALLEN
Harris, Upham & Co., New York City

The Getty Oil Company

The present Getty Oil Company listed on the New York Stock Exchange (symbol GET) was formerly known as the Pacific Western Oil. The name was changed on April 25, 1956.

Merton Allen

Getty is directly associated with four other companies whose shares are also listed on the New York Stock Exchange. They are Tide Water Oil, Skelly Oil, Mission Corp. and Mission Development. Directly or indirectly, Getty Oil controls each of these four corporations. In addition, Getty Oil controls numerous other valuable businesses and properties.

It would seem that all of the above is not being given full recognition in the market place, as Getty Oil is selling for a substantial discount below its true value.

The most important of all Getty's holdings is its control of Tide Water Oil. According to the latest reports, Getty holds 1,716,831 shares or 14.24% of Tide Waters stock. Collectively, another 50.82% of Tide Waters stock is held between Mission Corp. and Mission Development, both of which are controlled by Getty.

Getty holds 1,936,824 shares or 46.98% of Mission Corporation's stock. Mission Corporation in turn owns 3,412,280 shares or 59.38% of the stock of the Skelly Oil Co. Getty also holds 2,087,467 shares or 42.31% of the stock of Mission Development Co.

Obviously the situation is a very complicated one and somewhat difficult to evaluate, but if these holdings are broken down it makes it a little easier to comprehend (see accompanying table).

Aside from all of its holdings the Getty Oil Co. is a fairly substantial oil operator in its own right. In the United States during 1955, Getty produced some 3,739,398 barrels of oil from its net ownership of 556 productive wells. A total of 443,381 acres of oil property are held by Getty, of which only 8,601 acres have been brought to production so far. Getty also holds a 50% interest in the Saudi Arabia-Kuwait Neutral Zone. This interest alone produced more oil for Getty than all its United States holdings. In addition, the company holds a 0.41% interest in the Iranian Consortorium. This source provided 471,603 barrels of oil in 1955. Getty participates in the Canadian oil program in partnership with Skelly Oil, with Getty's share totaling a 67% interest. Net oil to Getty from this source was 96,537 barrels during 1955.

Getty also has substantial interests outside of the oil business. The company owns the Hotel Pierre in New York City as well as some property adjoining the Pierre, upon which Getty stated it intends to erect an office building. One of Getty's subsidiaries will have in operation, before the end of this year, a two and one-half million dollar hotel in Acapulco, Mexico.

Another of Getty's subsidiaries is Spartan Aircraft. This company is a major producer of Mobile Home Trailers. In addition to producing the trailers, Spartan has a division, the Minnehoma Insurance Co., which insures mobile homes and Minnehoma Financial Co., which finances mobile homes. Spartan is also in aircraft maintenance and repair and operates a school of aeronautics.

The total worth of Getty Oil in the market, including all preferred stock and debt, is about $344,000,000. Assuming its holdings of Tide Water, Mission Corp. and Mission Development are worth about $277,000,000, this leaves an evaluation for all the other Getty interests at about $67,000,000, which in the opinion of this writer, is not realistic.

Financially speaking, Getty is well off with cash at about $12.5 million slightly in excess of current liabilities of about $12.1 million. Current assets are about $32.7 million.

Getty's earnings of 38¢ per share for the first three months of this year were about double the 19¢ for the same period last year.

In 1955 Getty paid no cash dividends but did pay a 5% dividend in stock. Another 5% stock dividend was paid on the 29th of June this year.

As for capitalization, Getty has a long-term debt of $38,693,110, there are 1,285,807 shares of $0.40 preferred stock and 5,773,702 shares of common stock of which the Getty Family and Interests are known to hold about 81%.

In the opinion of this writer, there are a number of attractions in Getty Oil.

(1) It is in the oil business in a substantial way.

(2) The broad distribution of its oil properties and interests particularly its foreign holdings, make it an attractive situation.

(3) There is the romance that some day some or all of these interlocking companies, Getty, Mission Corp., Mission Development, Skelly Oil and Tide Water will see fit to combine their operations. Should this come to pass it is obvious that what would emerge could be another "Major" oil company.

(4) There is always the possibility that some of its oil or other interests may some day be "spun off."

(5) The mobile home business has good growth potential and its subsidiary insurance and finance business could be expanded upon.

(6) Its hotel and real estate holdings are attractive and undervalued besides possessing growth potentialities.

(7) The practice of paying a stock dividend is very favorable to those seeking growth and long-term capital gains.

(8) The small floating supply of stock gives the shares great leverage so that any news or unusual interest could cause the shares of Getty Oil Co. to have a sharp run up.

Because of the foregoing reasons, it is the opinion of this writer that the common stock of Getty Oil Co., selling for about $51 per share, is attractive for those seeking long-term capital gains.

Considering Getty Oil Company's interests in the Mid-East it might be worthwhile to make some comment on the Suez situation. As this article goes to press the Suez conference in London will be drawing to a close. What the results of the conference will be of course, is extremely difficult to predict. However, there are certain fundamentals in the oil industry which are very worthwhile keeping in mind. These fundamentals are: The major oil companies, Gulf, Royal Dutch Shell, Standard Oil of New Jersey, Texas Co., etc., control the bulk of the oil tankers in the world, they also control the refineries and the world's marketing facilities. If one recalls the outcome of the Iran refineries seizure a few years back and the result of that incident then one can appreciate the position of strength the major oil countries and companies hold. The Middle Eastern countries at the present time exist because of their sale of oil to the West. If they do not come to an agreement with the West their most valuable asset, oil, is worthless. No one else can purchase their oil. If they could sell the oil, they couldn't transport it. Obviously there are no refinery sources available and neither is there a marketing system. One can only conclude that ultimately peace must be made for the mutual benefit of all concerned.

Getty Oil Company Owns

No. of Shares	Company	Approx. Price	Total Value
1,716,831	Tide Water Oil	43	$73,823,733
1,936,824	Mission Corp.	45	87,157,080
2,087,467	Mission Development	37	77,286,279
			$238,267,092
	*Added for market disc. of Mission Development		12,524,802
	**Added for Mission Corp. discount		27,115,536
	Total true value of the above securities		$277,907,430

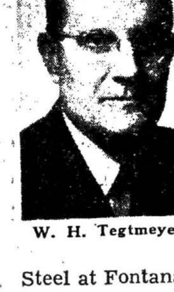
*Actually the only asset of Mission Development is its holdings of Tide Water Oil's stock. Behind each share of Mission Development's is 1.1025 shares of Tide Water. Therefore, Mission Development should actually be selling for 10% more per share than Tide Water. I believe the minimum compensation for this computation should be an additional credit of $6 per share to bring Mission Development's value more in line with Tide Water's.

**Each share of Mission Corp. represents about 4/5th of a share of Skelly Oil, worth about $51.20 per share of Mission. Plus 1/10th of a share of Tide Water, worth about $4.25⅛ of a share of Mission Development, worth about $4.50. This gives a true market value of about $60 per share for Mission Corp. Thus I have added $14 to each share of Mission Corp. that Getty holds to compensate for the discount at which Mission Corp. sells.

WILLIAM H. TEGTMEYER
President, Wm. H. Tegtmeyer & Co.
Chicago, Ill.

Kaiser Steel Corporation

A basic heavy industry such as Kaiser Steel supplies a diversified list of customers ranging from those who use steel for office buildings and pipelines, to those who use it for making tin cans and consumers' items.



W. H. Tegtmeyer

There are only two integrated steel producers west of the Rockies, Kaiser Steel at Fontana and U. S. Steel at Geneva, Utah. Kaiser Steel at Fontana has a freight ad-

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Investigation and Buying End Of Dynamic Investment Banking

By DUDLEY N. SCHOALES*
Partner, Morgan Stanley & Co.

Mr. Schoales offers a step-by-step explanation of investigation and buying, including its close dovetailing with syndicate or selling department, in investment banking. Comments on governmental ruling on compulsory competitive bidding, and points out the two financing trends since 1935—corporate bond refunding or refunding financing until 1944 to take advantage of lower interest rates, and increasing importance of private placement. Refers to responsibilities involved in sponsoring the issuance of securities and discusses need for: thorough, continuous research; tailoring debt and/or equity financing to meet particular current and future needs of the firm; simplifying capital structure; less restrictive covenants; and weighing the merits of private as against public sale.

I have been asked to talk about investigation and buying in investment banking. I think that the term "investigation" pretty well speaks for itself. The word "buying" on the other hand denotes, in investment banking parlance, something more than what it might mean to a layman.

Dudley N. Schoales

In investment banking language, the term "buying" and the buying departments of investment firms cover a broad field of subjects including:

Compilation of statistics.

Investigation.

Deciding what types of securities are to be issued.

Determination of protective and other provisions of the securities.

Working with lawyers, accountants and company officials in preparing the necessary papers, etc.

In short, "buying" means about everything connected with bringing a security issue to the market except syndication and selling. Thus, my subject covers a lot of territory and I will have to paint parts of it with a very broad brush.

At Morgan Stanley & Co. we are not departmentalized, but I have been in the buying or analytical end of the business rather than in selling and distribution.

Refunding and Private Placement Trends

I would like to point out one or two trends in financing in general over the past 15 years.

First — many of the highest grade corporate bonds which were sold during the 1920's carried interest rates of anywhere from 4% to 6%. With the beginning of government deficit financing and support of government bonds, and consequently encouragement of low interest rates, it became possible during the middle and late 1930's to effect substantial savings through refunding the bonds sold in the 1920's or earlier at lower interest rates.

Thus, a large proportion of the corporate bond financing during the period of continuously lower interest rates from 1935 to 1944 was for refunding or re-refunding purposes.

The second major financing trend since 1935 is that of private placements. I believe it is fair to state that before 1935 the private placement of securities played a very minor role in the over-all financing picture. Since 1935, however, private placements have become an increasingly important factor in the business.

There are no complete statistics as to the total volume of private placements, since little or no information is published as to many of such transactions. However, from the information that is available it would appear that during the past three or four years at least 40% to 50% in dollar amount of all corporate bond issues have been sold privately.

With this introduction, now let us turn to a discussion of investigation and buying. Perhaps the first item to consider should be:

Getting the Business

As you know, the freedom of corporate management to choose the method of finance which they consider best for their particular circumstances has been circumscribed in certain industries in recent years through governmental dictation of compulsory competitive bidding.

My firm has always felt that management should be free to choose such form of financing, through private placement, competitive bidding or by negotiation with bankers of their own selection, as they feel will best satisfy the need of their particular situation.

As to companies for which we have done business in the past, we regularly call upon the officers of the company and discuss with them their operations and financial requirements. We also study all of their published reports and

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*An address by Mr. Schoales before the Sixth Annual Forum on Finance for Graduate Students and Professors in American Colleges and Universities, sponsored by The Joint Committee on Education representing The American Securities Business, New York City, Aug. 20, 1956.

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†Column not available this week.

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, Aug. 23, 1956

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C. England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $60.00 per year; in Dominion of Canada, $63.00 per year. Other Countries, $67.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $40.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Worthy Worthington

By IRA U. COBLEIGH

Enterprise Economist

Presenting some current notes about a very old company in pumps, which has been busy pumping a lot of new earning power into its common stock—especially in the last decade.

Long before the Civil War (in 1840 to be precise) Worthington started out making pumps. They didn't have much around to pump then except water—no oil, no natural gas, and no chemicals to speak of. And even running water, made possible by pumps, was not especially common in those days featuring exterior plumbing. Now we do not propose here to present a wordy history of Worthington from those crinoline days of Custer and cast iron, down to the present; but rather to pick up the undulating fortunes of this time honored enterprise, from a point, in 1947, when new management entered. It was a timely entry, indeed, for between 1922 and 1943 no common dividend had been paid, and heavy arrearage had piled up on the preferred (cleared up in 1941).

Ira U. Cobleigh

Well what, precisely, would you have expected of a progressive management taking over the helm at Worthington Corp. a couple of years after World War II? Naturally the major goal was improved earning power, but how? One way was obviously to expand intelligently into lines related to the traditionally main endeavors of the company. Another way was to reduce, if possible, the cyclical nature of the business. And, finally, the application of real drive and energy (particularly in sales) by the management team, plus more efficient divisional organization, were essential to corporate revitalization. For the record, let it be said that all three of these major approaches to improve profitability were successfully applied at Worthington in a manner we shall briefly describe in the ensuing paragraphs.

About expansion, WTH, which had but eight plants in 1947, now has 18 in the United States and 12 abroad—30 altogether. To standard products such as compressors, pumps, diesel engines and steam turbines, whole new product lines were added: highway and construction equipment, including drills, diggers, concrete mixers and agitators, road pavers and rock hammers; air conditioning and heating systems; and, most recently, electronic and automatic control apparatus. This recent diversity in production has been built not only within the organization, but by merger. In 1954 the L. J. Mueller Furnace Co. (Milwaukee) was acquired. In the same year, Mullenbach Electric Manufacturing Co. (Los Angeles) was merged. This company was an established producer of control devices, and its acquisition launched Worthington into electronic and automatic controls centering around a patented device called "Capaswitch." This is a most sensitive electronic control. It is a relatively low cost, mass-produced item, believed to have a very bright future in automation systems and in servo-mechanisms.

Finally, in April of this year, WTH acquired the Mason-Neilan Regulator Co., producer of a broad line of valves and regulators for controlling pressures and temperatures. This unit, with $7.1 million in sales and $520,000 in net last year, was acquired in exchange for 121,800 shares of WTH common.

By the enlargements of the product list, and company acquisitions recited above, WTH has substantially broadened the sources of its earning power, and materially altered the historically cyclical nature of company operations. Not only that, but Worthington has expanded into lines of industry which are among those now experiencing the most rapid growth rates—air conditioning, automation, oil and natural gas, highway construction, and nuclear energy.

The position of WTH in air conditioning deserves special comment since it constitutes roughly one-quarter of net sales. In this industry today there are three major factors—Carrier, York (now going into Borg-Warner) and Worthington. Worthington has five plants devoted to this business, the largest being a new one in Decatur, Ala. WTH has not cluttered up its activities in this field (and the related line of refrigeration) with production and distribution of window-type conditioners—highly competitive in manufacture and the darlings of the discount houses. Instead, Worthington has specialized in large installations where competition is less acute, and technical tailoring, to special requirements, is required and rewarding. For example, the new air conditioning installations in such notable edifices as the Beverly Hilton Hotel (Beverly Hills, Calif.), the Chrysler Bldg. (New York), the new 20 Broad Street Building in New York (adjoining the Stock Exchange) and the new Travelers Insurance Building in Hartford, Conn., all will be delivered by Worthington. Profiting by its prestige in such major units as these, WTH has developed packaged units for stores, offices, factories and restaurants; and is now engineering centralized home units, in which merchandising area there appears great future promise. Even now, with all the window unit sales, only one home in 20 has air conditioning of this minimum variety; while year 'round central systems for household heating and cooling are found in but one house in a 100. To serve this potentially enormous field Worthington appears well equipped.

The $33 billion highway program offers substantial sales possibilities to Worthington since it now has a complete and effective line of everything from rock drills to pavers. In fact, the ready-mix concrete business, a vital element in road building, is one of the fastest growing fields in America; and to serve it WTH offers a splendid line of portable and stationary mixers.

The oil and natural gas industries have been repeatedly cited for velocity of growth; and pipelines are an integral part of both. But neither oil nor gas flow very far horizontally without help — pumps, to be specific. Well, these pumps, that propel and boost these petroleum products, in some instances for well over 1,000 miles—these pumps are importantly supplied by Worthington.

Water is important in our civilization whether flowing from a kitchen tap—or through Suez. The pumping of water has been a function of Worthington for over a century, and municipal water works rely heavily on Worthington equipment. Sewage disposal also requires heavy pumping, and so do large scale irrigation projects. WTH is also widely relied upon in these fields.

Among utilities, the Worthington name is well known for complete steam - electric generating systems. Ships on the Seven Seas carry Worthington pumps for daily use, and standby in the event of marine peril or disaster. In nucleonics, WTH has some of its equipment in atomic powered submarines; and should have a part in extension of atomic propulsion, possibly in commercial seacraft and aircraft.

Switching to financial matters, the company is displaying the right sort of growth curve in net sales, moving from $85 million in 1947 to an expected $165 million for this year. Working capital is good with a current ratio of almost 4-to-1 being maintained.

About the common stock, it has demonstrably become a better and stronger equity in each of the past nine years. Above $33 million in retained earnings has, in that period, been ploughed back into the property; and roughly $29 a share has been added totally in plant improvement and addition. Per share earnings have not quite kept pace with these capital additions primarily due to dilution created by conversion of the 4½% preferred (convertible into 3.6832 shares of common). Less than 10,000 shares of this issue remain now outstanding, however, and at July 1, 1956 common shares totaled 1,435,587. For the first time in history WTH common is expected to earn above $6, an eventuality that amply supports the current dividend rate of $2.50, and suggests the possibility of a year-end cash extra and, mayhap, some declaration in stock.

A number of savants in industrial equities find much that they like in Worthington common at around 55; and much backing in logic for a favorable opinion of these shares can be gleaned from the corporate progress in recent years, swiftly highlighted in today's piece.

The State of Trade and Industry

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

In its weekly business commentary Dun & Bradstreet discusses the rises in industrial production and has this to say regarding other factors of our economy.

Although the output of steel, electric power, coal, and lumber expanded this week, total industrial production was slightly below that of the similar period last year. Initial claims for unemployment insurance fell 6%; fewer layoffs in the textile and apparel industries were reported.

Despite some shutdowns for maintenance and repairs, steel output rose 49% this week. However, production remained 3% below that of a year ago. Steel mills set operations at 85.8% of capacity. Increased bookings for structural shapes and steel plates from the construction and railroad car industries noticeably expanded the blacklog of steel orders.

Automotive output declined 3% this week, and was 26% below that of the comparable 1955 week. Some plants were shut down for the model changeover period. The production of trucks was slightly below that of the previous week and the corresponding period last year.

There was a 20% drop in awards for heavy civil engineering construction contracts this week. The most noticeable decreases occurred in private mass housing and public construction, but commercial and industrial building rose somewhat. During the week the total dollar volume of contract awards passed the $14 billion mark. The cumulative total for the first 33 weeks of this year was 17% higher than that of the similar 1955 period.

Electric power production climbed 3%, and exceeded that of last year by 8%. Year-to-year gains ranged from 3% in the Mid-Atlantic States to 16% in the Rocky Mountain region. While petroleum output was close to the level of the previous week, it was 5% above that of a year ago. There was a 3% rise in coal production this week.

Although lumber producers reported a 2% gain in output this week, it was fractionally below the comparable 1955 level. Lumber orders expanded 2%, but shipments declined nearly 9%.

1955 Personal Incomes Hit Record Highs in 43 States

The Commerce Department reported last week that personal incomes hit record high levels in all but five of the 48 States last year, totaling $303,000,000,000, or an average of $1,847 for every man, woman and child.

The five States which reported lower incomes included Iowa, Nebraska, South Dakota, Kansas and Idaho; declining farm income was the reason. North Dakota lead in increases in total personal and average personal income totaling $882,000,000, being 16% higher than 1954, its average income of $1,372 was up 15% in 1955 ascribed to a "spectacular improvement in wheat yields." New York, with the nation's largest population, had the highest total personal income last year totaling $36,300,000,000. The ten top ranking states in average incomes were as follows: Delaware, $2,513, Connecticut $2,499, Nevada $2,434, District of Columbia $2,324, New Jersey $2,311, California $2,271, New York $2,263, Illinois $2,257, Michigan $2,134 and Missouri $2,062.

The highest income per person ranged from $2,513 in Delaware to $946 in Mississippi.

"Iron Age" Summarizes the Steel Situation

Steel consumers are starting to feel the backlash of the steel strike. News from the mills is not good. To make up for production losses, the steel companies are wielding a heavy red pencil on the order books, according to "The Iron Age," national metalworking weekly.

Compounding the problems of both users and consumers in the months ahead is the prospect of a slow recovery from the strike in terms of melting and rolling facilities. Maintenance troubles are popping up all over the lot, and will continue to plague producers throughout the year.

Blast furnace operating problems are increasing the pressure on available scrap supply. Some blast furnaces have not yet been brought into production. Others are experiencing premature breakouts and other delays due to the long shutdown. Roof cave-ins in openhearths and electric furnaces are holding down production.

Meanwhile, the pressure from consumers is mounting. Automotive is out of the picture during the model changeover period from a heavy volume standpoint. But the automakers are taking in steel. And the heat will be on again beginning in October.

The procurement problem in plate and structurals is desperate. Some buyers have been told they will get structurals ordered for July-August delivery but can expect nothing else for the balance of the year.

Most steel producers feel the industry will be operating at high levels well into next year—perhaps as far as May or June. This takes into account seasonal and growth demand, plus renewed inventory building in the first half of 1957. Part of this buildup will be a hedge against higher steel prices expected to be effective next July 1, if not before.

There are indications that the strike after-effects will pinch most late this month and in September. Construction slowdowns, curtailed drillings in the oil fields, and dwindling steel inventories in the hands of heavy equipment makers add up to a gloomy supply outlook.

The scrap picture is being knocked out of focus as the mills try to give the impression they don't need the scrap, while scrap people know they need it. The resultant tug-of-war has created

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Brazil—Inflated Giant

By A. WILFRED MAY

Reporting from Sao Paulo and Rio, Mr. May describes interrelationship of rampant boom dynamism and accompanying acute inflation. Details ingenious monetary printing-press devices (in shell game manner), and manipulation of foreign exchange rate. Cites political difficulties in curtailing subsidies, budget imbalance, and inflation.

SAO PAULO — It is a great temptation to use a prototype from some other country for a caption to a report from this booming community. But on groping between Houston, Los Angeles, Miami, Chicago, or Barcelona, one is confronted by the clear realization that Sao Paulo is unique. This is so not so much because of the stimulus being given coffee beans in lieu of oil, movies, or real estate; as owing to the diversification of the prosperity and also to the uniqueness of the building activity here. Without delaying for planning and design, the prosperous citizenry is rushing up, literally by the dozens, the most modern 25-story apartment buildings, semi-skyscraping office structures and industrial plants, interspersed with empty acreage, and adjoining luxury villas. Business building sales are up 81%, and apartment house sales 54%, over last year.

A. Wilfred May

Typical of today's dynamic Brazil (even more than is slower-moving Rio de Janeiro), is this most progressive city of all South America, with two and a half million inhabitants, and capital of a state larger than New York and Pennsylvania combined, but with one-third of its land almost uninhabited. During the past decade alone the city's population growth has been over two million.

Similarly is Brazil a nation of purposeful activity, full employment, money-making, and accelerating consumption, in advance of the development of its enormous natural resources. The world's largest republic, whose area of three and a quarter million square miles is equivalent to the United States-plus-Alaska, with a population one-third of all South America's and on the way to 100 milion with a present annual increase of 2.9%; with enormous natural resources of almost every kind including almost completely untapped oil; her capital goods production has risen 85% and her consumer goods output 43% during the past seven years, her electric power 10% annually, and her petroleum consumption 25% from year-to-year.

Foreign Capital Investment

Consonant with the domestic boom is a lively influx of foreign capital whose purveyors are confident of immunity from expropriation; enjoy a favorable foreign exchange situation; make a small initial commitment and borrow liberally and ride the inflation horse with products having no price ceiling.

Such capital investment, which has risen annually from $9½ million in 1952 to $89 million in 1955 and now totals $1.272 billion with a U. S. participation of $255 million, has gone into basic industries, including steel, chemicals, rubber, some metals and real estate. Squibb has a modern plant devoted entirely to the production of penicillin. Westinghouse together with Bendix are here. Anderson Clayton are big exporters of coffee and textiles. W. R. Grace have a number of interests, including a plant for plastics and other chemicals in which the German Hoechst interests are participating. Additionally, the Germans, who are generally battling the United States for the market here, have come in with Mannesmann with a steel tubing plant; Krupps with locomotives and steel products; Volksvagen, building a motor car factory; Mercedes-Benz with a plant for cars and trucks; DKW for cars and Bayer for drugs. The Japanese are currently arriving with textile manufacturing and machinery; as are French and Swiss (Brown Boveri) interests. And the Rockefellers, with a mixture of the profit and communal service motives, have been large investors in varied fields. Their present plans call for activities running the gamut from banking to the development of iron ore, to investment banking, including the distribution of stocks. Deltex, a subsidiary of Kidder, Peabody interests operating throughout South America, is selling shares in mutual funds, with portfolios of local securities for residents here.

The Inflation Base

But — keying and pervading this boom activity, both internal and imported, is the crucial factor of *inflation*. The inflation, chronic, steadily flows from all sources, and contains differences only in kind. These "kinds" have included some new facilitating inflation gadgets. For example, the budgetary balance situation on its face has not been too shocking, considering the following income and expense figures:

Government Receipts and Expenditures

(In billions of cruizeros, which has ranged from 30 to 85 to 75 to the dollar at present.)

Year	Receipts	Expenditures
1951	27.5	24.6
1952	30.7	28.4
1953	37.0	40.0
1954	46.5	49.2
1955	55.7	63.2

But in practice, these expenditure figures embody only those that are *authorized*, which customarily total far less than those actually made through supplementary outlays via government corporations—estimated at an additional 10 billion last year, with a deficit of 15-20 billion cruizeros expendable for 1956. The sizable deficits have resulted in large increases in money (cruizeros) in circulation: 13 billion in 1938, 50 billion in 1948, 91 billion in 1951, 104 billion in 1952, 151 billion in 1954, 185 million June last, and still rising even under the present Kubitschek "restraint" administration with its budget-balancing aims.

The Printing Press via the Shell Game

To avoid the general recognition of the use of the printing press, the following ingenious jugglery has been resorted to. The Government borrows from the Bank of Brazil (a government-owned Central Bank) *per se* through its General Credit Department, which goes to the Rediscount Department of the Bank, which rediscounts the paper given to it by the General Credit Department. The Rediscount Department in turn, on the basis of the paper, goes to the Treasury Department's so-called Amortization Fund and asks for paper currency, writing out an I O U to back its discounts, and thereby gets printed the necessary paper currency. Remarkably, every once in a while, the legislature passes a law conveniently wiping out the I O U of the Rediscount Department held by the General Credit Department, at the same time as the obligation of the National Treasury Department to the General Credit Department is wiped out, so they can call back their paper. Thus to the tune of a lot of jugglery, a la guessing under which shell is the pea—big increases in paper money are put in circulation, with nobody owing anyone thereior.

The price level, which stands at two and one half times the 1948 level (an advance half-way between Venezuela's unchanged condition and Argentina's), has risen 40% during the past year alone, and 15% during the past month.

Some prices are controlled by ceilings, as in the case of milk and bread, to the accompaniment of subsidies, which further swells the government budgetary deficit.

Reflecting the rampant speculation is the willingness to pay an effective interest rate on loans up to 25% annually.

Tax Policy Boosts Inflation

Adding to the inflation spiral is the tax system, with its lack of a capital gains tax combined with moderate levies on ordinary income (12% effective rate on $6,000 on individuals, and 20% flat on corporations). The appetite for real estate profits is particularly stimulated thereby.

Illusory Exchange Stability

Another side of the medal to the inflation process in the domestic economy, is its impact on the exchange value of the cruizero, on which a look of stability is maintained. Such stability is unfortunately deceptive, lulling even potential foreign investors into a false sense of security. Actually, stability of the cruizero is illusory, being the result of fraudulent export declarations, illegal transactions, and general manipulation. Export-wise there are 200 different exchange rates, according to countries and commodities. Export and import rates being government controlled, the quoted rate is a free financial rate, but not a free commercial rate. The foreign exchange market is an illegal market; representing evasion, which is increasing.

A good part of the nation's imports are earmarked for essential products, as wheat and oil; with the balance of payments having been weighted down with over a billion dollars of dollar debts, and a similar amount of other foreign obligations.

Also going to fundamentals behind the show of stability for the exchange rate is the fact that, in the face of the inflationary price rise since 1948, there has been an accompanying decline in exports, with deficits in the balance of payments. Adding to the difficulty is the necessity to pay in hard currency for certain essential imports. Thus, $260 million, or 25-30% of total imports, is required annually for the purchase of petroleum. While Brazil is beginning to sell industrial products, the sales are largely confined to other South American soft-currency countries.

Thus the country is, in a sense, living beyond its presently realizable means!

Beyond the generally deleterious and traditional effects of the inflation, two ancillary effects may be noted in this "laboratory of inflation." From the government's viewpoint, it lends so much money out through its agencies, which it gets back in devalued form. And from the industrialist's viewpoint, foreign and domestic, he is confronted by the depreciation problem involved with the great distortion of plant replacement cost under the inflation spiral. This, of course, is a clarifying accentuation of the security analyst's appraisal problem in the milder inflation countries.

Government Policy and Politics

Basically similar to the situation in the other democracies throughout the world is the government's balancing of sound economic policy versus considerations of politics. President Kubitschek is a post-Fair Dealish Vargas *Moderationist* a la Eisenhower, who would like to get back as much of the free economy as he dares to politics-wise. He has made serious gestures at budget balancing, caters to the foreign private investor, and is credited with wanting to eliminate government interventionism wherever possible. But on the all-important question of the nation's oil resources development —still virtually untapped—he has not considered himself able to combat the pro-nationalist sentiment that insists on taking it out of the hands of the government institution, Petrobraz, into experienced and effective foreign developers (as Venezuela has so happily done).

And bearing on the vital budget-inflation problem, similarly the political-economic choice is faced with no easy answer—the courageous anti-political choice may satisfy the motive for integrity, but from the economy's viewpoint be completely futile in the likely event of subsequent government replacement by the interventionists. As a recent example (as under the "free economy" U. S. Republican administration), the minimum wage rate was raised, entailing additional budget-upsetting subsidies to food producers to maintain the equally needed show of some consumer price stability.

Another stumbling block to reflation is posed by the Army, maintained out of all proportion to any need at great cost, but whose curtailment seemingly would cost any government's political neck. In the economizing area, the United States' Hoover Commission Report dilemma likewise pervades South America!

The Aid Question

As this is being written, details of the latest Export-Import Bank loan, which seemingly was negotiated a fortnight ago, have finally become ascertainable, from inside quarters, down here. The seeming agreement for an immediate outright grant of $50 million — 50% for port facilities improvement and 50% for electric energy, with $100 million additional to be despatched upon the passing of a law now pending in the legislature for reorganization of the railway system—is a small stop-gap that has elicited mixed reactions. The typical attitude towards the question of aid, as well as the economics and politics entailed throughout this and the other South American countries, will be analyzed in a subsequent article.

With Haseltine, Gilbert

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Edward P. Clark has joined the staff of Haseltine, Gilbert & Wilson, Inc., 108 South Ninth Street.

Joins A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Claude T. Brown is now with A. M. Kidder & Co., Guardian Building.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Raymond W. Taylor has become affiliated with Minneapolis Associates, Inc., Rand Tower.

Forms G. B. Powell Co.

NORFOLK, Va.—Geo. B. Powell Company, Inc. has been formed with offices at 702 Duke Street to engage in a securities business. Officers are George B. Powell, President and Treasurer; K. B. Powell, Vice-President; and E. C. Miller, Secretary.

Theory, Policy and Practice In International Finance

By FRANK A. SOUTHARD, JR.*
U. S. Executive Director, International Monetary Fund

Well known international economist discusses formulation and application of economic foreign policy in the field of international finance. Advises practitioners to know political-economic theories underlying policies in order to apply practical course of action, and not be overly critical or orthodox to the extent concessions cannot be made to special circumstances. Refers to Mexico, Peru, Canada, Chile, etc., to illustrate: small and often unnoticed steps taken towards generally agreed upon currency convertibility; wide acceptance of fixed—rather than fluctuating—rates, and unitary—instead of multiple—rates; and growing recourse to monetary-fiscal policies in place of domestic direct controls, exchange control, and import quotas.

Students in each generation amuse themselves by arguing whether a proposition may be good theory but may not work in practice. It is a happy subject for debate since either side can be sustained readily enough for purposes of an idle hour which might otherwise have to be spent in study. Moreover, it focuses attention on a major aspect of the social scientist's profession. It is his responsibility to be well-grounded in the theory of his subject, in order that he may practice his trade. If his theories are sound, they will work in practice if he will learn how to apply them. If they are not sound, they will not work; and he will find himself confused and defeated when he seeks solutions to the problems which confront him.

F. A. Southard, Jr.

I think it may be said—indeed, it has probably often been said—that the intelligent application of theory is the art of the practitioner. This must have been in the mind of a government official who exclaimed in exasperation, when one of his staff quoted a regulation to him, that he could get a $2,000 a year clerk to apply the rules; what he needed was someone who knew when to ignore them.

With this much by way of introduction I want to talk about the formulation and application of policy in the field of foreign affairs. I intend to draw my examples from international finance because it is in that area that I have been closest to the business of the practicing economist. But what I shall say is equally illustrative of the operating problems which the practitioner encounters elsewhere in foreign affairs.

Theory, a Policy and Course of Action

Theory is the indispensable foundation of policy. I have participated in policy-making in military government, in the United States Government and in the International Monetary Fund. I have learned that in the economic field it is possible to formulate sound and acceptable policy only on the basis of sound and agreed theory. Let me cite an example or two. The first example is gold policy, concerning which there is a very substantial amount of agreement in this country and abroad, although the agreement is not unanimous. I do not intend to take a detour into this complicated subject. I cite it only to make the point that no one can develop a cohesive and arguable policy on gold until he has adopted a theory respecting the role of gold in modern economic society. This includes the relationship between the price of gold and the general price level, the functioning of gold reserves and legal minimum reserve requirements, and so on. Such disagreement as exists respecting gold policy, both in the United States and in other countries, arises chiefly out of disagreement on these matters of theory. Take another example, the policy respecting currency convertibility. There is very nearly unanimous agreement both in this country and abroad on the broad outlines of this policy. This broad agreement arises out of widely-accepted theories which explain how exchange rates are determined, how equilibrium is maintained or restored in balances of payments, and how convertibility is related to the allocation of resources.

Theory is prerequisite to policy; and it is no less true that policy is prerequisite to the determination and application of practical measures in the foreign economic field. If there is agreement on the policy to be followed, it will ordinarily not be difficult to reach agreement on the course of action. If there is no policy or if there is disagreement over policy, there will be disagreement and frustration in the field of practical application. It is often very tempting to decide to proceed on an *ad hoc* or case-by-case basis. Indeed, there is nothing wrong with this procedure if it has been preceded by agreement on the broad lines of policy which are to be applied to each case. But proceeding *ad hoc* is no substitute for policy. Anytime a committee or a government or an international institution seeks to cover up the lack of a policy or disagreement over policy by agreeing to proceed case by case, it is more likely to harvest confusion and failure, than solutions to the problems which confront it.

Demonstrate Rather Than Impose

It should be emphasized that policies cannot readily or successfully be imposed on a country, even though other countries may agree that they are sound and desirable. Institutions like the Fund—or, indeed, the United States Government—must be prepared to demonstrate that the policy can be carried out so as to benefit the country that is being urged to accept it.

In the rest of my talk I will discuss some of the ways in which foreign economic policies are applied. I shall describe four policies, and explain briefly the theoretical basis on which each one rests. I shall then cite some cases to which these policies have been applied in the last ten years. Some of these cases will be concerned with foreign exchange, and I am sorry about this because I know that there is a certain aura of mystery about foreign exchange which repels a good many people.

The four policies I have selected relate to the convertibility of currencies, the par value system, unitary exchange rates, and the maintenance of stability through monetary and fiscal measures. It should be emphasized that on the first three there is firm international agreement; and the countries which are members of the Fund are pledged to carry them out as fully as feasible. Possibly I should also say that these four policies stand at the heart of international finance.

Acceptance of Currency Convertibility

The first policy deals with currency convertibility. Stated in the fewest words, this policy argues that a currency should be freely and fully convertible into other leading currencies at the option of the holder. There are few policies in the financial and economic field on which there is broader agreement throughout non-Communist countries, and this is not surprising since the underlying theory is simple and clear. If a country's currency is fully convertible and quotas have largely been abolished, the people in that country are able (allowing for tariffs) to buy anywhere in the world on the basis of price and quality. Trade takes place on a multilateral basis and payments can be settled in any currency. There is therefore no reason to discriminate in favor of the goods of another country or group of countries. In other words, a fully convertible currency is an important part of the freely-operating competitive system in which primary reliance is placed on the price mechanism. There are some who argue that exchange control is a useful means of guiding the allocation of resouces and who distrust currency convertibility. But there is broad agreement in most countries that currencies ought to be fully convertible, and that inconvertibility introduces important distortions into an economic system.

Maintains There's Convertibility Progress

It has to be admitted that scarcely a dozen of the 58 members of the International Monetary Fund maintain fully convertible currencies, although at least as many more come fairly close to full convertibility. Indeed, so slow and at times so difficult has been the progress toward general currency convertibility during the last 10 years that the basic policy sometimes seems to have been more honored in the breach than the observance. There have even been occasions, such as the period before the currency devaluations in 1949 or during the ups and downs which followed upon the Korean War, when to urge currency convertibility took on the unreal aspect of a counsel of perfection.

Yet what has happened has been not the abandonment of policy but persistent and effective efforts by governments and central banks to carry out the policy. In a few cases (I think of Canada and Peru) currencies have been added to the list of convertible ones. In others (such as Mexico) convertibility has been maintained through courageous effort. In most countries, however, what has happened has been that many small and often unnoticed steps have been taken to eliminate restrictions on payments and to increase the freedom with which exchange transactions can be carried out. In some, such as the Benelux countries, these many steps have brought the currencies very close to full convertibility. In others, such as the important case of sterling, there is still a considerable distance to go but the progress made has been notable.

Cumulative Effect of Small Steps

The officials who are concerned with making progress find that the task confronting them over and over again is to decide whether another step toward the goal of full convertibility can be taken with success. Sometimes the step is a tremendously big one and the decision to be taken is agonizingly great. This was true in Mexico in 1949, when the decision was taken to restore the peso to a fixed par value. Nor was it easy for the United Kingdom officials to decide about a year ago that it was tolerably safe to support the market for transferable sterling and to acquiesce in greater freedom of use of that kind of sterling. In other instances the decisions are small ones, such as whether to remove a few more import restrictions. But if enough of these small decisions are taken their effects become cumulatively great.

What needs to be emphasized is that most countries in the free world agree as a matter of general policy that currencies should be fully convertible. This agreement on objective gives firm guidance to officials of treasuries and central banks which enables them to surmount setbacks and to maintain the momentum of advance. If there was not this agreement on policy which has withstood all challenges since the war (and there have been many), we can be quite sure that the forward movement would have been broken up by vacillation and confusion.

Countries Prefer Fixed Exchange Rates

The second policy which I want to talk about is what may be called the par value policy. This policy argues in favor of a fixed exchange rate, which moves only narrowly above and below par. The alternative, of course, is a fluctuating exchange rate, and among economists and among public officials there always has been and still is some disagreement concerning the relative merits of these two exchange policies. Nonetheless, when the International Monetary Fund debated this issue in 1951 there was firm and virtuallly unanimous agreement, summarized in the Annual Report of that year, that the policy of fixed rates of exchange (which is set forth in the Articles of Agreement) was the policy which was most desirable for most countries most of the time. In fact, most countries do endeavor to maintain fixed exchange rates, changing them only when it is clear that a new level of rates is necessary in order to balance international income and outgo.

The par value policy is widely accepted — by the International Monetary Fund, the United States, the United Kingdom, all of the important countries of Western Europe and Asia, and by most other countries. But there are instances in which fixed exchange rates give way to fluctuating rates, or in which the possibility of a shift to a fluctuating rate is raised for consideration. Let me cite some of these cases.

Mexican Situation in 1948

One type of case may be illustrated by Mexico, which in 1948 was obliged to abandon the fixed par value for the peso and allow the exchange rate to fluctuate. Alternative courses of action such as the imposition of exchange control were rejected, and in my judgment wisely so. There then followed a period not only of fluctuation but of depreciation in the foreign exchange value of the peso, largely a consequence of domestic instability. In 1949 the peso was stabilized at a new par value. It required great courage and discernment by responsible Mexican officials to decide when it was feasible once again to stabilize the peso and at what rate to stabilize it. In the event, the decisions were sound, and in fact Mexico did not need to draw on available stand-by facilities at either the International Monetary Fund or the United States Treasury to support the new rate.

Another group of cases, illustrated by Canada, Peru and Thailand, are characterized by fluctuating but stable rates of exchange. By that, I mean rates that are not tied rigidly to a fixed par value, but which nonetheless do not fluctuate very much because they are supported by generally stable costs and prices in the domestic economy. In the light of the agreed general policy these are interesting cases, in part because they persistently raise the question of timeliness of the resumption of a fixed par value. However, the practitioner may decide to satisfy himself with substantial stability of exchange rates, even though the par value policy is not being observed.

Use of Two Fluctuating Rates In Chile

Then there is the example of Chile, which is currently being watched with great interest by all students of international finance. Chile has suffered many years of continuous and serious inflation which has in recent years sent the price level up 100% or more per year. In order to adjust the exchange system to this persistent internal instability, Chile resorted to multiple exchange rates which were complicated and which despite frequent adjustment were seldom adequate to maintain balance in Chile's international accounts. None of this was satisfactory and there were many efforts at stabilization, all of them failures. Now a major and promising effort is being made to stop domestic inflation. This includes firm control of credit, a cutting of the unending spiral of mandatory wage increases to match price increases, vigorous efforts to stop inflation-breeding fiscal deficits, and fair treatment of capital investment. At the same time the complicated multiple exchange rate system has been replaced by two fluctuating rates of exchange, which so far have remained quite stable. These fluctuating rates are being used to smooth the transition from the internal instability and exchange rate chaos of the past, to stability and an orderly exchange system. An exchange stabilization fund of $75 million was provided for this operation by the International Monetary Fund, a group of United States banks and the United States Treasury.

Few if any issues in the field of economic foreign policy are in practice more difficult to judge than those involving a choice between fixed and fluctuating exchange rates. At times the question is what attitude to take toward a proposal by a country to introduce a fluctuating rate. At other times, the issue is whether a country should be advised to replace exchange controls by a fluctuating exchange rate, or to replace an unrealistic fixed rate by a fluctuating rate for a trial period. At still other times the question is whether a country that has a flucutating rate should be urged that the time for exchange stabilization has arrived. In all these cases the practitioner will find great assurance in the agreed par value policy. But it will not give him a ready-made solution to each case.

Bewildering Variety of Multiple Rate Arrangements

The third policy which I want to talk about for a few minutes asserts that a unitary exchange rate is preferable to mulitiple exchange rates. The basis of this policy is easily stated. A unitary exchange rate will have broad, over-all effects rather than in-

*An address by Dr. Southard before the Fletcher School of Law and Diplomacy, Tufts University.

tended or unintended selective effects on the national economy. If all exporters in a given country must use the same exchange rate, there will be no deliberate encouragement of one field of production rather than another. If all importers must use the same exchange rate, there will be nc deliberate favoring of the importation of one commodity instead of another. So persuasive are these advantages that there is wide agreement on the desirability of unitary exchange rates, and this policy is firmly entrenched in the Articles of Agreement of the International Monetary Fund. Moreover, nearly all industrial countries and many underdeveloped countries maintain unitary rates of exchange. At the same time, however, many countries continue to prefer multiple exchange rate systems, and the Monetary Fund was given the power to approve or disapprove these systems.

So bewildering is the variety of multiple rate arrangements, and so eloquent are the arguments offered in their support, that this is a field rich with examples of the difficulties which confront the practicing economist as he seeks to apply a clear and simple policy to practical cases. In fact, if there is anyone who thinks that the formulation and execution of economic foreign policy is a relatively simple job, this is an excellent place to become disillusioned.

Why Multiple Rates Are Used

Some countries have an official exchange rate for most transactions, but have a free exchange rate for some transactions like capital and remittances. They do so in order to allow greater freedom for such transactions, intending in an emergency to rely on fluctuations in the free rate rather than to use reserves. Other countries have a number of different import rates of exchange—sometimes fixed and sometimes fluctuating. They do so for various reasons; for example, to encourage imports of so-called essential goods and discourage imports of luxuries; or to achieve exchange depreciation on a piecemeal basis, by gradually shifting commodities from higher to lower rates. Countries also frequently have several export rates of exchange. Sometimes they do this in order to tax some exports and encourage others. In some cases, the purpose is temporarily to withhold income from some exporters as a means of damping off inflation. In other cases, governments simply want to earn income from the wide spread between the export and import rates.

Now a number of these purposes can be achieved in other ways than by means of multiple exchange rates. There are better ways to encourage exports, to subsidize imnorts, to tax profits, and so on. But officials in a good many countries continue to make use of multiple rates, and the practicing economist must exercise patience and persuasion in advising them. He must recognize the practical problems confronting the financial authorities in these countries, arising out of weak tax systems and powerful local interests. At the same time, he must argue the merits of unitary rates of exchange. He must try to show how penalty export rates tend to discourage basic export industries; and that multiple import rates may have peculiarly perverse effects on the development of domestic industry, discouraging more essential industries and encouraging less essential industries. For example, in one Latin American country, since everyone agrees that shoes are essential, shoe imports were of course given the most favorable import rate. What was unexpected, however, was that the War Ministry shod the army with imported shoes, not because local shoe factories were incapable of supplying shoes at reasonable cost, but because they were unable to compete with imported shoes which were being subsidized by a very favorable exchange rate! It is satisfying to be able to report that this country, after assessing the obsurdity of this and some other consequences of its multiple exchange rate system, abolished the whole system and has since then successfully operated an exchange system based on unitary rates of exchange.

Belief in Sound Monetary and Fiscal Measures

The last of the policies I shall discuss provides that sound monetary and fiscal measures should be the principal means of achieving and maintaining stability in the domestic economy. These measures, coupled with properly adjusted exchange rates, are preferable to direct controls (such as rationing) in the domestic economy, and to exchange controls and import quotas. There has been so striking a revival of reliance on monetary and fiscal measures that it can now be said that this policy is very widely agreed to. In fact, there are few among the members of the International Monetary Fund that do not recognize the merits of firm and vigorous monetary and fiscal policy, and are not striving to improve their capacities to apply it.

This is a challenging field. Great advances in techniques have been made and the officials of underdeveloped countries are virtually without exception eager to learn the most effective ways in which to reconcile vigorous economic development with financial stability.

Advice Cannot Be Too Orthodox

But when the practicing economist takes on the task of advising countries how to apply the best monetary and fiscal techniques, he should be cautioned not to be too orthodox. For example, he will certainly urge that the country must avoid contributing to inflation through fiscal deficits. But he will do well not to ignore the reasons why revenues obtained by the best types of taxation are inadequate and in the short run may not be made adequate. For example, he may find that taxation of the profits of important industries is ineffective and that this is why penalty exchange rates on exports or exchange surcharges on imports may have to be used to obtain revenues. This is unorthodox and not very desirable; but if it is effective and is non-inflationary or anti-inflationary, the sensible course is not to be too critical.

The practicing economist certainly will have in mind that a well-developed arsenal of financial techniques in modern times will include reserve requirements, open market operations, and variations in the rediscount rate. But as he moves from one country to another in his role of adviser, he may find that this country has no central bank at all, the next country has practically no money market within which open market operations could take place, and another country may be only on the threshold of experiments with reserve requirements and changes in rediscount rates.

I am nearing the end of this heavy dose of international finance. What I have been saying can be summarized in a few paragraphs.

Summary

First, before we try to formulate policies in the foreign economic field we must be familiar with the political, economic and sociological theories which should underlie sound policies.

Second, there is no substitute for sound policies. If there are sound and agreed policies, the practical problems which press for solution can be tackled with reasonable prospect of success. If we do not have sound policies as a guide to action, we will stumble from one individual case to another with no criteria by which to determine the difference between improvisation and consistent and workable solutions.

Third, sound policies are essential, but they do not free us from the necessity of exercising imagination and judgment in applying them to practical cases. Nothing will more surely lose for a technical adviser the confidence of the officials of foreign governments and central banks than the habit of mind which leads him to insist that there can be no concession made to special conditions and circumstances.

Joins A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William P. Hannegan is now with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

BELLEVUE, Neb. — John H. LeGwin is now with King Merritt and Company, Inc.

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Earl H. DeVane is now connected with King Merritt & Company, Inc.

Forms United Investors

MINEOLA, N. Y. — Robert G. Huck is engaging in a securities business from offices at 254 Jericho Turnpike under the firm name of United Investors Service.

With H. C. Wainwright

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William W. Dyer, Jr., has become connected with H. C. Wainwright & Co., 60 State Street.

God Give Us Men

The following verses by J. G. Holland express the Need of the Hour inasmuch as the Democratic and Republican parties have chosen their candidates for President and Vice President and the electorate will pass judgment on their merits and demerits November 6th.

"God give us men! The time demands
Strong minds, great hearts, true faith and willing hands;
Men whom the lust of office does not kill;
Men whom the spoils of office cannot buy;
Men who possess opinions and a will;
Men who have honor; men who will not lie;
Men who can stand before a demagogue
And damn his treacherous flatteries without winking;
Tall men, sun-crowned who live above the fog
In public duty and in private thinking.
For while the rabble with their thumbworn creeds,
Their large professions and little deeds,
Mingle in selfish strife, lo! Freedom weeps!
Wrong rules the land and waiting Justice sleeps!"

—J. G. Holland.

Forbes Randolph Opens

Forbes Randolph is engaging in a securities business from offices at 108 East 86th Street, New York City.

A. L. Schonfeld Opens

LAKE SUCCESS, N. Y.—Alfred L. Schonfeld is engaging in a securities business from offices at 10 Vanderbilt Drive.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Energy Review—Bulletin discussing latest developments in uranium industry — Harris Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a bulletin of suggested stocks for appreciation with good yield, and reports on **W. R. Grace & Co.** and **Continental Can.**

Atomic Letter (No. 20)—Comments on atomic food irradiation, British uranium buying in Canada, etc. Also available Atomic Fund's annual report illustrating atomic industry by means of color photos—Atomic Development Mutual Fund, Inc., Department C, 1033 Thirtieth Street, N. W., Washington 7, D. C.

Beet Sugar — Bulletin — Lamborn & Company, Inc., 99 Wall Street, New York 5, N. Y. Also available is a report on the Cuban sugar situation.

Do Sunspots Affect Men and Markets?—In current issue of American Investor—American Stock Exchange, 86 Trinity Place, New York 6, N. Y.—$1 per year. Also in the August issue is a discussion of the foreign market, and articles on **Sayre & Fisher, Servo Corporation, Standard Factors, Horn & Hardart Company,** and **Belock Instrument.**

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

High Energy Fuels—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

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

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

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

Pocket Guide for Today's Investor—Pamphlet containing lists of selected securities for income, growth and trading—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

Three Dynamic Growth Industries of Tomorrow—Folder charting growth of chemical, electronic industries, and Atomic Energy Commission expenditures—N. C. E. Shares Distributor, 11 East 49th Street, New York 17, N. Y.

Treasure Chest in the Growing West—Booklet on the industrial advantages offered by the area served—Dept. K, Utah Power & Light Co., Box 899, Salt Lake City 10, Utah.

* * *

Alabama Gas Corporation—Bulletin—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

Associated Dry Goods—Data in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a brief analysis of **Norfolk & Western Railway Co.** and a list of 40 selected common stocks of companies with only common shares outstanding.

Bankers Trust Company—Report—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

British Aluminium Co.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Camco, Incorporated—Analysis—Gruss & Co., 30 Broad Street, New York 4, N. Y.

Climax Molybdenum Company—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Diebold Incorporated—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Ferro Corporation—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Chemical Stocks.**

Great Western Financial Corporation—Report—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Gulf Sulphur Corporation—Analysis—Crockett & Co., Houston Club Building, Houston 2, Tex.

H. J. Heinz Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Kaiser Steel Corp.—Memorandum—Wm. H. Tegtmeyer & Co., 39 South La Salle Street, Chicago 3, Ill.

Life Insurance Co. of Missouri—Memorandum—R. S. Dickson & Co., Wilder Building, Charlotte, N. C.

Link Belt Co.—Memorandum—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Livingston Oil Company—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

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

Montgomery Ward & Co. Inc.—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **Seaboard Finance Co.** and a study of **Supermarkets** with particular reference to **American Stores Company, First National Stores, Inc., Great Atlantic & Pacific Tea Co., Jewel Tea Co., Inc., Kroger Company** and **Safeway Stores, Inc.**

National Supply Company—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a discussion of **Bestwall Gypsum Company.**

North American Cement Co.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 4, N. Y.

Osborn Manufacturing Company—Analysis—Bond, Richman & Co., 160 Broadway, New York 38, N. Y.

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

Richfield Oil Corp. — Memorandum — Goodbody & Co., 115 Broadway, New York 6, N. Y.

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

Texas National Petroleum Co.—Analysis—Eastern Securities, Inc., 120 Broadway, New York 5, N. Y.

Trust Company of North America—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

Westinghouse Electric Corporation—Bulletin—Edward A. Purcell & Co., 50 Broadway, New York 5, N. Y.

Wheeling Steel Corporation—Bulletin—Mellott, Thomson, Pitney & Co., 29 Broadway, New York 6, N. Y.

Zapata Off Shore Company—Bulletin—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Business Man's Bookshelf

How to Calculate Quickly: Rapid Methods in Basic Mathematics—Henry Sticker — Dover Publications, Inc., 920 Broadway, New York 10, N. Y. (paper) $1.

International Trade 1955—Columbia University Press, 2960 Broadway, New York 27, N. Y. (paper) $1.50.

Managing for Tomorrow — W. E. Upjohn Institute for Community Research, 709 South Westnedge Avenue, Kalamazoo, Mich. (paper)—Single copies on request.

Prerequisites for a Guaranteed Annual Wage — W. E. Upjohn Institute for Community Research, 709 South Westnedge Avenue, Kalamazoo, Mich. (paper) single copies on request.

Pulp and Paper Prospects in Latin America—Food and Agriculture Organization, United Nations—Columbia University Press, 2960 Broadway, New York 27, N. Y. (paper) $4.50.

Savings and Loan Fact Book: 1956 —United States Savings and Loan League, 221 North La Salle Street, Chicago 1, Ill. (paper).

Security Dealers of North America —Mid-Year 1956 Edition—Completely revised directory of all stock and bond houses in United States and Canada; geographically arranged — fabrikoid — Herbert D. Seibert & Co., Inc., 25 Park Place, New York 7, N. Y.—$12.

Shopping Centers — Study of retail operations in shopping centers—National Retail Dry Goods Association, 100 West 31st St., New York 1, N. Y.—$10 per copy ($6.50 to members of the Association).

Walker's Manual of Pacific Coast Securities — Walker's Manual, Inc., 333 Kearney Street, San Francisco 8, Calif.—price on request.

COMING EVENTS

In Investment Field

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

Sept. 1-2, 1956 (Minneapolis, Minn.)
National Association of Bank Women 34th Convention and annual meeting at the Hotel Radisson.

Sept. 14, 1956 (Chicago, Ill.)
Municipal Bond Club of Chicago 20th annual field day at the Medinah Country Club (preceded by a dinner Sept. 13 at the University Club of Chicago).

Sept. 20, 1956 (Des Moines, Iowa)
Iowa Investment Bankers Association annual field day at the Des Moines Golf and Country Club.

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.

Eastman Dillon, Union Secs. Partners

When the firm of Eastman Dillon, Union Securities & Co. is formed Sept. 1, the following officers of Union Securities Corporation will become partners in the new firm: Joseph H. King, John W. Sharbough, Norman S. Downey, James A. Sandbach, Disque D. Deane, Norman W. Jones, Wilton J. Yoeckel. On the same date James B. Cullum, who has been with Eastman, Dillon & Co. for many years, will become a partner in the new organization.

Elisha R. Jones of Baltimore will become a limited partner on Sept. 1.

Savings-Bond Lotteries: Great Britain and the U.S.S.R.

By F. D. HOLZMAN
University of Washington

Economics Professor believes proposed British savings-bond sweepstakes "may indeed serve to ameliorate Britain's inflationary problems for awhile." Refers to bond-lottery principle, introduced by Russia in early '30s, its development to date, and explains the substantial differences between it and the suggested British measure. Concludes Russian bondholder has been unable to redeem his principal and, if he had, would have received back little in real value due to rampant inflation, and at least the British citizen can choose—and, unlike the Russians, not be forced—to gamble.

In an effort to stem the rising tide of inflation, the British Government has announced that it will introduce, in the very near future, its first savings-bond sweepstakes. Purchasers of bonds will take part in a draw every three months with top prizes probably amounting to £100 ($2,800). The prizes are to be paid out of money which would normally accrue as interest earnings; hence no interest will be paid as such to bondholders.

F. D. Holzman

This attempt by the British to raise the level of private savings by playing on the gambling instincts of the population represents an alternative to higher taxes, given the level of expenditures which the government is anxious to undertake. Because the level of British taxes is already high, further increases might well have a serious adverse effect on incentives; and further bond sales to the population of the normal interest-bearing type would probably have difficult going. The lottery, if it proves popular, may indeed serve to ameliorate Britain's inflationary problems for awhile.

U.S.S.R. Introduced Lottery Principle in Early '30s

The use of savings-bond lotteries by the British has many precedents, by no means the least outstanding of which is the Soviet Union. Sales of bonds to the Soviet population have an interesting history and have played a much more important role in financing government expenditures than has been true of most Western nations.

Since 1927 the Soviets have annually floated so-called "mass subscription" loans. Social pressure was brought to bear on the workers and peasants at their places of employment to subscribe from two to four weeks' salary every year for bonds; and subscriptions were paid in ten monthly instalments being deducted from wages along with the income tax deductions. The first few loans had 10-year maturities and paid from 11 to 13%. While the rate of interest was high and the bonds would seem, at first glance, to have been an attractive investment, this was not actually the case. In the prewar period the Soviets suffered a galloping inflation with prices rising from 20-50% annually so that no one was anxious to hold money or monetary assets in any form. Furthermore the people were poor and heavily burdened with taxes and had few surplus funds which they were inclined to invest in government bonds.

To make the bonds a more attractive purchase, the lottery principle was introduced in the early 'thirties. The procedure was to take the total interest due on the bond issue each year and divide it up into prizes of various amounts, the winners to be determined by lot. The amount of prizes each year was equal to one-tenth (on ten-year bonds) or one-twentieth (on 20-year bonds) of the total number of bondholders. After winning a prize, the bondholder was no longer eligible for the lottery and his bond was redeemed. Over the 10 (or 20) year period, every bondholder won one prize which may have been smaller or larger than the nominal interest on his bond depending on whether he won a small or large prize.

Gambling Emphasis Intensified

During and since World War II the gamble aspect of the lottery has been intensified. Instead of everyone's winning a prize sometime during the life of the bond, only one-third of the bondholders now win prizes. The remaining two-thirds simply get back the nominal value of their bonds at maturity. Since the total amount of interest payments (based now on a 4% rate) is distributed each year among fewer prize winners, the individual winnings are correspondingly larger. The change in this form of lottery was clearly based on the theory that bondholders prefer a smaller chance of winning a larger prize.

Russian System and British Proposal Compared

While the form of the lottery-bonds used in Great Britain and the U.S.S.R. is essentially the same, there are several substantive differences. First, as we have already mentioned, purchases in the Soviet Union are made under great social pressure. It is significant that bond issues are typically fully, even over-subscribed, within a few days after they are placed on sale. They return to the state, every year, about as much as the income tax—accounting for roughly 5-10% of budget receipts. Second, whereas the British bonds are redeemable upon request, Soviet bonds are not, being repaid only at maturity (now 20 years) or when and if the holder wins a lottery. Third, the plight of the Soviet bondholder in the past has not been an enviable one.

In 1930, all previous loans were called in and converted to a new loan with a new 10-year maturity and with the interest rate lowered from 11 and 13 to 10%. In 1936, another conversion occurred. All previous bonds were called in in return for which holders were given 4% 20-year bonds (regardless of previous maturity date and from interest rates of 8 and 10%). Then, in 1947, as part of the overall currency reform, all bonds outstanding were called in and bondholders were given one new bond (with a 20-year maturity) for each three old bonds. While bonds received better treatment than cash which was converted at 10 to 1, this was probably small consolation to the bondholder who, over 20 years, had been able to redeem virtually none of his principal because of repeated conversions, and who, even if he had succeeded, would have received back very little value in real terms because of the toll inflicted by rampant inflation.

At present, the Soviet citizen subscribes to from 30 to 40 billion rubles worth of bonds every year out of total disposable income of some 600 billion rubles. While the bonds are still sold under social pressure, the prospects are not quite so bleak as in the past. Inflation has been halted and, in fact, prices of consumers' goods have fallen steadily since the currency reform in 1947 and are currently about 50% of the 1947 level. Furthermore, there have been no conversions since 1947 and it is possible that this device will not be resorted to again in the future; only time will tell. But the major difference between the British and Soviet purchaser of lottery bonds remains: the British citizen can choose to gamble, if he feels he has the money and likes lotteries; the Soviet citizen is virtually forced to gamble whether he likes it or not—he might as well learn to enjoy it.

Carroll Adds Two

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Thomas E. Alexander and Donald R. Grief have become affiliated with Carroll & Co., Denver Club Building.

E. R. Jones & Co. Baltimore Office of Eastman Dillon, Union Securities & Co.

E. R. Jones & Co., Baltimore securities brokerage firm, 221 East Redwood Street, will become the Baltimore branch office of Eastman Dillon, Union Securities & Co. on Sept. 1, 1956, it was announced by Elisha Riggs Jones, senior partner and founder of E. R. Jones & Co. On that date Eastman Dillon, Union Securities & Co. succeeds to the nationally known brokerage and investment banking firms of Eastman Dillon & Co. and Union Securities Corporation as a result of a combination of the underwriting and brokerage facilities of the two firms.

Subject to the approval of the New York Stock Exchange, Mr. Jones will become a limited partner in Eastman Dillon, Union Securities & Co. Arthur L. Baney, G. Melvin Readmond, and Donald M. Peek, at present partners in E. R. Jones & Co., will continue in major roles with Eastman Dillon, Union Securities & Co. The entire organization of E. R. Jones & Co., which has served as Baltimore correspondent for Union Securities Corporation, will remain unchanged.

E. R. Jones & Co. holds a membership in the Philadelphia-Baltimore Stock Exchange through Mr. Jones, who has been a member of that Exchange since 1932.

NSTA Notes

ADD LIBBING

Maurice Hart

Our good and reliable friend, Maurice Hart of New York Hanseatic Corporation, has again favored us with a half page advertisement for our Convention issue of the "Chronicle."

This brings our total to better than $17,000, but let us not relax our efforts for we are only approaching the halfway mark of last year's advertising.

Harold B. Smith

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

The National Security Traders Association Convention announces the Special Train for those attending 23rd Annual Convention, Oct. 24-27, 1956, Palm Springs, Calif.

SCHEDULE

Oct. 21	3:55 p.m.	Lv. New York	Pennsylvania RR.
	4:21 p.m.	Lv. No. Philadelphia	Pennsylvania RR.
Oct. 22	7:15 a.m.	Ar. Chicago	Pennsylvania RR.
	8:30 a.m.	Lv. Chicago	Milwaukee Road
	5:00 p.m.	Lv. Omaha	Union Pacific RR.
	6:45 p.m.	Lv. Denver	Overland Greyhound
	11:00 p.m.	Lv. Cheyenne	Union Pacific RR.
Oct. 23	8:30 a.m.	Lv. Salt Lake City	Union Pacific RR.
	3:30 p.m.	Ar. Las Vegas	Union Pacific RR.
		Pullmans parked for occupancy	
Oct. 24	4:30 a.m.	Lv. Las Vegas	Union Pacific RR.
	9:45 a.m.	Ar. San Bernardino	Union Pacific RR.
	11:30 a.m.	Ar. Palm Springs	

(All time mentioned is Standard time and not Daylight time)

RETURNING

Oct. 28	10:30 a.m.	Lv. Palm Springs	
	1:30 p.m.	Ar. Los Angeles	
Oct. 30	10:30 p.m.	Lv. Los Angeles	Southern Pacific RR.
Oct. 31	10:00 a.m.	Ar. San Francisco	Southern Pacific RR.
Nov. 2	2:00 p.m.	Lv. San Francisco	Southern Pacific RR.
Nov. 3	8:20 a.m.	Lv. Ogden	Union Pacific RR.
	6:15 p.m.	Ar. Cheyenne	Union Pacific RR.
	11:50 p.m.	Ar. Denver	Union Pacific RR.
Nov. 4	2:35 a.m.	Lv. Omaha	Milwaukee Road
	10:50 a.m.	Ar. Chicago	Milwaukee Road
	4:00 p.m.	Lv. Chicago	Pennsylvania RR.
Nov. 5	7.31 a.m.	Ar. No. Philadelphia	Pennsylvania RR.
	9:15 a.m.	Ar. New York	Pennsylvania RR.

THE ALL EXPENSE TOUR COST

From	Two in Bedroom Each	Two in Compartment Each	One in Roomette	Two in Duplex Suite Each	Two in Draw. Room Each
Chicago	$410.75	$416.69	$428.24	†	$444.36
New York	536.77	544.36	559.77	$575.05	580.77
Philadelphia	525.27	532.69	547.55	562.56	568.23

†Duplex Suites will only be available from New York and Philadelphia.

FAMILY PLAN FOR MAN AND WIFE

From	Two in Bedroom	Two in Compartment	Two in Duplex Suite	Two in Draw. Room
Chicago	$765.07	$776.95	†	$832.29
New York	975.65	990.83	$1,052.21	1,063.65
Philadelphia	957.79	972.63	1,032.37	1,043.71

†Duplex Suites will only be available from New York and Philadelphia.

WHAT THE TOUR INCLUDES

The cost of each tour includes Round Trip Rail and Pullman and all meals on the train. At Las Vegas the group will visit Hoover Dam following which Cocktails and Dinner will be served at the Hotel Riviera. Transfers of individuals and baggage between the train and all hotels. Deluxe rooms at El Mirador, Palm Springs on American Plan and at Hotel Statler, Los Angeles and Mark Hopkins, San Francisco on European Plan two in a room. Single rooms when available will be $4 per day additional.

GRATUITIES ARE NOT INCLUDED

FOR RESERVATIONS AND ADDITIONAL INFORMATION COMMUNICATE WITH:

Edgar A. Christian	John F. McLaughlin	Edward H. Welch
Stroud & Co.	McLaughlin Cryan & Co.	Sincere and Company
Philadelphia, Pa.	New York, N. Y.	Chicago, Ill.

ADDITIONAL REGISTRATION FOR 23rd ANNUAL CONVENTION OF NSTA, EL MIRADOR HOTEL, PALM SPRINGS, CALIF., OCTOBER 24th to 27th, 1956

*R. W. Thornburgh	The W. C. Thornburgh Co.	Cincinnati, Ohio
Frank C. White	National Quotation Bureau	San Francisco, Calif.
Louis E. Walker	National Quotation Bureau	New York, N. Y.
*Nathan A. Krumholz	Siegel & Co.	New York, N. Y.
*Otto J. Koch, Jr.	The Marshall Co.	Milwaukee, Wis.
*Henry C. Welsh, Jr.	Lilley & Co.	Philadelphia, Pa.
*Willard F. Rice	Eastman, Dillon & Co.	Philadelphia, Pa.
*Lewis (Hank) Serlen	Josephthal & Co.	New York, N. Y.
*John M. Hudson	Thayer, Baker & Co.	Philadelphia, Pa.
*Abraham Strauss	Strauss, Ginberg & Co., Inc.	New York, N. Y.
*Joseph J. Lann	Joseph J. Lann Securities, Inc.	New York, N. Y.
*Sol Bloom	United Continental Corp.	New York, N. Y.
*Thomas Greenberg	C. E. Unterberg, Towbin Co.	New York, N. Y.
William J. McCullen	Hendricks & Eastwood, Inc	Philadelphia, Pa.
*Robert W. Pitt	Blyth & Co., Inc.	Portland, Ore.
*F. E. Maguire	Stroud & Co., Inc.	Philadelphia, Pa.
*Edward R. Adams	Clement A. Evans & Co., Inc.	Atlanta, Ga.
*Walter J. Vicino	Blyth & Co., Inc.	San Francisco, Calif.
*Charles B. Harkins	Blyth & Co., Inc.	San Francisco, Calif.
*Edward A. Rood	Salomon Bros. & Hutzler	Chicago, Ill.
Clarence D. Phillips	Phillips, Coughlin, Buell & Phillips	Portland, Ore.
*Jackson E. Cagle	John Nuveen & Co.	Chicago, Ill.
*Reginald J. Knapp	Ira Haupt & Co.	New York, N. Y.
*William T. Patten	Blyth & Co., Inc.	Seattle, Wash.
*J. Edward Knob	Drexel & Co.	Philadelphia, Pa.
*E. E. Parsons, Jr.	Parsons & Co.,Inc.	Cleveland, Ohio
Barney Nieman	Carl Marks & Co., Inc.	New York, N. Y.
Irwin Spivey	H. Hentz & Co.	Beverly Hills, Calif.
*Ralph C. Deppe	Edward D. Jones & Co.	St. Louis, Mo.
*Henry E. Robson	Eastman, Dillon & Co.	New York, N. Y.
Harold E. Dabnong	Dallas Rupe & Son, Inc.	Dallas, Texas
J. Ries Bambenek	Dallas Union Securities	Dallas, Texas
Gordon R. Foote	Francis I. du Pont & Co.	New York, N. Y.
*Harry L. Nelson	Blyth & Co., Inc.	Chicago, Ill.
*L. M. Ladet	L. M. Ladet Co.	Denver, Colo.
*Nieland B. Van Arsdale	Blyth & Co., Inc.	Los Angeles, Calif.
Rhea W. Doe	Safeway Stores,Inc.	Oakland, Calif.
*Rex Merrick	Rex Merrick & Co.	San Mateo, Calif.
*Tom F. Foley	Rex Merrick & Co.	San Mateo, Calif.
*Winton A. Jackson	First Southwest Co.	Dallas, Texas
*C. Rader McCulley	First Southwest Co.	Dallas, Texas
*John F. McLaughlin	McLaughlin, Cryan & Co.	New York, N. Y.
*Edwin J. Markham	Wertheim & Co.	New York, N. Y.
*Joseph C. Cabble	Burns Bros. & Denton	New York, N. Y.
James P. Cleaver	Goodbody & Co.	New York, N. Y.
William H. Gregory, III	Gregory & Sons	New York, N. Y.
*Joseph Krasowich	Gregory & Sons	New York, N. Y.
*Richard J. Payne	Walter C. Gorey Co.	San Francisco, Calif.
*Walter C. Gorey	Walter C. Gorey Co.	San Francisco, Calif.
*Edward J. Kelly	Carl M. Loeb, Rhoades & Co.	New York, N. Y.
*William Nelson, II	Clark, Landstreet & Kirkpatrick	Nashville, Tenn.
*Stanley Roggenburg	Roggenburg & Co.	New York, N. Y.
*Lee Staib	George Eustis & Co.	Cincinnati, Ohio

*Mr. & Mrs.

Securities Salesman's Corner

By JOHN DUTTON

Fundamentals of Security Salesmanship

ARTICLE 9

What to Read and Study

Bonds are a specialized segment of the investment business, but no security salesman can develop into a competent analyst who is equipped to advise both private investors and institutional security buyers on their investment problems unless he has a strong foundation in debt securities. The following course of study should give the beginner salesman a good start in this important subject:

Moody's Municipal and Government Manual — Here is a storehouse of information — descriptions of our governmental, state and municipal bonds with pertinent data which you can use to compare the outstanding obligations of one against the other. Read and study the key to the ratings, bank investment procedure, and investment regulations.

"A Manual on Municipal Bonds," by Winthrop S. Curvin, Manager of the Municipal Buying Department of Smith, Barney & Co., 14 Wall Street, New York, and obtainable from them, is one of the newer books that will be helpful to you in gaining an understanding of the various types of municipal obligations, as well as an outline of how municipal bonds are originated and marketed.

"Our Reporter on Governments," weekly in the "Commercial and Financial Chronicle," and the department **"Bond Markets"** in the "Wall Street Journal" should be read and studied. The **Municipal Bond Letter** issued by the First Boston Corp., 100 Broadway, New York, is an excellent review of conditions in the bond market and the status of municipal issues.

Bond Investment's — The Bond Outlook — The Bond Selector are all excellent study material and these publications are issued by Standard and Poor's. Most investment firms have this data readily available and it is invaluable both to experienced and beginner bond salesmen.

Moody's Public Utilities, Railroads and Industrial Manuals will also fill out your reference material. Read these manuals when you have the spare time. Notice how much you can obtain from study of the debt structure of the leading corporations in these industries. The history of corporation finance in this nation is written in the progress, growth, and the retrogression and reorganization of the debts of many of our leading American business organizations.

Become familiar with the use of basis books and yield tables. Compare the prices of various issues of long-term bonds in a similar rating category and work out the yields to maturity. Learn how to determine the yields to first call date on premium issues carrying a relatively high coupon rate. Follow the course of the bond market—make a note of the wider fluctuations and swings in the longer term Treasury issues, when compared with the relative stability of the short-term obligations. Follow the correlation of high grade bond prices along with the swings in the government market. Notice money rates and become familiar with the way bond prices fluctuate inversely with the going interest rate for prime credit and loans.

Make a notation of the major bond issues offered and notice how they are bought by the institutional buyers. Follow the market price of these new issues in the secondary market. Read and study the prospectus of important offerings and become familiar with debenture issues convertible into common stock that are offered from time to time.

By doing this yourself you will gradually gain background and knowledge upon which you can build a sound relationship with your customers. If you desire to become a specialist in municipals, or in institutional securities, this is a specialized field. It takes years of training and constant application to become a top-flight bond man. For the salesman-analyst who desires to have a broad background of the entire field of securities, a strong will and a steady application of from two to four hours a week studying the material I have outlined here should suffice to provide a beginning upon which he can hope to obtain competence and judgment regarding bond values, after several years of study and **work in the field.**

MORE NEXT WEEK

Adams Joins Bache Co. Underwriting Deptmt.

Clarence H. Adams, a former member of the Securities and Exchange Commission, has joined the Underwriting Department of Bache & Co., members of the New York Stock Exchange, it was announced by Harold L. Bache, senior partner of the investment firm.

Clarence H. Adams

Mr. Adams served with the SEC from May, 1952 to June, 1956, bringing to a close a 24-year career in public service. He spent 20 years with the Banking Department of the State of Connecticut, whose Securities Division he organized in 1930. In 1931, he became the first Securities Administrator of Connecticut, responsible for the administration of the Connecticut Securities Act of 1931, a regulatory and licensing statute.

Mr. Adams was associated with the investment banking firm of Fuller, Richter, Aldrich and Company of Hartford, Conn., from 1925 to 1929, retiring as a general partner, prior to joining the Connecticut State Banking Department. After resigning in 1950 as Securities Administrator of Connecticut, he accepted the positions of President and General Manager of Guardian Credit Corporation, and late in 1951 he joined the firm of Putnam & Company, of Hartford, members of the New York Stock Exchange.

In 1945, Mr. Adams was elected President of the National Association of Securities Administrators and Vice-President of the National Association of State Small Loan Supervisors.

Samuel Franklin Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jonathan W. Allen, Robert R. Bates, J. P. Morris, Delmar R. Peterson and Raymond L. Prewitt are now with Samuel B. Franklin & Company, 215 West Seventh St.

With Colo. Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert L. Filler has been added to the staff of Colorado Investment Co., Inc., 509 Seventeenth Street.

Two Join FIF

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Mary J. Tureman and John E. West have joined the staff of FIF Management Corporation, 950 Broadway.

Hamilton Adds Two

(Special to THE FINANCIAL CHRONICLE)

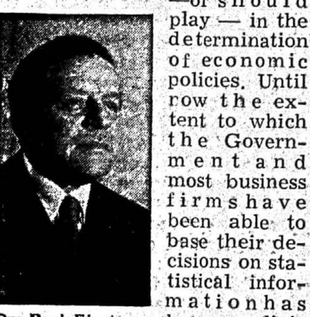
DENVER, Colo. — William K. Ring and George L. Venard have become affiliated with Hamilton Management Corporation, 445 Grant Street.

British Statistical Apathy Awakened by Comparisons to U.S.A.

By PAUL EINZIG

Dr. Einzig reports that the growing volume of criticism about the inadequacy of British official statistical information has been aided by comparisons made to superiority of American statistics, such as the time some months ago when President Eisenhower's economist, during a visit to London, made British officials "turn green with envy when he told them that government departments in the United States know the volume of automobile production in a matter of days." Hostility to statistics is attributed to its association with Socialism, and businessmen's traditional suspiciousness of statistics and economic knowledge.

LONDON, Eng.—Official circles in Britain are becoming at long last conscious of the important part statistical information plays—or should play—in the determination of economic policies. Until now the extent to which the Government and most business firms have been able to base their decisions on statistical information has been negligible. It is true, there has been in this respect gradual improvement during the past quarter of a century or so. Generally speaking, however, British people are not nearly as statistically-minded as Americans, Germans and many other nationals.



Dr. Paul Einzig

Is Statistical Ignorance Bliss?

It was only shortly before the war that the Bank of England began to collect statistics relevent to its policies. Until the late 'twenties it did not even possess annual statistics showing the totals of its gold inflow and outflow. When the writer of this article was engaged in preparing his book "International Gold Movements" he had to compile his figures out of the Bank of England's weekly gold figures. The feeling that very often ignorance is bliss became reinforced by the experience of 1931 when the disclosure in the Macmillan Report of the fact that Britain's external short-term liabilities greatly exceeded her gold and foreign exchange reserves and other liquid external assets, was largely responsible for the panic that led to the suspension of the gold standard.

British businessmen have always been profoundly suspicious of statistics and have preferred to rely upon their primitive instinct unadulterated by any knowledge of economics. Even today some of the leading firms pride themselves on not employing statisticians or economic advisers, though in this respect the situation is changing gradually.

Slow Statistical Gathering Process

The Government's economic statistical service made considerable progress under the Labor Government, because of the requirements of Socialist economic planning. Even so, the extent to which planning between 1945 and 1951 played a real part in the development of economic trend in Britain was negligible. Such progress as was made in national income accounting was largely due to the efforts of Sir Stafford Cripps during his period of Chancellorship between 1947 and 1950. As a result of the association of economic statistics with Socialist planning, there was a reaction against statistics after the change of Government in 1951.

During the last five years progress in statistical services has been very slow. Foremost among the recent achievements in this sphere was the recent introduction of instalment credit statistics based on sample surveys.

In recent years there has been a growing volume of criticism about the inadequacy of British official statistics. Economists, politicians and financial journalists frequently point out the incomparable superiority of American statistics. To take only one instance, British annual national income statistics contain an item "Physical Increase of Stocks and Work in Progress." It includes three different elements: (1) The stocks of raw materials and semi-products; (2) the goods in process of production; (3) the inventories of finished products. In American statistics these three items are separated, and monthly figures are available. In Britain the three items are lumped together in one item which is published once a year. Any change in this composite item may mean an accumulation of raw material stocks in anticipation of high prices; or an expansion in the volume of production; or an accumulation of unsold and unsalable manufactures, etc. The Government has no guidance from that figure as to the action that is called for. In any case, an annual figure is bound to be out of date.

The inadequacy of British economic statistics is largely due to the length of the time lags. By the time the annual census of production and of distribution is published its material is out of date by between one year and four years. Obviously neither Government departments nor business firms can base any decisions on such hopelessly out of date materials. When some months ago Mr. Arthur Burns paid a visit to London, he made British Government officials turn green with envy when he told them that Government departments in the United States know the volume of automobile production in a matter of days.

Statistics Flavor of Socialism

On the eve of this year's budget, Sir Robert Boothby led an all-party delegation to the Treasury to urge the Chancellor to undertake a drastic improvement of statistical services. Mr. Macmillan promised to do so and repeated his promise in his budget speech. The first instalment of the proposed improvements was announced in August. More frequent and more detailed figures will be secured on industrial production. The existing collection of data concerning fixed investment and stocks in the distributive and services trades will be made compulsory. On the part of a Conservative Chancellor of the Exchequer this is a bold step because, in the view of Conservative businessmen, statistics flavor of Socialism, and compulsion of any kind is distasteful. Steps are being taken to secure detailed information on new building contracts.

At present firms in Britain announce their profits annually. The Government intends to invite a number of firms voluntarily to provide quarterly estimates of profits.

Further improvements are expected to be introduced when Sir Roger Makins will be in charge of the economic and financial sections of the Treasury. One of the reasons for his appointment was that in his capacity as British Ambassador in Washington he had an opportunity of studying American statistical methods and the use made of statistical material for the shaping of American economic policies. As the brother-in-law of Sir Roger Makins occupies a high post in the economic service of the United States Administration he was particularly well placed to study American methods during the years he was at the Washington Embassy. It is hoped that his appointment will mark a turning point in the official British attitude towards economic statistics, so that British economic policies will cease to be a matter of more or less blind guess work.

To Be Wm. Joyce Co.; Kuehner to Join McManus & Walker

Effective September 1st, the investment business of Joyce, Kuehner & Co., 29 Broadway, New York City, will be known as William H. Joyce Co.

Hanns Kuehner will become associated with McManus & Walker.

With First Internat'l Corp.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Sam Iskow is now with First International Corporation, First National Bank Building.

With John G. Sessler

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Allan S. McGrath is now with John G. Sessler Company, 10 Post Office Square.

J. A. Zinn Co. Formed

DETROIT, Mich.—John A. Zinn and Bernard F. Zinn have formed J. A. Zinn & Co. with offices in the Penobscot Building to engage in a securities business. John A. Zinn was formerly with Goodbody & Co.

Outlook for Santa Fe Railway

President Gurley points out that while gross operating revenues for the carrier in the first half of the year were 5% ahead of the 1955 figure, net income for the system showed a decrease of about 9% due to higher wage and other costs.

Ed. Note: The following statement from F. G. Gurley, President of the Atchison, Topeka and Santa Fe Railway System, was received too late for inclusion in the "Chronicle" of August 16 which included a considerable number of commentaries from top officials of other railroads on the outlook for the individual carriers and the industry as a whole.

While gross operating revenues for the Santa Fe Railway in the first six months of 1956 were about 5% ahead of the 1955 figure, net income for the system was approximately 9% lower than that of the first six months of last year because of higher operating expenses occasioned by increases in wage rates, costs of materials and payroll taxes.

Fred G. Gurley

Earnings for the year will be affected further by the loss of traffic directly or indirectly because of the recent steel strike.

The current pattern may continue during the balance of the year, although the late months may show an improved volume of business by resumption of full scale steel operations and the prospects of greater automobile production in the fourth quarter. On the opposite side of the ledger to be considered are further increases in costs which are beginning to appear on the horizon.

The moisture pattern in the Southwestern States served by the Santa Fe has been somewhat erratic but there has been enough rain to warrant mild optimism with regard to crops that will be produced in the remaining months of the year.

Pasture and range conditions have improved throughout Santa Fe territory as a result of the scattered rain and showers during the past few weeks with the exception of pasture in New Mexico and in southwestern Texas. We, therefore, have fairly good prospects from the standpoint of livestock traffic.

Industrial activity in Santa Fe territory continues at a good pace. There have been many locations of traffic producing industries and prospects for locating additional industries are good. We can anticipate a good traffic picture from this standpoint.

Passenger revenues currently are running about 6% above a year ago, and indications are the 1956 revenues from this source will be better than those of 1955.

On July 15 we placed in service between Los Angeles and Chicago a new streamlined chair car train known as the Hi-Level El Capitan. With its greater seating capacity (496 passengers in seven chair cars compared with former capacity of 350 persons in eight cars) the new Hi-Level train is making a contribution to the desirable objectives of more passengers per car mile and more earnings per car mile. As the only train of its type in the world, it has had an enthusiatic acceptance from the traveling public with requests for reservations steadily exceeding the space available.

Now With Jackson Steiner

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Herman J. Dill has become associated with Jackson Steiner & Co., Inc., Security Building. He was formerly with Barrett Herrick & Co.

Three With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — H. Manuel Dobrusin, Morris Maletz and Thomas F. Riley have become connected with B. C. Morton & Co., 131 State Street.

Toward a Healthier Farm Economy

By J. CAMERON THOMSON*

Chairman of the Board, Northwest Bancorporation

Vice-Chairman of the Board, Committee for Economic Development

Recommending a coordinated farm program to end farm surpluses, farm income instability and sectional farm poverty, Mr. Thomson explains why all Americans should help share in the cost, for about five years, until such a program should bring "permanent benefits to the farm community." In opposing as equally "one-track" either a completely free-market or high, rigid support, author favors: (1) gradually reduced price variations in key farm products, administered by a non-a voluntary soil bank administered differently for different crops; (2) stabilization of sharp, temporary—not long run—price variations in key farm products; administered by a non-partisan agricultural stabilization board; and (3) two-pronged program to end sectional farm poverty.

No American has been so thoroughly diagnosed and analyzed as the American farmer. He's been examined by economists, agronomists, sociologists and a whole host of self-appointed fact finders. Of course, politicians have been taking his temperature almost daily. To pretend that I can step up and pull some new facts or solutions out of my hat is to ask too much of any audience—especially one as close to these problems as you are.

J. C. Thomson

Yet, you and I especially have a vested interest in the welfare of the farm community. Minnesota is one of 13 states in which farm income accounts for more than 10% of total personal income. And, you and I know that all Americans have at least an indirect interest in the welfare of the farm community because of the impact prosperity on the farm has on prosperity in the nation as a whole. Besides purchases of farm machinery, fertilizer, and supplies for his operations, the farmer is an important customer for clothing, food, and consumer's durable goods. When, as is true now, the farm community is not proportionately sharing in the growth of the nation to the extent other economic groups are, this is a matter of concern, and calls for a search for sound means to improve the situation.

What I want to do briefly is to pluck out from the fog of oratory which has recently engulfed consideration of farm problems a few essential ideas. These are ideas which my colleagues in the Committee for Economic Development and I believe must be understood if we are to be sure that incomes on the farm keep pace with incomes off the farm. CED is a businessman's organization and our viewpoint is that of businessmen. But it is the viewpoint of businessmen who believe that what is economically good for the country as a whole must be good for agriculture as well as business.

Chairman of Farm Policy Study

The CED's subcommittee on agriculture recently brought out a statement called "Economic Policy for American Agriculture." I was chairman of the group of businessmen who worked out these policy recommendations based on the economic facts about agriculture. While I am, of course, alone responsible for my present remarks my views do reflect the practical thinking that went into the CED statement.

I want first, to endeavor to make clear just what the farm problem is today. And then I want to sketch a program of action to illustrate the kind of things I think should be done to substitute steady improvement for annual crisis and political turmoil.

Last month the President signed a farm bill which includes some very important provisions, I think, for restoring permanent health to the farm economy. I'll comment on some of these as I go along. But nobody pretends that this bill is the whole answer. One of its virtues, in fact, is that it supersedes a bill which the President had to veto because he thought it carried us backward rather than forward in agricultural policy. The present law is in the nature of a compromise and as such contains some undesirable features which I will also comment on as I go along.

Discussions of the Farm Problem often remind me of the old story of the three blind professors and the elephant. The blind professors were confronted with an elephant and asked to describe what the animal was like. One grabbed hold of the trunk and pronounced that the elephant was long and thin and wiry like a big snake. Another grabbed an ear and compared the elephant to a large bat. The third latched on to one of the elephant's legs and likened the animal to a stolid oak.

Farm Problem Mistakenly Pictured

So today the army of experts, well-wishers and interest groups who concern themselves with farm problems tend to seize on part of the farm story and draw immediate conclusions about the whole. One points to the huge piles of surpluses and says the farmer has been living in a dream world of government handouts. Another looks at falling farm incomes and concludes that all farmers are poor as church mice. A third sees the moral fibre of the nation torn asunder because he thinks the family farm is disappearing. The resulting picture tells us little more about the real farm problem than the blind professors told us about the elephant.

I want, at the start, to disown all of these stereotypes. The American farmer is one of the world's most successful producers. Even the Russians swallowed their ideology enough to come to learn at his feet.

The American farmer has adapted technology to his work fully as expertly and successfully as industry and labor have. In recent years productivity per man hour on the farm has increased substantially more rapidly than in industry. Thanks to its good productivity record the farm community, practically every year since the turn of the century, has been able to release hundreds of thousands of workers without whom the phenomenal growth of American industry would not have been possible.

While total farm income has declined a serious 31% in the last few years, income per farmer has declined about 20%. Any decline in income per farmer in these times is a danger signal. But commercial farmers aren't poor as church mice. The trek from the farm to the city is continuing. The market for farm products expands only slowly in relation to the market for industrial goods; this is inevitable in a developed society such as ours. It is right and proper therefore that as a result of the tremendous technological developments in farming that farm income should be spread over fewer people each year. That's what's happening. Most commercial farmers are making a good living today because many farmers are willing to send their sons and daughters to work in towns and cities.

And let's not label the American farmer a ward of the state just yet. Less than half the value of farm production is underwritten by any kind of price support. Nor has the state or some other impersonal authority taken over the family farm. Families farm most of the farms I know of. And farm families today own a lot more of their farms than they did in the '20s and '30s. Farming is still predominantly a family business.

No. There is a farm problem today—a serious one, I think. But none of these popular ideas tell us much about it.

We in CED see the farm problem in three parts:

Three Farm Problems and Faulty Public Policy

First: There has been too much production of some farm products. With about $9 billion worth of surplus commodities now piled up in government warehouses, obviously too much land, labor, and other productive resources have been devoted to production of these products.

Second: The commercial farmer, compared to his counterpart off the farm, is subject to a chronically unstable income for reasons very largely beyond his control. We are all familiar with how the farmer is to a considerable extent at the mercy of weather. Small changes in total farm production—which no single farmer can control—cause big changes in prices and incomes for all farmers. The farmer cannot adjust his production readily to changes in demand the way industry can. Every year the farmer goes out on a limb with his production plans. If he guesses wrong or unforeseeable conditions develop, the farmer's income may plummet disastrously. I need only cite the wild descent of hog prices in 1955.

The **third** important aspect of the farm problem is the million and a half farm families in the country who have too little land and too few productive resources to earn more than a subsistence living solely out of farming. Most of these farmers are in the South, though there are appreciable numbers in the cut-over areas of the Great Lakes States and in the Northwest. Very little, if anything in our postwar farm programs has been of assistance to these low-income farmers. They produce too little to benefit from price supports.

Each of these problems—farm surpluses, the instability of farm income, and sectional farm poverty—result in whole or in part from failures in public policy. Farm surpluses, particularly, result from our failure to help farmers readjust from war-time conditions to peace-time conditions. In part the instability of farm income stems from the same failure. And public policy for agriculture has, so far, failed to provide adequate remedies for those pockets of farm poverty which should be of national concern. Because failures in public policy account for so much of these basic farm problems I think it is only fair to ask today for special consideration of the farm problem from all the people in the country—to ask all the people in the country to share in the cost of special, temporary adjustments so that a revised farm program may have a good chance of bringing permanent benefits to the farm community.

Defining the farm problem this way, it is possible right off the bat to make two important generalizations about a program of action to help the farmer get his fair share of our prosperity.

A Coordinated Program

First, we need a kit of tools to do the job. We need coordinated action against farm surpluses, the instability of farm income, and farm poverty. No one tool is enough.

Second, we need to make a start right now. Every year we duck these issues makes the job more difficult. We cannot solve the farm problem in one year or even two or three. We might be able to have the kind of stable, expanding farm economy we want in five years—if we set about it now.

For the past decade we have followed a one-track policy in agriculture—a policy of attempting to underpin the commercial farmer's income with high, rigid price supports for a selected number of commodities. This policy came into its own during World War II. It was adopted partly to help the farmer with his gigantic wartime task of feeding the allied world, partly to give the farmer the assurance that after the war he would not be abandoned to a completely free market which would bring him another depression like the '30s.

I am not one to say that everything about this policy had been bad. During the war the American farmer delivered the goods magnificently. Perhaps this policy helped. In peacetime, high price supports undoubtedly have had a temporary stabilizing effect on the incomes of commercial cotton and wheat producers, particularly, but at a cost in surplus accumulations.

But today the inadequacies of this one-track policy stick out all over. The government has been accumulating and storing surpluses at a staggering rate—$2 billion in fiscal year 1953: $2½ billion in 1954; just over $1 billion in 1955; and more than $1½ billion in the first 10 months of fiscal 1956.

At the same time, pockets of serious rural poverty persist. Finally, for some time now it has been quite obvious that high price supports have not been operating for the commercial farmer the way they were supposed to—they have not maintained prices in the face of over-production and a lessened demand such as has been the case since the end of the Korean War.

High price supports, if they are to work at all, must be accompanied by effective production controls. In the past few years the acreage-control system has broken down almost entirely. In 1955, for example, cotton production increased despite additional acreage controls. Stringent controls on wheat did bring decreases in production but acreage diverted from wheat resulted in a serious surplus of feed grains.

Why are high supports and acreage controls not suitable for bringing production into line with prospective market requirements? For one thing, they do not discriminate between areas that should go out of wheat and those which should stay in; nor do they differentiate between the man who has expanded and the farmer who has not. Nor is there adequate distinction between the situation of different classes and grades of wheat.

I realize, of course, that the farming community has invested a great deal on the expectation of continued high price supports. Land values have increased sharply and many additional dollars have been invested in equipment as the result of a decade of high price supports. To pull the rug out all of a sudden and revert to a price system which cleared the market without surpluses would mean a severe loss for many commercial farmers.

Free Market Prices Versus High Rigid Supports

Nor do I contend that we could have a healthy and stable agriculture on the basis of free-market prices alone. But this is only to say that a policy relying entirely on free-market prices is just as "one-track" as a policy of high, rigid supports. I believe that both free prices and limited flexible price supports have a part to play in a program of action to help the farmer today. But I also believe a lot more is needed.

And action is needed right now. We have postponed facing up to needed adjustments in the farm economy for 10 years. In effect, we have not yet helped the farmer to reconvert from a wartime economy to a peacetime—or at least to a standby—economy. We should set ourselves a target—I don't think five years is unrealistic—and get to work on a coordinated program of combating farm poverty, farm surpluses and the instability of farm income.

Getting down to specifics, this is the kind of action I and my colleagues believe should be taken to restore to the farmer his fair share of our nation's prosperity:

First, farm surpluses—the problem of too much land and other resources being devoted to a few commodities, notably wheat and cotton.

There is no substitute in a free competitive economy for gradually reducing the price supports under wheat and cotton. The pace at which they should be reduced and the discriminations that should be made for crops of differing grade are difficult technical questions, requiring careful study. The important thing, however, is that we must gradually get ourselves off the hook of high, rigid price supports for these items.

Endorses Flexible Price Supports

The most important accomplishment of this year's farm bill, I think, is that it retains the principle of "flexible" price supports and rejects rigid supports. To be sure there are some backward steps—notably a new statutory price support for corn with no attendant acreage controls to be applied to those who do not join the established corn price support program. This is bound to produce an embarrassing corn surplus to add to the stocks of wheat and cotton now on hand.

I want also to make clear that the two-price system for cotton inserted by the Congress in the recently enacted farm bill is not a sound provision.

The new law requires the Commodity Credit Corporation to make cotton available to exporters at a substantialy lower price than the domestic price. The purpose of this provision is to reestablish and maintain our historic share of the world market.

But, as CED pointed out in its statement on agriculture, a two-price system would be harmful to our relations with friendly allies, and might well lead to a series of counter measures that would restrict world trade. It is already clear that the advantageous price to foreign textile manufacturers will put a squeeze on our own producers, and will probably lead not only to export subsidies but also to import quotas on textile goods.

However, the fact remains that the way is clear in most cases for a gradual reduction in the high supports under average grades of

*An address by Mr. Thomson before the Kiwanis Club of St. Paul, Minn.

wheat and under cotton which have been causing us so much embarrassment.

I emphasize the word "gradual." I look for a transitional period—maybe five years—after which farmers will be able to make satisfactory incomes growing wheat and cotton at prices that clear the market without the accumulation of excessive surpluses and without acreage controls. This means fewer farmers will be producing cotton and average-grade wheat. This means somewhat larger farms. This means somewhat lower land values in some parts of the country.

These are major adjustments for some farmers. I do not pretend they can be achieved overnight. Supports must be let down gradually. In addition, I do not believe the farmers concerned should be made to foot the whole bill for these adjustments. The nation's interest in a stable, healthy farm economy demands that we all be willing to pay some of the cost of the necessary adjustments.

Advantages of "Soil Bank" Program

That's why we propose, as point **number two** in a program to rid ourselves of chronic farm surpluses, a program of paying the farmer to take land out of production—a soil bank, if you will, though that label comes on a lot of different packages these days.

The President has called the soil bank idea "a concept rich with promise for improving our agricultural situation." I would like to second that. As I understand it, the general goal of the Administration's soil-bank plan—as it was with us in CED—is to withdraw from production enough land to hold production substantially in balance with demand at the gradually reduced price support levels. We would like to see somewhat more land withheld if practicable in order to permit some working off of government stocks.

We also believe any soil-bank plan should have the following general characteristics:

(1) It should be voluntary. No farmer should be compelled to rent or sell his land to the government.

(2) In parts of our agricultural economy, emphasis should be placed on withholding whole farms rather than pieces of a large number of farms. Particularly among low-income farmers, the need for farm consolidation is urgent. But even commercial wheat and cotton farms should emerge from this transition somewhat larger. A soil bank should be used to encourage such a trend. Lack of this emphasis in the Administration's soil-bank proposal is, in my opinion, its most serious weakness.

(3) Rentals should be by firm contract for a period of years—say five—so that the farmer can count on funds if he moves off the farm. Provision might be made for the farmer to obtain the entire amount in advance. Any purchases of land by the government should be confined to cases where permanent retirement of the land for conservation or for conversion into park land or the like is contemplated.

(4) Land rented by the government should be withheld from any use except possibly grazing or woodland. However, it should be returned to its owner at the end of the contract period without any strings attached. Of course, if rents other than for temporary withdrawal from production of desirable acreage are set to attract inferior land—and by and large they should be so set—the returned land may only be profitable under the new price structure for grazing or forestry purposes. In such cases, however, the soil bank will have served its purpose if it encourages the farmer to merge or sell to a neighbor, to move off the farm, or to turn to livestock where the prospects of a more rapidly expanding market are much much better than they are in the market for wheat and cotton.

A policy of gradually reduced price supports coupled with a soil bank will have to be administered one way for wheat, another way for cotton, and perhaps a third way for feed grains. Acreage controls will be needed during the transition. But it is by no means impossible to look forward after five years under such a program to the end of our present pressing surplus problem—and to the end of acreage controls. There would be relatively less farmers dependent for their livelihood on wheat and cotton. But there would be relatively more in feed grains and livestock. As the nation's income grows, people are likely to eat substantially more meat than they are eating now even though consumption of wheat and cotton will probably not rise very fast.

Of course the farming community must have something more to look forward to than these readjustments. Farmers have a right to expect simultaneous and effective action to promote greater income stability. It should be a permanent part of the agriculture policy of this nation to promote income stability on the farm.

Prevent Temporary Price Instability

There are a lot of ways to do this. But they boil down to government action to iron out sharp and temporary price variations in key farm products. The key word here is "temporary." It does no good to support the price of wheat, for example, at a level that encourages production over the long run to increase faster than consumption. We'd quickly be back in the old surplus mess again. Over the long run the market must be the primary guide for farm prices. But just as government, through monetary and fiscal policy, acts to curb extreme swings in the business cycle, so government should take specific, special action to curb extreme fluctuations in farm prices.

Two techniques are a hand for this job:

The government can buy or give loans on crops in connection with a storage program. When there is a temporary drop in demand or an unusually large crop, stocks in government hands would be increased; when demand or production is back to normal, stocks would be reduced.

Or, the government can make production payments to farmers representing some part of the difference between the actual market price and the price that would prevail under conditions of high employment and normal yields.

In theory, while production payments interfere less with market price-making forces, there isn't much to choose between production payments and price supports as tools for promoting income stability. It all depends on the level chosen to support prices and the crops which are made eligible for support. It will be people who will have to make these decisions and the best assurance we can have of fair and effective action is to be found in the calibre of the people chosen to ~~do the~~ deciding.

Non-Partisan Agricultural Stabilization Board

Obviously they should be people close to the farm community and people capable of discriminating between long-run economic benefit and short-run political advantage. To this end we have recommended the establishment of an Agricultural Stabilization Board. Members of this board would be chosen by the President for long terms of service after the fashion of Federal Reserve Board members. The Secretary of Agriculture might serve as the board's chairman. Of course the board would report to Congress at least once a year.

One of the main responsibilities of the board would be to determine the support level in time of temporary drops in demand and to give broad supervision to the operation of any government storage program. The board might also designate those crops eligible for support.

A non-partisan, decision-making authority like this is urgently needed to insure that we get effective action to stabilize farm incomes by such means as are recommended herein without running into squalls of surpluses again. The alternative is to write into basic farm legislation rigid formulas relating support prices to stocks of various commodities. Not only would these formulas operate inflexibly and tend to lag behind changing conditions but writing them in Congress entails a maximum of politicking for short-run gain and a minimum of emphasis on long-run economic benefit as was illustrated only too clearly in the recent farm debate.

Just as important as solving the farm surplus problem and promoting greater income stability on the farm is the need for a program of action to help low-income farmers. According to the 1950 census more than a quarter of the farms in the United States had product sales of less than $2,500. Half of these had product sales of between $250 and $1,250. And these are full-time farmers, not the portion of U. S. farm families who earn a substantial part of their earnings off the farm.

Obviously, it is in the interests of all the people of the country to enable these farm families to share in the country's prosperity to a greater extent than this. It would be worth considerable cost in money and energy to help these million and a half families to become more efficient producers and more important consumers.

The job calls for two lines of action:

Aiding Sectional Farm Povery

First, we need a set of measures to speed up the movement of these low-income families from farm to non-farm jobs. A substantial portion of the migration out of low-income farm areas during the past 15 years has consisted of producing farmers. For example, the farm population of the South declined about 34% between 1940 and 1950 while farm population in the rest of the country declined 22%. But even these substantial figures are not enough.

Second, we need a program to assist low-income farm operators to improve their farming methods, to enlarge their farms, and to obtain necessary credit.

I can only briefly sketch the kinds of action we might take under these headings. There's clearly a job here for the Federal and state employment agencies. They should undertake an intensive information campaign to acquaint low-income farmers with job openings and living conditions in towns and cities, not just in their own states, but in other states as well. It may be important to have a job waiting before leaving home. And it may be worthwhile in some areas to offer financial aids for moving low-income farm families willing to leave the farm.

Industry, of course, has an opportunity and a responsibility to explore the possibility of locating plants in low-income farm areas. A lot of industrial development has been going on in low-income farm areas over the past 15 years. Several states have been offering substantial inducements to industry for this purpose.

Some low-income farmers could make a good living if they could get more land. We should explore ways of granting credit for this purpose and supplying managerial assistance to farmers wanting to diversify or to change their type of farming. Many small cotton and tobacco farmers assuming the requisite ability, might well be better off in livestock, for example, if they had the opportunity to get the additional land required, and to learn the business. We should stand ready to help those who want to make such shifts in low-income farm areas.

Over the long run one of the most effective ways of eliminating low-income farm areas is through better primary and secondary education. Again it is a cost which city population might well share with large benefits to itself.

These are only a few ideas which have been suggested for helping low-income farmers and which deserve serious consideration now. Any program of assistance that is developed should, of course, avoid compulsion. The idea is to increase opportunities available to low-income farm families, not to coerce them in any way.

National Economy Must Flourish and Grow

I have touched a lot of bases very quickly in an effort to illustrate the kinds of action suggested by the real farm problems today. In doing so I have left until last what I think is the most important requirement for a healthy farm economy.

The best continuing service the nation can render the farm community is to make sure that the national economy continues to flourish and grow. As long as the levels of employment and income in the economy remain high, opportunities for the farmer to produce and sell (assuming efficiency of production and marketing), to change his farming pattern, or to move off the farm will remain high. There are no substitutes for the opportunities made available by general prosperity.

James R. Duffy Joins Reynolds in Boston

(Special to The Financial Chronicle)

BOSTON, Mass. — James R. Duffy has become associated with Reynolds & Co., 19 Congress St.

James R. Duffy

Mr. Duffy was formerly in the trading department of Paine, Webber, Jackson & Curtis, with which he had been assoicated for more than 20 years.

With First of Michigan

(Special to The Financial Chronicle)

DETROIT, Mich. — Sidney Bordon has been added to the staff of First of Michigan Corporation, Buhl Building, members of the Detroit and Midwest Stock Exchanges.

Empire Securities Co. Formed in N. Y. C.

Empire Securities Company has been formed with offices at 80 Broad Street, New York City. Partners are Morris Cohon, Edward J. Mulligan and Jean Konwiser. All are partners in Morris Cohon & Co.

Long-Term Financing Institutions Of the Western Hemisphere

By LEONARD B. RIST*
Director, Economic Staff,
International Bank for Reconstruction and Development

International economic authority points out the success attending the American Government's contributions in grants and loans abroad, resulting in a return of confidence with these remarkable results: (1) Agencies as the Export-Import Bank and International Bank have been able to operate in an atmosphere of security; (2) the private market has shown a striking revival, and (3) the market itself has come to rely on the government and international institutions, entailing great hope for future expansion of capital movements. Describes in detail purposes and operations of the major lending agencies, including the private organizations which have recently entered the field. Summarizes place of the new International Finance Corp.

I

The General Setting

It is a common occurrence for a commercial banker reluctantly to decline credit assistance to one of his customers because it would be unwise for the borrower to finance all his needs at short-term. When investment which cannot produce its fruits within a short period is involved, long-term financing becomes advisable; and if short-term is used, it will mostly be in anticipation of quick "refinancing" at long-term. This is just as true in international lending as in domestic financing. Imports of long-term capital are a necessity for a great number of underdeveloped countries. They are also an imperative need for countries which have to meet emergencies such as war or reconstruction. The assurance that quick repayment of these particular capital imports will not be demanded is a condition of security for both the borrower and the lender.

Leonard B. Rist

The middle of the 20th century has witnessed the flourishing of institutional long-term lending and investment and the main body of this talk will be devoted to the Export-Import Bank, the International Bank, the proposed International Finance Corporation, and the private organizations which have recently entered this field. But in order to appraise their role and their future, it is useful to look back and remember the recent history of international investment.

Our generation has experienced two cycles in this field, one of which dates from the 19th century until 1930. It was a period of free flows of capital where individual investors and banks made their own decisions about how to invest their own money. During the First World War, and immediately thereafter, however, the U. S. Treasury had to supplement the private market. It granted important loans first for the purposes of war and later relief in the devastated parts of Europe. Soon after the war, the free play of private credit resumed its former role with just one difference compared with prewar: financial supremacy had shifted from London and Paris to New York.

Foreign Bond Financing

Foreign bonds were popular here and the net new amount issued from 1922 to 1929 was roughly $540 million a year. American firms also branched out abroad and direct investment took place at a rate of over $325 million a year including reinvested profits.

The great depression marked the beginning of a second cycle from which we are slowly emerging—a period where private capital movements played only a secondary role. In the 1930s the international long-term credit market can be said to have collapsed. Confidence in the transfer mechanisms was badly shaken. Defaults were numerous and the American investing public which had domestic problems of its own was more intent on repatriating investment from abroad than on increasing foreign investment. American enterprises which had previously branched out were on the whole content with keeping control of their foreign ventures and were less inclined to develop them than they had been earlier. From 1934 to 1939, portfolio bond investment by the United States went down as a result of repayments, repatriations and losses and hardly any net new direct investment took place except through reinvestment of profits. Actually the international movement of capital was mainly towards the U.S.A. which appeared to foreign investors as a harbor of safety, and by 1939 the U. S. was a net creditor of long-term account to the tune of only $4.5 billion, the same figure as in 1919.

The war came and with it the tremendous financial needs of the Allies. There was no hope that the market would again absorb a $500 million Anglo-French loan as it had in 1917; even during the first war government financing had been needed. This time, the government assumed the whole responsibility. Gross foreign aid amounted to over $48 billion, a large part of which turned out to be grants.

Financing Initiative in North America

When lend-lease came to an end, in June, 1945, no one expected the market to pick up after the hostilities. Indeed, except for substantial amounts of Canadian and International Bank bonds, which enjoy a privileged position, and for small loans for Norway and the Netherlands, except also for some Australian refunding issues, the market was unable to absorb foreign bonds. On the other hand, the needs remained great. Although it was hoped that the Europeans would soon recover some of their past capacity to export capital, the U. S. A. appeared to be richer, more able to save, more able to export capital than any other country. As a result, the initiative as well as the financial supremacy rested squarely on North America. In fact, this was accepted as the policy of the United States. It was the period when UNRRA distributed relief on a grant basis, when a special loan of $3.7 billion was made by the U. S. Government to the United Kingdom, when the Export-Import Bank broadened its operations to include emergency rehabilitation loans and when the International Bank was established, largely with dollar resources.

But very quickly—that is two years after the Armistice — the needs again appeared out of proportion with the means even of these institutions. The gold and dollar reserves of most countries dwindled to dangerously low levels. Interim aid and the Marshall Plan recognized that only the U. S. Government was powerful enough to deal with the situation, and this position was maintained as military aid succeeded to economic aid to Europe and as assistance to other areas was added to the functions of what is now the International Cooperation Administration (ICA).

To UNRRA, the Marshall Plan, the economic and military aid programs, one should also add the loans or grants given by the U. S. A. through many other programs, e. g., to the United Nations agencies including UNKRA or UNWRRA, to the UN Technical Assistance program, or the loans given by the Maritime Commission and the various agencies connected with surplus commodities. Altogether, from the middle of 1945 to the end of 1955, the government capital export amounted to $45 billion in grants and to $12 billion in loans (including $4.5 billion Export-Import Bank loans). These are truly staggering figures.

By its magnitude and continuity, the American government's contribution in grants and loans has been extremely successful. International transfers are now taken for granted. The problem is no longer whether Europe will be able to pay its way but when and how a greater degree of convertibility will be firmly established. The problem is no longer whether the underdeveloped countries will be able to make any progress, but at what rate this progress will take place.

This progressive return of confidence has had three remarkable results:

First, the agencies such as the Export-Import Bank and the International Bank have been able to go about their business in an atmosphere of relative security; world economy and trade were growing and the chances were that they would continue to expand. We shall describe their history and their activities presently.

Second, the private market has revived in a rather striking manner. The cycle which began with the depression is coming to an end. We shall briefly describe this development and the institutions which are now being created in its wake.

Thirdly, and this will be our conclusion, the market itself has come to rely on the government and international institutions. This seems to offer a great hope for future expansion of capital movements based on a close cooperation between private and agency financing.

II

The Two Main Lending Agencies

A. The Export-Import Bank

One may wonder why the Export-Import Bank should be segregated from the U. S. Government financing activities. It is an agency of the Administration and its decisions are taken within the framework of government policies.

The Export-Import Bank, however, has a degree of administrative and financial autonomy which fully justifies special treatment. It was established during the depression well before the government made it its policy to give loans and grants for war or rehabilitation purposes. Even during the brief period between lend-lease and the Marshall Plan, when nearly $1.7 billion was lent to Europe through its intermediary, for lend-lease liquidation and rehabilitation purposes, its transactions have been handled by direct contact with the borrower. And since then, while various other agencies of the government handled lending operations of various kinds, the Export-Import Bank has had a business all of its own and of a permanent character.

It was created by Executive Order of the President in February, 1934, for the purpose of facilitating trade between the United States and Russia. The Bank made it a condition of doing business that Russia should settle her dollar indebtedness, and in consequence of Russia's failure to do this, the Bank's capitalization of $11 million was never employed in the fulfillment of its original purpose. At about the same time financial assistance to the Government of Cuba was under consideration in Washington. It was decided in March, 1934, to set up the Second Export-Import Bank of Washington, which proceeded to loan Cuba $4 million. The establishment of the two banks aroused interest in the question of assisting U. S. exports in a rather more general way. After considering the possibility of setting up yet another bank—it was an era prolific in agencies—it was finally decided to broaden the scope of the Second Export-Import Bank beyond the confines of Cuba to include trade with the world in general. In 1935 the two institutions were consolidated with a capitalization of $25 million in preferred stock, all of which was held by the Reconstruction Finance Corporation. RFC was its sole source of finance, and the only limitation on its size was the amount that RFC would be willing to put up; in 1939, however, a limit of $100 million was placed by Congress on the amount which the Bank was allowed to have outstanding at any time. The types of business that the Bank was doing included three of the four main classes of lending that it is doing today: commodity loans, medium term credits for U. S. exporters (including lines of credit) and fundings of delayed dollar payments by countries with exchange difficulties (for example, in 1935 the Bank made a commitment to purchase from U. S. exporters notes issued by the Bank of Brazil in lieu of dollar exchange). The Bank's fourth main class of business—the project or development loans— was not initiated until 1938, when a loan of $5 million was made to finance public works in Haiti. The prewar era closed with the Bank coming under the Federal Loan Agency, which was responsible for the functions of all Federal lending agencies.

The war era opened with an increase in the Bank's lending authority from $100 to $200 million, which was used mainly for the benefit of Finland, China and certain countries in Latin America.

On the occupation of Europe by the German armies, the Bank's lending policy was directed to reorienting and expanding trade between the U. S. and Latin America and in September, 1940, its lending authority was again increased from $200 million to $700 million for this specific purpose. In 1941, the Bank financed its first industrial project, a steel mill in Brazil. Between September, 1940 and the end of 1944 the Bank loaned $593 million to Latin America. In 1942, the Bank was placed under the Secretary of Commerce, and in 1943, under the new Office of Economic Warfare and later associated with the Foreign Economic Administration.

With the German surrender, attention was directed to problems of postwar reconstruction in Europe. Legislation was passed in July, 1945, increasing the lending authority of the Bank from $700 million to $3.5 billion, the Treasury taking over the responsibility of providing the Bank with funds. At the same time, the Bank was made an independent agency of the government, and the prohibition against lending to governments in default on their obligations to the U. S. Government, which had existed until then, was removed. Certain rules regarding the Bank's policy were laid down, and these I shall deal with later. The Bank acted immediately, providing by the end of 1945 $650 million of credits to replace canceled lend-lease commitments. Emergency reconstruction loans to the extent of $950 million were authorized during the first half of 1946, and also a short-term loan of $200 million to the Netherlands, almost half of which was provided by U. S. commercial banks, without the Bank's guarantee. In June, 1946, the International Bank for Reconstruction and Development opened for business and in view of this the Export-Import Bank decided that it should cease its program of emergency reconstruction credits while, of course, continuing long-term broad purpose assistance to the countries which were not members of the new institution.

This did not mean that the Bank refused to act in emergency situations where it was a question of maintaining the flow of American trade with countries that were in temporary dollar difficulties—just as it had done on occasions before the war. Thus, in November, 1947, a medium-term credit of $300 million was granted to the Government of Canada to enable it to continue imports from the U. S. during a period of temporary dollar shortage, at a time when the U. S. private market was unfavorable to foreign lending.

In 1951, the Bank's lending authority was increased from $3.5 to $4.5 billion, with the specific purpose that, in addition to its normal activities, the Bank should pay special attention to developing new sources of raw materials which were scarce at the time, on account of the outbreak of war in Korea in the middle of 1950.

In 1953, Congress amended the Export-Import Bank Act to give the Bank power to insure U. S. exports against the risk of loss resulting from war or expropriation, and the Bank has allocated $100 million for this purpose in respect of cotton exported on consignment.

In 1954, the Bank's lending authority was increased from $4.5 to $5 billion, where it stands today.

In addition to making loans out of its own resources, the Export-Import Bank has been appointed the agent or administrator of loans made by the ECA and its various successor agencies (FOA, MSA, ICA) as well as some loans made under the Defense Production Act of 1950.

To summarize the Bank's operations, it had, up to the end of 1955, authorized $7,371 million of credits of which $2,669 million was outstanding at the end of 1955. $859 million more had been authorized but not yet disbursed, and $1.472 million was totally uncommitted.

The distribution of the Bank's investment by area is shown below:

	Disbursements to Dec. 31,'55	Outstanding at Dec. 31,'55
	$ million	
Latin America	1,523	897
Asia	741	318
Europe	2,436	1,317
Africa	150	132
Canada	184	---
Oceania	6	5
Miscellaneous	4	---
	5,044	2,699

The Bank operates at a profit,

Continued on page 24

*A paper delivered by Dr. Rist before the Ninth International Banking Summer School, Rutgers University, New Brunswick, N. J.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks broke out of their six-week old trading range on the downside this week when the latest tightening of money rates caught up with the market. The list had been a bit ragged recently as rumors of higher bank rates circulated in the Street and some of the more pessimistic even were anticipating another hike in the rediscount rate when the Federal Reserve officials meet today (Thursday, Aug. 23).

* * *

Confirmation of the bank part of the new pinch on borrowing was enough to end temporarily all thoughts of the industrial average working up enough steam for a try at a new all-time high standing.

Bonds vs. Stocks?

General heaviness in the bond markets and the resultant higher yields for the liens reached the point where some representative lists showed a yield comparable with that on high class common stocks and posed an entirely new facet for institutional investors to mull over. And it threw a new cloud over the immediate future of the stock market unless there is a loosening of the money reins as the election campaign warms up.

Peoria & Eastern a Casualty

As usual, there were moves not connected with general market action and Peoria & Eastern was a definite feature on a slump of more than a dozen points in one fell swoop when New York Central dropped a plan to offer its bonds in exchange for P & E stock. The issue sold around 30 points under its peak price with the decline representing a trim of around a third in value. Beech Creek Rail, which was also to have been made a similar offer, took the news more calmly but both issues were rather prominent at new lows for the year.

5% Yields Abound

With the emphasis on yield in market selection as a consequence of the money market maneuvers, the high selectivity of the bull market had at least one compensation. Something like 400 issues, pretty well left out of the runup, were still showing a yield of 5% or better which is a comfortable margin above bond yields. Of them, about half were selling in recent sessions at a yield of 6% or more with that much added attractiveness.

* * *

Among the 5% or better returns are some high class names including Santa Fe, Anaconda, Chesapeake & Ohio, U. S. Smelting, Pullman, Colgate Palmolive, Standard Brands, Revere Copper, Woolworth and Nickel Plate. Returns of 6% or better available at recent prices were offered by such well known enterprises as Chrysler, Phelps Dodge, Texas Gulf Sulphur, American Tobacco, Rock Island, and International Silver.

Increased Dividends Expected

Dividend increases will become vastly more important with their immediate help to indicated yields. And there is no dearth of candidates for better dividend treatment. American Cyanamid is one issue that already has made the statisticians recompute their yields by virtue of a brand new increase.

Cyanamid has been in a bit more favor than some of the other chemical and drug issues that are generally regarded as being fully priced at the moment. The company has been hampered a bit, earnings-wise, by expansion costs but projections of this year's results generally credit Cyanamid with a good chance to report record earnings and eclipse the previous peak posted half a dozen years ago. Its sales this year are also expected to reach the magic mark of half a billion dollars for a boost of better than three-fold in the last decade.

* * *

W. R. Grace, too, has been building up a following for its chemical activities which accounted for less than 6% of its sales as recently as four years ago but now are up to around a third of gross. The company, one of the more diversified of them all, recently moved into the oil business in a joint exploration operations with Texas Gulf Producing. The stock has been available at a yield of around 4½% recently which is still in line with prevailing markets and with its dividend covered about twice over by projected earnings for this year.

Aircrafts in Slump

Aircrafts pretty well came to an end of their recent popularity in the market heaviness. One in the group that was able to show superior action and resist the general selling well was Glenn Martin which has kindled a rather persistent following through its guided missile work. Government allocations for missile work in fiscal 1957 are expected to cross the billion dollar mark with new contracts being freely predicted for the firms that concentrate in this field.

Impact of Diversification

Worthington Corp. was among the issues that are available at better than 4% with a good likelihood of better dividend treatment. The stock in the past was regarded as one in a rather cyclical business, tempering market enthusiasm for it. Like others, however, the company has been making progress in diversification and expanding its product lines to lessen the cyclical impact and a good increase in profit is projected this year after the company had stretched out a good earnings record to more than half a dozen years.

* * *

National Supply also is usually found on lists of issues where better dividend treatment can be expected since estimated earnings for this year will cover the dividend more than three times. The company is a basic one in the oil business where a continued high level of exploration and development is more or less mandatory. Any disruptions arising from the Suez situation would necessarily force increases in such activity on the domestic level. The company's internal improvement recently was to drop some of the unprofitable phases of its business, consequently improving its profit position.

Steels Underpriced?

To many of the market students the steels are still the group that is about as underpriced as any among the key divisions. Bethlehem, Republic and Jones & Laughlin have been available at yields well above 4%. J. & L., moreover, was able to double its earnings last year and report a rather convincing further increase for the first half this year. In the face of these results, the stock is automatically included in the dividend-increase candidates. The company is expanding aggressively, including new facilities for using petroleum refining techniques to make coal chemicals from its rather large coal holdings, something of a pioneer action in a new field for a steel producer.

[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.]

With United Investors

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Gerald M. Friedman, Eugene H. Paul, John R. Taylor and Anthony N. Vaccaro have been added to the staff of United Investors, Inc., U. S. National Bank Building, Mile High Center.

From Washington Ahead of the News

By CARLISLE BARGERON

Both political parties have been putting so much emphasis on youth that perhaps it would not be amiss to tell about two of the younger men of the Republican party. I shall dismiss youthful Governor Clement of Tennessee, the Democratic keynoter, as coming up in and perhaps excelling in the best demagogic traditions of his party.

Carlisle Bargeron

But the two younger men in the Republican party whom I think have made their mark are Senator Dick Knowland of California, and Henry Cabot Lodge, our Ambassador to the United Nations.

Recently I read a snide article in an Eastern egghead magazine by a fellow who told about how in World War II a young man had suddenly been catapulted into juxtaposition with the writer on a war assignment in Europe. He seemed to be a competent, intent young man bent upon doing his duty, a very good companion, the article said. It was Dick Knowland, son of a wealthy and influential newspaper publisher in California. The writer of the article found Knowland very companionable in their daily walks to and from their place of work.

Then one day he found Knowland perturbed. Knowland had received a message that then Governor Warren of California had appointed him to the Senate to succeed the famous Senator Hiram Johnson who had died. The writer said he immediately perceived a change in Knowland and he went on to say that when he subsequently met him in Washington he hardly recognized him, meaning that he had become a stuffed shirt. He had become the Senate Republican leader by virtue of the late Senator Taft's having passed on his leadership mantle to him.

I have read only reecently in a widely syndicated gossip column that although Knowland despises Nixon, from his same state, he has made an agreement with him to support Nixon for the vice presidency in turn for being Secretary of State "when Nixon becomes President."

It is sometimes amazing what vicious stuff the columnists circulate. In my some 30 years in Washington I have never known a young, and a rich man, to deport himself so well as Knowland. In 1952 he was a Taft supporter in the California delegation and would have today been President had he accepted Taft's proposition to try to break the California delegation away from Warren and take second place on the ticket with Taft. In loyalty to Warren for having named him to the Senate, Knowland went down the line for Warren.

But Taft when he became ill willed his leadership to Knowland and he has served ably in that capacity. In true Taft tradition he has occasionally stepped aside from his leadership to vote against the President. In so doing he has shown that he is not a Sam Rayburn who accepted anything Roosevelt proposed. He has a mind of his own. He thinks for himself. As the Senate Republican leader he is that and not just a party mechanic.

When it was questionable whether Eisenhower would run again, Knowland and Nixon did not get along. They were rivals. Knowland announced for the Presidency. Immediately, when Eisenhower announced he would run again, Knowland bowed out and quickly announced Nixon would be the Vice Presidential nominee. In other words if he could not be President he had no desire to join California's "Goody" Knight in an attempt to knock off Nixon. Knowland, to my mind, has come through as one of the real statesmen of the Republican party.

I used to work with Cabot Lodge when he was a reporter for the New York "Herald Tribune." I was tremendously annoyed with his opposition to Bob Taft but he was a young man coming up in politics and he knew what was the best course for him to take.

As an Ambassador to the United Nations, he has done a lot to take the contention and controversy out of that tribunal. His predecessor, Warren Austin, seemed to think it was necessary to make headlines every day with a diatribe against Soviet Russia and the Soviet delegate, in turn, would come back with his diatribes. We had the same old situation of Roosevelt yelling across the seas to Hitler and Hitler yelling across the seas back at him. Americans were rapidly getting fed up with the United Nations as nothing but a sounding board for the Soviets against us.

Cabot Lodge has had more consciousness of his responsibility. He speaks at the United Nations whenever it is necessary to speak. But he is not trying to get his name in the headlines every day. The result is that the Russians are not always seeking the headlines either. The United Nations has settled down to work. I think capable Cabot Lodge has brought this about.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The appointment of George E. Koenig as a Vice-President of **Manufacturers Trust Company of New York** was announced on Aug. 16 by Horace C. Flanigan, President. Mr. Koenig joined the trust company in 1931 as a page boy in the executive offices of the bank's main office. He attended evening courses at New York University, City College, etc., later graduating from the School of Banking, Rutgers University. After receiving promotions and transfers to other departments and branch offices of the Manufacturers Trust, Mr. Koenig was appointed an Assistant Branch Manager in 1941. Serving in the United States Navy from 1943 to 1946, after his discharge Mr. Koenig returned to the bank and was appointed an Assistant Secretary the same year. In 1953 he was appointed an Assistant Vice-President. At present, he is assigned as Officer-in-Charge of the bank's 386 Fourth Avenue Office. Mr. Koenig is Assistant Treasurer and a director of the New York Chapter of the Arthritis and Rheumatism Foundation and is affiliated with various other organizations.

* * *

National Bank of Westchester opened its new drive-in office on Broadway at White Plains Road in Tarrytown on Aug. 17. The fifth office of the bank opened since January, it is the 18th in the bank's country-wide group. The Thruway Office is located opposite the toll booths of the Tappan Zee Bridge, of the New York State Thruway. Designed along Colonial lines, the bank is situated in the Tarrytown-Thruway Shopping Center and services the surrounding Sleepy Hollow area. National Bank of Westchester consolidated with the **Tarrytown National Bank & Trust Company** in January, 1955. Founded in 1882, the Tarrytown bank had long been known for its service to the Hudson River community. The bank's services include safe deposit boxes, checking and savings accounts, full loaning facilities and LINE-O-CREDIT and Home Fixit Financing, etc. Ralph T. Tyner, Jr., Chairman of the Board, was assisted in the ceremonies of the flag raising and ribbon cutting by Harold J. Marshall, newly elected President of the bank, John J. Nagle, Mayor of Tarrytown, Lawrence Rockefeller and Vincent L. Amato, Assistant Cashier, who is Manager of the Office. Dr. Harold D. Cater and Joseph Chamberlain represented the Sleepy Hollow Restoration and Philipse Castle Restoration.

* * *

J. A. Melnick was elected Chairman of the Board of the **Springfield Gardens National Bank of Springfield Gardens, Long Island, N. Y.** at a special meeting of the stockholders. At the same time, Oliver M. Mendell, formerly an officer of **Bankers Trust Company, New York**, was elected a Vice-President, in charge of the Business Development Program. Coincident with the election of these new officers, the stockholders named eight new directors to the Board of the Springfield National Bank. The new Board consists of: J. A. Melnick, President of J. A. Melnick Co., Inc. and affiliated companies; he is Vice-President of the N. Y. Lumber Trade Association, Treasurer of the Atlantic Millwork Institute, etc.; John T. Clancy, President of the Chamber of Commerce in the Borough of Queens; Carl Harber, head of the insurance firm of Tannenbaum-Harber & Co.; Milton M. Herman, President of Movie Star, Inc.; Samuel D. May, President of Diana Stores Corporation; Joseph T. Morris, Certified Public Accountant and partner in the firm of Morris, Sherwood & May; Charles H. Oestreich, President of the Lander Co., and Leon J. Shapiro, an attorney and director of the Lawyers Club of Brooklyn.

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The merger of the **First National Bank of Cobleskill, N. Y.** with common stock of $200,000, into the **National Commercial Bank & Trust Co. of Albany, N. Y.** with common stock of $4,344,000, was made effective as of Aug. 10 by the office of the U. S. Comptroller of the Currency, under the Charter and title of the Albany Bank. At the effective date of the merger the National Commercial Bank & Trust Co. of Albany had a capital of $4,564,000 in 228,200 shares of common stock, par $20 each, surplus of $8,800,000 and undivided profits, including capital reserves of not less than $3,512,805. The absorbed Cobleskill bank will be operated as a branch of the Albany bank.

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The sale of $125,000 of new stock by the **Mohawk National Bank of Schenectady, N. Y.** has resulted in increasing the capital of the bank from $625,000 to $750,000, the enlarged capital having become effective Aug. 8.

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As of Aug. 8 the **First National Bank of Highland, N. Y.** reported a capital of $200,000, the amount having been increased from $125,000 by the sale of $75,000 of new stock.

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Making available further details regarding the proposed merger of the **Rutherford, N. J. National Bank** and the **First National Bank of Garfield, N. J.** under the name of the **National Community Bank of Rutherford,** to which we referred in our Aug. 16 issue, page 691, the "Newark Evening News," of Aug. 15 through its staff correspondent at Rochelle Park, N. J. indicated that Peter De Leeuw, Jr. President of the Garfield bank would become President of the new bank, while William L. Staehle, President of the Rutherford National Bank would be Chairman of the Board. The combined bank, it is stated, would have resources of nearly $70 million and deposits of nearly $65 million. From the account in the "Newark News" we also quote:

"A shareholder profit was forecast as the immediate effect of the merger. It will take the form of a 4-for-1 exchange for the 30,000 outstanding Rutherford National shares and a 2-for-1 exchange for the 20,000 outstanding shares of First National in Garfield. The resulting 160,000 National Community shares would have an approximate market value of $27 on a par value of $12.50."

Action by the stockholders of the two banks on the merger will be taken on Sept. 18.

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The First National Bank of Westwood, N. J., which in June increased its capital from $150,000 to $180,000, has further added to its capital as a result of the sale of $45,000 of new stock effective Aug. 9, the amount having thereby been raised on that date to $225,000. The earlier increase was noted in our issue of July 12, page 196.

The proposed merger of the **Keyport Banking Co. of Keyport, N. J.** into the **Second National Bank of Red Bank, N. J.** was approved by the Comptroller of the Currency on Aug. 20, following the ratification of the consolidation, plans by the stockholders of the two banks on Aug. 10. Effected under the title of the **Monmouth County National Bank of Red Bank,** the plans to merge the two institutions were noted in these columns Aug. 2, page 495, and July 5, page 80.

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A stock dividend of $25,000 and the sale of $25,000 of new stock by the **First National Bank of Williamstown, N. J.** has raised the capital of the bank from $75,000 to $125,000 effective July 23.

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According to the Board of Governors of the Federal Reserve System the **Liberty Trust Company of Cumberland, Md.,** a State member of the Reserve System, merged under its charter and title with **Commercial Savings Bank of Cumberland, Md.,** an insured nonmember as of Aug. 1. A branch was established in the former location of the latter bank.

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The Board of Governors of the Federal Reserve System reports that the **Mechanics & Merchants Bank of Richmond, Virginia,** a State member of the Reserve System, merged with **The Central National Bank of Richmond, Va.,** as of Aug. 1 under the charter and title of the latter. The former head office and branch of Mechanics & Merchants Bank will be operated as branches by the continuing bank.

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With $100,000 added to its capital by the sale of new stock to that amount, the **Augusta National Bank of Staunton, Va.** has brought its capital up to $200,000 from $100,000 as of Aug. 9.

* * *

The Michigan Avenue National Bank of Chicago, Ill., which in June last, increased its capital by a stock dividend of 175,000 from $700,000 to $875,000 has made a further addition of $175,000 to its capital by the sale of that amount of new stock as a result of which the capital was raised to $1,050,000 as of Aug. 14. The earlier increase was referred to in our July 19 issue, page 296.

* * *

The Security National Bank of Raleigh, N. C. announces the opening on Aug. 21 of its new **Midtown Auto Bank** at Hargett and Dawson Streets. A reception incident to the opening was held during the day when refreshments and favors were distributed. Drive-in banking windows and free parking for customers feature the new bank.

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The sale of $50,000 of new stock by the **First National Bank & Trust Co. in Asheville, N. C.,** has brought the bank's capital up to $350,000, from $300,000 as of Aug. 7.

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Increased from $3,725,000 the capital of the **Commercial National Bank in Shreveport, La.** became $4,500,000 on Aug. 6 through the sale of $775,000 of new stock effective Aug. 6.

* * *

The Exchange National Bank of Colorado Springs, Colo. announces the elections of Grant H. Winne as Vice-President and Cashier; Samuel F. Downer as Assistant Vice-President and George M. Repetti as Assistant Cashier; also the appointment of K. G. Freyschlag as member Public Relations Staff.

* * *

The First National Bank of Scotia, Calif. with common stock of $60,000, and the **First National Bank in Madera, at Madera, Calif.** with common stock of $150,000 have been merged into the **Crocker-Anglo National Bank of San Francisco** with common stock of $38,670,000. The merger was made effective as of June 22 under the charter and title of the Crocker-Anglo National Bank. At the effective date of the merger the Crocker-Anglo National had a capital stock of $39,333,000 in 3,933,300 shares of common stock, par $10 each; surplus of $41,667,000 and undivided profits and reserves of not less than $18,628,000; as thus enlarged the Crocker-Anglo National Bank began functioning on June 25, with the offices of the merged banks being operated as branches.

* * *

Plans of the **First Western Bank and Trust Company of San Francisco** to establish an office in Redwood City, Calif., county seat of San Mateo County, have received formal approval of the State Superintendent of Banks, it was announced on Aug. 15 by T. P. Coats, Chairman of the bank's Board of Directors. Mr. Coats said plans for the proposed office would be finalized as soon as approval of the Federal Deposit Insurance Corporation is received. Announcement of the exact location of the Redwood City office will be made then he said. He added that "our office in Redwood City will be First Western's fourth in San Mateo County." Others are in Burlingame, San Mateo (Hillsdale area), and Daly City (Westlake Shopping Center). First Western California's independent statewide bank, at present has 80 offices in 62 communities throughout California.

* * *

Gardner Turrill, Vice-President of the **California Bank of Los Angeles** has completed his 35th year of service with the bank. He has been active in local and statewide banking circles for a number of years and is assigned to the bank's Head Office.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

In the light of the generally lower price levels that have recently been registered by the fire and casualty insurance stocks, it will be of interest to present a schedule giving the amount of earnings of the individual stocks that may be purchased for an investment of $100 at current prices. Such a tabulation will make a decidedly better showing now than it would have six or eight months ago when insurance stock prices were higher.

The schedule is arranged to give the amount of earnings available on a $100 investment at the 1955 earnings rate; at the average rate for the five years ended with 1955, and at the average rate for the decade ended with 1955. By itself, the earnings result for a single year is not very significant. Use of the three columns sets something of a trend. For example, Phoenix Insurance shows a downtrend, whereas St. Paul Fire & Marine shows a favorable trend.

It has been stressed here several times that only data covering longer periods is dependable for insurance stocks. Rates are not subject to rapid change, and some supervisory authorities that pass on rates do so on the basis of a period of say, four or five years; and then it takes a similar period to try out the new rates. Therefore, in this tabulation the important portion is the ten years to Dec. 31, 1955. For example, it is of less importance that, in the case of American Surety, at present prices $100 will buy $6.80 of 1955 earnings, when it will purchase only $4.28 of ten-year average earnings.

It is important that this material be used in conjunction with other data on the same companies that has appeared in this space, especially the underwriting profit margin, the gain to the shareholder, and the long-term price action.

Caution should be used in using National Fire to compare with other stocks. This company may be merged by Continental Casualty. It is currently selling at about 135, but as at the end of 1955 it liquidated at approximately 166, and liquidating value enters importantly into evaluating an insurance stock for merger or for liquidation, it is clear that this stock is selling considerably out-of-line with what it would be ex the merger prospect. Its price-earnings is considerably above that of such "blue chips" as Hartford Fire, St. Paul, Firemen's Fund, etc.

Amount of Earnings Per $100 Invested at Aug. 17, 1956, Prices

		Average Earnings	
	Earnings	5 Years to 12/31/55	10 Years to 12/31/55
Aetna Insurance	$8.30	$7.52	$8.53
Agricultural	3.91	8.92	8.55
American Insurance	4.50	7.08	7.43
Bankers & Ship.	9.16	8.86	8.66
Boston Insurance	def.	5.53	6.18
Continental Insurance	5.37	5.52	5.58
Federal Insurance	6.13	8.43	9.17
Fidelity Phenix	5.30	5.28	5.42
Fire Association	6.38	9.26	10.22
Fireman's Fund	7.34	7.53	7.56
Firemen's Insurance	7.15	8.62	8.17
Glens Falls	6.50	7.47	7.83
Great American	7.28	7.11	6.87
Hanover Fire	6.88	8.31	8.50
Hartford Fire	6.55	5.83	5.45
Home Insurance	7.43	6.34	7.09
Ins. Co. of No. Amer.	5.00	4.76	4.08
National Fire	3.81	4.85	4.49
National Union	6.85	10.64	9.28
New Hampshire	4.78	7.93	8.33
Northern Insurance	11.69	8.35	8.12
North River	6.58	7.10	7.21
Pacific Fire	8.43	8.07	7.73
Phoenix Insurance	3.88	5.67	6.15
Prov. Wash.	5.20	---	1.54
St. Paul Fire	5.73	5.13	4.42
Security Insurance	6.65	7.30	8.57
Springfield	4.78	7.59	8.40
U. S. Fire	6.53	6.98	7.20
Westchester	6.68	7.22	7.28
Aetna Casualty	9.54	14.40	12.49
American Re Insur.	8.76	6.68	5.08
American Surety	6.80	2.39	4.28
Continental Casualty	5.66	3.55	2.92
Fidelity & Deposit	9.87	8.18	7.85
Mass. Bonding	11.54	5.05	6.07
Seaboard Surety	9.30	7.38	6.47
U. S. Fid. & Gty.	9.58	8.98	8.76

Continued from page 3

Investigation and Buying End Of Dynamic Investment Banking

other published data about them and we try to keep currently informed and maintain records as to their interim earnings, balance sheet position and capital expenditures. We do not control any companies, nor do we have any contracts for future financing of any companies. We hope, however, that companies which have financed through us have been pleased with what we have been able to do for them and that based on this past record they will also wish to do their future financing through us.

As to companies for which we have not previously done business but which we hope to secure as our clients, we also study what information—financial and otherwise — we can obtain, so that when we call on their officials we will have some knowledge of their financial condition and some idea as to their financing needs. Naturally, we cannot keep currently informed on the great host of United States corporations, but we do select a certain number of companies whose affairs we try to follow regularly. In such cases, where capital expansion, maturities, interest savings or other needs or opportunities for financing appear, we will talk to the company's officers about them.

In keeping ourselves informed as to the various companies which we follow we try as far as possible to gather our information from original sources rather than from reprints or summaries. This is not always possible, but where it is possible we use company audits and company listing and registration statements and reports rather than the financial statements which are published or digested in newspapers, magazines, or financial manuals. In addition to the available statistics about the particular company we also try to keep ourselves informed through U. S. Government reports, Federal Reserve Bank bulletins, trade journals and other sources as to the status of the industry as a whole in which the company operates. It is amazing how much good information is available, if you conscientiously set about to get it, on almost any industry.

Now let us turn to:

Preliminary Investigation

When the officials of a company come to us and ask our help in raising money for expansion or refunding purposes, we make a preliminary investigation of the company, of the industry involved, of the company's competitive position in the industry, and of the company's management before we decide that we wish to do financing for them. And—a most important point—we talk with a number of people who know the company and its management to check as to the character and ability of the management and the general standing and reputation of the company in its trade circles.

Some smaller companies may be dependent on one or two men, and it is necessary to determine, if possible, whether there are younger men of ability in the company who will be able to take over in the future. Large companies can often survive extended periods of poor management but a small company can go broke pretty quickly under bad management. This management factor therefore makes it more difficult to appraise smaller companies.

An underwriter takes on a great responsibility when he agrees to sponsor the issuance of a company's securities, for not only does he assume the liabilities under the Securities Act of 1933 but also his reputation and success in business are determined by his ability to maintain investors' confidence, so that the investor will continue to buy the securities which he sells.

Assuming, therefore, that we would be willing to sponsor the securities of the company, the next matter to be considered with the company's officers is a:

Plan of Financing

We would first discuss with the officers of the company whether the money to be raised should be through sale of debt obligations or through sale of stock, or some combination of the two. If it were decided to sell debt obligations, the next decision to be made must be whether they should be by mortgage bonds secured by a lien on all or part of the company's properties, by collateral trust bonds, by straight debenture obligations, or possibly by convertible debentures; also the length of the debt obligations — i.e., whether they should have a maturity in 10, 20, 30 or whatever number of years or whether they should be in serial maturity form. We would also consider whether or not a sinking fund or purchase fund should be provided to retire all or part of the debt prior to maturity and, if so, how large a sinking fund.

If the money were to be raised by the sale of stock, we would discuss whether it should be in the form of straight preferred stock, convertible preferred stock or common stock and, if convertible preferred or common, whether or not the sale should be through preemptive rights issued to the existing common stockholders.

In investigating these matters with the company we would make a study of the company's capitalization and the relation of past and projected earnings to the various proposed issues of capital securities. We would also investigate the capital structures of high grade companies in the same and other industries, and compare the proposed capitalization plans of our company with those of the others. Although interest charges on debt, particularly under present corporate tax rates, are very much less than the dividend costs on equity securities, we must remember that debt has to be paid off and that when the charge for serial maturities, sinking fund or other amortization of debt is also considered the total financial costs may be particularly burdensome in periods of poor business. We would counsel the company, therefore, to keep its debt at a reasonably low figure. What might be a light proportion of debt for one company or in one industry might be a very heavy proportion of debt in another, so a large degree of judgment is involved. Generally speaking, however, the heavy industries with substantial plant assets—such as utility companies, steel companies, etc.—can afford to carry a much greater proportion of debt than can consumer goods industries, merchandising industries and the like.

Conserving Borrowing Power

We would also point out to the company that, where common stock capital can be raised on historically reasonable terms, common stock should be sold, as there are many times when it is not possible to raise common stock money except at bargain low prices. I might point out, however, that it is often difficult to persuade managements that they should raise common stock money—first because it appears on the surface to be more expensive, secondly because present tax rates (which recognize interest as a deduction before taxes) make the interest cost of debt borrowings very low, and thirdly because many managements feel that their own stock is underpriced in the market and will be selling substantially higher in the future. However, principal of a loan must be repaid out of income after taxes.

Any plan of financing should, of course, provide not only for the company's current needs but also for its further needs into the foreseeable future. Thus, financing plans should be designed so that the company will not exhaust its borrowing power, or use up all its crown jewels, in the current operation.

As a good example of the need for conserving borrowing power for a rainy day, I would like to point out the American Telephone and Telegraph Company and its subsidiaries which I will refer to collectively as The Bell System.

Prior to World War II, the System had followed the policy of having about one-third of its capital in the form of debt and two-thirds in stock. With the end of the War, the System was faced with a tremendous demand for expanding its services and facilities which instituted raising a vast and unprecedented amount of money in order to finance the expansion program. As it turned out, the capital of the System increased by over $8½ billion in the 10 years from Jan. 1, 1946 to Jan. 1, 1956 which is an average increase of approximately $850 million a year. Earnings retained in the business contributed approximately $722 million so that practically all this increase was derived from the sale of securities. Since the first of this year the System has sold an additional $250 million of debentures and has announced an offering of new common stock which will amount to approximately $575 million.

In order to obtain such vast amounts of needed capital, it was necessary to maintain the integrity of common stock and the ability to sell it, which absolutely precluded excessive borrowing. The System, therefore, decided that a substantial portion of the total program would be obtained by the sale of convertible debenture issues which would carry conversion terms making their early conversion into common stock attractive and probable. As a result, in the ten and one-half years, the System will have increased its debt by over $3¼ billion and its common stock and surplus by over $6 billion including the $722 million of retained earnings mentioned previously.

It would have been difficult if not impossible for the System to accomplish such a vast financing program if it had started in 1946 with a debt ratio of much more than the 31% which then existed or if it had not, during the period, raised a great deal of common stock capital through the sale of convertible securities which were soon converted into common stock. Actually, of the $3.2 billion of convertible securities issued during this period, all but about $346 million had been either converted or redeemed by Dec. 31, 1955 (currently about $136 million). Despite the large acquisition of common stock capital, the debt ratio has risen slightly over the period so that as of Dec. 31, 1955 it was approximtely 34.8%. At the end of 1948, before the attractive conversion features were fully effective, the debt ratio reached a high of 50.5% and since that time generally has been declining. At Aug. 3, 1956 an additional $210 million had been converted and the ratio then stood at 33.1%.

From the foregoing brief summary of the System's financing program, I trust that you can envisage the difficulties with which it would have been confronted had it started with a materially higher debt ratio or if it had permitted the attractiveness of its common stock to be diminished.

Capital Structure Simplification

In considering the various classes of securities which may be used for the raising of money, it is also necessary to consider what simplification of the capital structure can be accomplished which will provide the company greater ease, or increased flexibility in raising additional capital in the future. It is also necessary to study the terms which should be included in the mortgage or in the indenture relating to a debenture issue or in amendment to the company's charter in the case of a preferred stock issue, so that the new security may be made readily salable. Certain covenants in mortgages and bond indentures and in preferred stock provisions are desired by the purchasers of securities, and an investigation must be made to determine what covenants are needed for the sale of the security and, on the other hand, what covenants may later cause trouble not only for the issuer but also for the purchaser.

Provisions Fair to Investor and The Firm

One of the important functions of the investment banker is to help determine bond and stock provisions that are fair for both issuer and purchaser, so as to give protection to the investor who is furnishing the money, and at the same time not to unduly restrict or hamper the company which is raising the new capital. It is the general opinion of my firm that if the company is a good company, and well managed, what is best for the company is also best for the holder of its debt or other senior securities and, therefore, that the less restrictive the covenants are, the better the obligation will be for the holder in the long run.

There are a number of restrictive provisions, such as those that limit what the owners of the common stock may obtain from the company in the way of dividends or distributions, which will not hamper the company's operation as a whole. On the other hand, provisions such as that the company cannot increase its funded debt unless net current assets amount to a certain dollar figure, or that future bond issues can be sold only if earnings are a certain number of times interest charges, are usually, in my opinion, bad covenants. Their effect is that the company is allowed to incur additional debt in periods of prosperity, when it should probably be selling equity securities, while in periods of adversity, when it cannot raise stock money, it is prohibited from selling bonds — thus preventing the company from raising any new capital to rehabilitate its properties or for working capital at a time when the company may need it most.

Public vs. Private Sale

One further point to discuss in setting up the proper plan of financing is whether the securities should be sold to the public or sold privately. Here there must be considered the relative prices which would be received by the company, the relative provisions which would be needed in the bond indentures or for the stock, the relative costs and ease of completion of the transaction, and the relative time schedules needed under public versus private sale.

After the financing plan has been decided upon, or in many cases along with the financing decisions which we have been talking about, come the mechanics of preparing the issue for the market and

Preparing the Papers, etc.

If the issue is to be sold publicly under the Securities Act of 1933 it is necessary to prepare a registration statement including a prospectus, or if the security is a railroad security or if the security is to be sold privately it is necessary to prepare a descriptive circular. In either event a description of the business and property of the company must be furnished and the terms of the security described. Also financial statements and schedules must be prepared.

The managing underwriter usually arranges to visit and inspect the plants of the company. This gives a chance for an on-the-spot investigation of the manufacturing processes, and also an opportunity to talk to officers and plant managers on the job. Conferences with the sales officers and sales managers are arranged. The company generally prepares a first draft of the description of its business and properties, and the managing underwriter reviews these statements with the company officials and makes suggestions as to the presentation of the facts. All underwriters must be extremely careful, since they as well as the company are responsible for the statements made in the registration statement, and must see that the statements are correct and that there are no omissions which might make the statement misleading.

Now, as to:

Pricing the Securities

When the security is registered and the circular prepared, the work of the buying or analytical department is virtually completed, and the job is turned over to the syndicate or selling departments. However, all during the period of study and investigation it is necessary to be in touch with the selling department, as there is no use in preparing a security for the market which may be technically a good security but which is unpopular from a sales viewpoint. Furthermore the analytical or buying department usually makes studies of comparable securities to aid the selling department in the pricing of the securities. These figures are made up comparing the security to be sold with securities that have been sold in the past and for which a market exists. From statistics it is possible to get some idea of what the relative prices of the securities may be when other factors such as growth, stability in times of bad business, popularity of the industry, and management are considered.

Form Investors Trust

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Investors Trust Company has been formed with offices at 756 Peachtree St., Northwest, to engage in a securities business. Officers are T. Walker Jackson, President; C. Ervin Waller, Vice-President; Doris L. Waller, Secretary and Treasurer.

Four With Allen Inv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Dean R. Burwell, Ryness A. Doherty, Lewis E. Eagan and Melvin H. Olsen are with Allen Investment Company, Mile High Center.

Two With Securities, Inc.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Louis F. Dahl, Sr. and Richard H. Seno are now with Securities, Inc., Farmers Union Building.

How to Validate German Dollar Bond Coupons Announced

Registration forms and instructions available at office in New York City.

The Validation Board for German Dollar Bonds announced Aug. 16 a procedure for the validation of coupons detached from German Dollar Bonds, provided that the holders can establish the coupons were held outside of Germany on Jan. 1, 1945.

Douglas W. Hartman and Dr. Walther Skaupy, the American and German members of the Validation Board, respectively, said that the validation of these coupons will begin on Sept. 1, 1956, under the provisions of a recent ordinance to the Validation Law by the Government of the Federal Republic of Germany. Only detached coupons pertaining to bonds which have not yet been validated are eligible for validation.

Procurement Procedure

Registration forms and instructions, they said, will be available at the Validation Board, 30 Broad Street, New York City.

The Board noted that during the period of registration since Sept. 1, 1953, $141,580,700 principal amount of these bonds has been registered. It has validated $138,288,400 principal amount of German Dollar Bonds as of Aug. 1, 1956, and has invalidated $274,000 during the same period. In 12 additional challenged registrations, bonds totaling $328,000 principal amount were withdrawn when the registrants were informed of facts and evidence opposing validation.

Registration Expires Aug. 31, 1956

The regular period for registration of German Dollar Bonds themselves expires on Aug. 31, 1956, the Validation Board officials warned. Holders of these bonds may register them after that date but must support their registrations by evidence establishing the fact that they were not grossly negligent in failing to file during the regular three-year period.

Dr. Skaupy recently succeeded Dr. Walther Reusch as the German member of the Board upon Dr. Reusch's recall by the City of Hamburg. Dr. Skaupy was formerly a deputy German member of the Board.

Many Bonds Disappeared

The Board was established under the Validation Law, a treaty and an agreement between the United States and the Federal Republic of Germany. Its purpose is to determine the validity of some 92 issues of German Dollar Bonds. Validation is given to bonds determined to have been outside of Germany on Jan. 1, 1945. Some $350,000,000 of redeemed German Dollar Bonds disappeared from Berlin bank vaults after the Russians captured the city in May, 1945.

Logan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Sims T. Allen, Ravier E. Beerman, Frederick J. Bown, Irwin Chait, John E. Lalich, Richard M. Maxwell, Norton L. Richman and Joel Steinberger are now connected with J. Logan & Co., 2115 Beverly Boulevard.

Join FIF Management

(Special to THE FINANCIAL CHRONICLE)

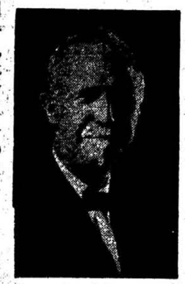
DENVER, Colo. — Henry H. Hoppler, Louis M. Morris and Rodney D. Townley are with FIF Management Corporation, 950 Broadway.

Foreign Factors Affecting Business And the Stock Market's Strength

By ROGER W. BABSON

Babson Park Analyst sees no reason for significant stock market decline—barring the unexpected—during 1956, and offers eight other forecasts. Comments about what effect the President's health, and the U. S. S. R. policies to take over the eastern half of the world, may have upon general business. Mr. Babson urges a policy of no letdown in retail sales and advertising, and a gradual retirement from debt.

Readers are naturally interested in what I think may cause the next stock market decline. I have heretofore discussed the domestic political situation, which could be very much upset by President Eisenhower's physical condition; also the fact that many purchasers on installments are getting physically and mentally tired with "keeping up with Lizzie." Therefore, this week I will confine myself to the international situation.



Roger W. Babson

Communism on the Decline

I think that the Russian leaders, who are primarily interested in holding their own jobs, believe that they now have a better chance of spreading Communism through diplomacy than through threatened violence. The first step in such a campaign was the discrediting of Stalin. The second step has been apologizing to Tito for various things they have done. The real reason for their change is that Communism is contrary to human nature. These Russian leaders now believe it must be brought about slowly and cannot be forced.

The real conflict will be between the East and the West. The Russian leaders are trying to consolidate the eastern half of the world, including China, India, and the East Indies, and forget Europe and North and South America.

What Washington Knows

This situation has been carefully discussed behind closed doors in Senate Committee rooms. These select Committees have been told things that the public do not yet know. The White House and our leading Statesmen are correct in following this policy until they find the answer; then it will be told to the people.

This news could greatly affect general business. Certainly our several hundred thousand soldiers in Europe could be withdrawn and defense appropriations would be reduced. This would harm some industries and localities, while other industries would be helped.

Nine Forecasts

To summarize my thoughts, I herewith give nine brief forecasts.

(1) Both political parties will make an effort to keep this inside information secret until after November 6 of this year.

(2) Our European allies are quietly being adjusted to this change in our policy. This can be done, even in the case of Great Britain, because the people of those countries do not expect to have all the inside confidential information.

(3) Ordinarily, official statements by Russia would receive considerable attention. Due to the present admission by the Russian Government of Stalin's treachery, butchery, and dishonesty, the capitals of other countries will now be skeptical of all Russian political announcements.

(4) I sometimes think that only a great world religious movement could save the day for all concerned. I see no sign of such a movement at the present time. More people are attending churches, but what we hear seems to go in one ear and out the other. Too many churches are becoming high-grade social organizations rather than teaching us to be willing to sacrifice for other families and nations.

(5) By 1965, Germany may again attempt a local European war to control Europe and liberate the Russian satellites.

(6) The fear of the atomic bomb and especially of the H-Bomb may bring us to our knees. This fear is already having its results. Another factor in the situation is the "guided missile," which could entirely change warfare. The guided missile, however, has not yet been made accurate enough to endanger us.

(7) President Truman's trip abroad will be helpful to the situation. This also applies to all student exchanges and to the great tourists who travel this summer from the U. S. and other countries.

(8) I see no reason why we should have much decline in the stock market during 1956, provided some very unexpected serious event does not occur.

(9) I certainly do not look for World War III for many years, because the people of the United States are in no mood to enter such.

Prosperity Formula

The conservative and patriotic program for each reader is to keep up retail purchases, continue present advertising, and gradually get out of debt.

Republic Nat'l Bank Promotes Four

DALLAS, Tex. — Promotion of four members of the official staff of the Republic National Bank of Dallas from trust officers to Assistant Vice-Presidents and trust officers was announced Tuesday by Karl Hoblitzelle, Chairman of the Board, and Fred F. Florence, President of the Bank.

Those promoted at the regular monthly meeting of the Bank's Board of Directors were James E. Magouirk, A. J. Mason, John H. McGinnis and T. G. Smith.

Mr. Magouirk is in the Trust Department's Estate Division. He has been with Republic since 1945.

Mr. Mason, who joined Republic's staff in 1926 as a clerk in the Trust Department, is in the Corporate Trust Division.

Mr. McGinnis is in the Trust Investment Division. A native of Brooklyn, N. Y., he joined the staff of the bank in 1951, after prior service with the Bank of the Manhattan Company, Fiduciary Counsel, Inc., and Delafield and Delafield.

Mr. Smith is in the Trust Operations Division of the bank. He joined the staff of the bank in 1927, and has been with Republic since that time except for a brief period of military service in 1943.

Continued from first page

Federal Highway Program And Its Implications

of road building relative to increase of motor traffic.

It was not necessary for either the President or the writers of the law to refer to the "shot-in-the-arm" aspect of the program. From the time of the President's speech at the Governors Conference in July 1954, it was clearly understood that a long term nationwide road building program, coming along after the housing boom, would be very helpful to the construction industry and through it to others. The Secretary of Commerce hailed the signing of the law as the start of "the greatest public works program in the history of the world" and immediately announced the amount of money for which each state could apply during the next three years and tentatively during the whole 13 years.

Scope

The over-all plan is to provide a nationwide superhighway system, linking major cities, supplemented by state highways, and rural roads. Since about 1893 money has been coming out of Washington to assist in road building, on a grant-in-aid plan since 1916.

Now the old and new Federal Highway taxes and the old and new plans are to be united in one integrated undertaking. It is expected that the President will appoint a Federal Highway Administrator, as requested by the Secretary of Commerce and approved by both Houses just before adjournment. The Administrator, directly responsible to the Secretary of Commerce, will direct the conduct of the Federal Highway Program which, as in the past will be supervised in detail by the U. S. Bureau of Public Roads of the Department of Commerce.

The Commissioner of the Bureau is Mr. Charles Dwight Curtiss, a civil engineer, with state highway experience, who has been with the Bureau for 20 years or more. The interview with him in "U. S. News and World Report," July 20, 1956, shows his grasp of the problems and the equanimity with which he can be trusted to handle them.

Mr. Curtiss says that there now are in the U. S. A. about 3,300,000 miles of roads and streets of all kinds. Of these about 750,000 miles are included in Federal-aid plans. They are the busy miles, carrying about two-thirds of the total road traffic of the country. The new plan is to encourage the states to rebuild or to relocate many of those 750,000 miles and then to maintain them as efficient parts of a nationwide network of

41,000 miles of interstate, limited access superhighways, connecting major cities,

200,000 miles of state highways,

508,000 miles of rural roads.

There is a map, made in 1947, of the proposed Interstate System and there are detailed maps of the roads suggested through and around large cities. The booklet containing them can be obtained from the U. S. Printing Office for 55 cents.

Financing

To increase the accumulation of the Washington share of the necessary funds, certain taxes were raised as of July 1, on motor fuels, trucks, trailers, buses, and tires. A new tax was imposed on retread rubber and a yearly registration fee must be paid by trucks of 13 tons or more.

The sums collected will go into a Highway Trust Fund to be handled by the Secretary of the Treasury. Under the present law no more money can be paid out or promised for any year than is currently in the trust fund. However, a state which has no more money coming to it at the time, can go ahead and build a road which is part of the designated Interstate System and hope to get funds later, if the Secretary of Commerce has approved its specifications in advance.

The chief objective of the new law is to secure the completion within 13 years of the Interstate System. For this purpose Congress has authorized $24,825,000,000 to which states, receiving 90% for the cost of such roads, would be obligated to supply about $2,500,000,000 additional. Specific amounts have been allocated to the states for the 3 fiscal years through June 30, 1959. Thereafter it is expected that funds will be allotted where they seem to be most needed.

Of the allocations made to the states for the various fiscal years, other than sums for the Interstate System, 45% is for roads outside of cities, 30% for rural roads, 25% for roads within urban areas. These are the purposes for which states must match Federal funds 50-50. Under certain conditions a state can arrange for transfer of funds from one of these categories to another, but no category may be decreased or increased by more than 20%. (Sec. 102 (a) (1) and (c)).

For the three years July 1, 1956-59, the allocations from the Highway Trust Fund among the states (other than funds for the Interstate System) aim to relieve congestion in and around cities, to connect them, and on the basis of population to give rural areas more dollars per person to provide farm to market roads.

The allotting of sums to a state does not transfer any money to its treasury. It merely fixes an amount for which the state may apply. The states must apply within two years after the end of the fiscal year for which the sums were authorized, or the allotment lapses. And applying involves submitting definite plans which meet the physical standards of road building published by the Secretary of Commerce.

States' Rights

Possibly the most fundamental misunderstanding of the new law arises from the assumption that the Federal Government is empowered to dictate to the states which roads are to be built and where, and to move in and build them. That is not the scheme.

Mr. Curtiss and the men from the state highway departments have been poring over maps together for years. Together they have traced the Interstate System linking every large city with every other. They have worked out the location of the state highways and the rural roads which will feed the interstate highways and serve local needs. Federal-aid to highways is nothing new.

The change is in the expansion of the program. Larger Federal highway taxes, collected in all states, are flowing into the Highway Trust Fund, and each individual state knows the larger amounts it can claim for the various pieces of the national network which it may wish to renovate or build. For parts of the Interstate System it can apply for 90% of the cost, for lesser state highway and rural roads 50%.

Before applying for Federal aid, the state highway department will make sure that the route approximates the tentative location on the Federal map, or that good reasons can be given why it should not. The next step is to set up for the new road the construction specifications fixed by the Secretary of Commerce as to lanes, curves, access, crossings, service areas, materials, etc.

The law does not compel any state to build any road; it merely establishes a method whereby each state can obtain from Federal taxes a portion of the cost of the roads which the map shows that state probably will wish to build within the next 13 years.

The locating of roads of all sizes always has involved the abandonment of portions of old roads or their reclassification. The Federal Highway Program, being a large and comprehensive undertaking, will involve more of the same. In congested areas the expense of widening a busy road may make the building of a new road more feasible for through traffic.

No Toll Road Duplication Intended

An interviewer said to Mr. Curtiss "Many investors have a lot of money in those roads, and the question is whether their investments may be jeopardized." He replied, "Not a chance. That's the reason for the provision in the bill which says that toll roads can be integrated into the system. We will have only one highway facility between control points on this Interstate System and, as long as there is a toll road that is adequate, it would be foolish to spend any further public money on a parallel facility that would duplicate or put out of business a useful toll road."

As to whether or not new toll roads will be built there is difference of opinion. Naturally motorists prefer free roads. From now on the proposal to build a new toll road probably will result, in most cases, in immediate pressure on the state highway department to build a free road with 90% Federal aid.

Because funds from the Highway Trust Fund will be available only year by year, it may be that some toll roads will be built, to meet an urgent need of traffic relief.

States May Prefer Toll Roads

Or reasons cited by the counsel of the Maine Turnpike Authority, as reported by the "Daily Bond Buyer" on July 25, may prevail. In discussing the proposal that the state build a free road, instead of the planned extension of the turnpike, from Augusta to Bangor, Mr. George Varney "contended the people of Maine would save money if the route to Bangor were built as a toll project. Although the Federal Government would put up 90% of the cost of a free road, he pointed out that the state would have to provide the rest. If the project cost $70,000,000 the state's share would be $7,000,000.

"This state money, Varney pointed out, would have to come out of revenues from gasoline taxes and motor vehicle registrations, which are paid by people all over the state whether or not they use the road. In addition the state would have to pay the $500,000 or so annual maintenance costs.

"But if the new road were built as an extension of the turnpike, he said, the state would have to pay nothing for its construction or maintenance at least not until the bonds were retired. Then, the state, if it so decided could keep the tolls in force and get all the revenue, which might be as much as $20,000,000 a year.

"Meanwhile," Varney emphasized. "the road would be paid for by its users, of which at least half would be from out of the state.

"Varney doesn't suggest the state reject any of the Federal aid, but he feels the money could be better spent on other routes."

It is possible that the Florida Turnpike may be extended from Fort Pierce to Jacksonville because it is estimated that about 80% of the toll-payers will be visitors.

Many, probably most, of the 3,200 miles of toll roads in operation or under construction are parts of the interstate network from the driver's point of view. And it is expected that some states will try to have their toll roads declared eligible to become free roads, with the Federal Highway Fund supplying 90% of the money necessary to pay off the bonds, of which about $4.1 billion are outstanding. A report on the subject is to be submitted to Congress in January, 1958. Of course, nothing but local popularity for a few congressmen would be gained by making the turnpikes free. They already are operating units in no need of Federal encouragement.

The program map shows that all the important turnpikes, except West Virginia, are parts of the interstate **plan**, but that does not make them parts of the system. The law does provide that the Secretary of Commerce may approve as part of the Interstate System any toll road, bridge, or tunnel which meets the standards of the Interstate System.

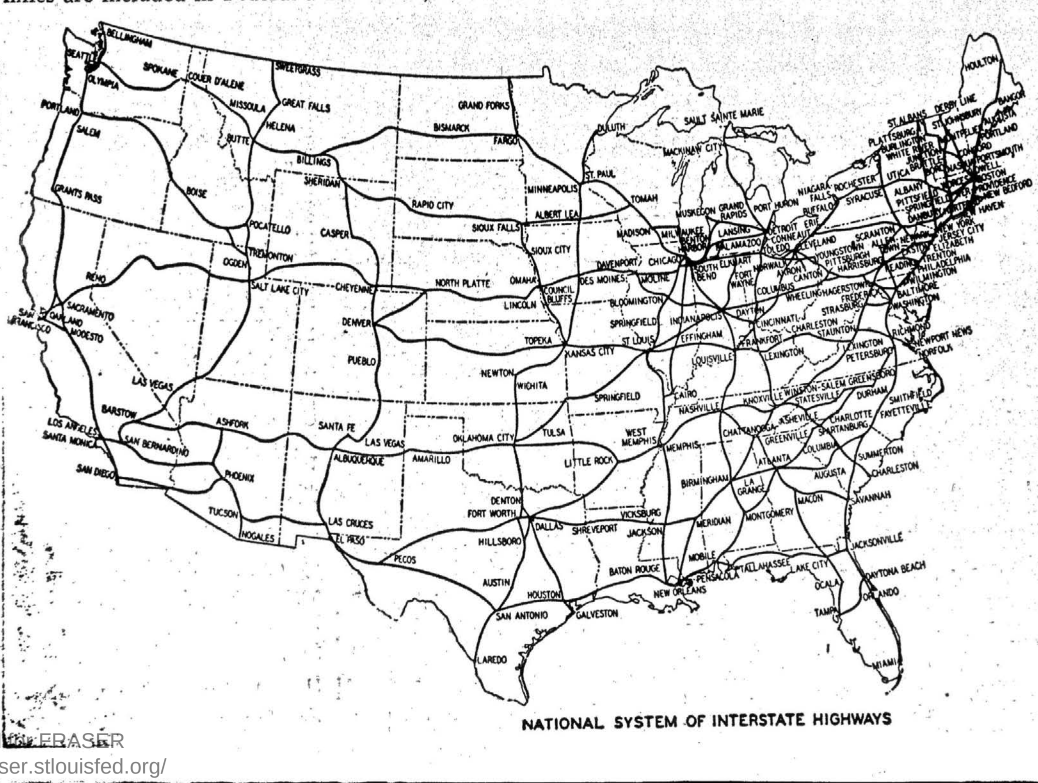
Approving of such existing facilities does not imply any possibility of getting Federal aid to pay their cost, **but** Federal funds can be secured under specified conditions to build **approaches** to them—which might induce greater use of the toll facility.

Corridor States and Road, Bridge Authorities

There will be plenty of time between now and January, 1958 to discuss all angles of the toll or free pike question. "Moody's Bond Survey," June 25, 1956, said, "Certain corridor states (Connecticut, New Jersey, Delaware, and Maryland, for example) where a considerable part of bridge and/or turnpike revenues is derived from out-of-state drivers very logically might prefer to maintain tolls rather than accept reimbursement proposals."

The road, bridge, and tunnel Authorities themselves may be averse to extinction. Most of the state laws creating them or permitting their creation, provide that the facility shall or may become part of the state highway system after its bonds and other debt have been paid off.

Not many Authority officials have been heard from but Paul Heffernan in the New York "Times," July 29, 1956 said, "On



NATIONAL SYSTEM OF INTERSTATE HIGHWAYS

Year	GNP (in $billion of constant value)	Transportation (in billions of ton miles)	Ratio
1929	85.9	582.2	6.78
1932	62.0	293.9	4.74*
1940	100.0	610.6	6.11
1945	153.4	1,014.5	6.61
1947	138.0	999.0	7.24†
1950	156.2	1,027.4	6.58
1952	172.0	1,101.6	6.40

*Low. †High. 24-year average: ton-miles per $1 of GNP=6.20 inches.

Year	GNP (in $billion of constant value)
1953	181 (our estimate)
1954	180 (our estimate)
1955	195 (our estimate)

The figures for Gross National Product as shown in the "Federal Reserve Bulletin," July, 1956, not reduced to constant dollars, are 1952, $345.4 billion, 1953 $363.2, 1954 $306.7, 1955 $390.9.

The Federal Highway Program should help to equalize the material benefits of peace and prosperity.

the other hand, it is likely that certain toll expressways will continue in business along present lines, regardless of the Federal program. In New Jeresy, for instance, Paul L. Troast, Chairman of the Turnpike Authority, is against making the turnpike a freeway when its bonds are paid off.

"At the present rate of earnings, the bonds could be paid off in 15 years instead of 35 years as first planned. About 75% of the toll revenue comes from traffic originating from out of the state, and the turnpike officials are unwilling to pass up this revenue once there is no need of it to pay off bonds."

Planned Modifications

The Federal Highway Program is not involved with anything so fixed as a constitutional provision or a Supreme Court decision, nor anything so controversial as an addition to the national debt. It is a matter of law, taxes, and politics. With billions to be spent and every mile of road local to some Congressman, the program is bound to be a perennial topic of discussion.

The law itself provides, and very wisely, for frequent reports of progress and revised estimates of costs in 1958, 1962, 1966, 1967, 1968. It is only to be expected that additional mileage will be added as the program proceeds.

Flow of Funds

Under the old Federal - Aid-Highway acts, $875,000,000 was available to the states during the fiscal year ended June 30, 1956. In the present fiscal year ending June 30, 1957 the sum will be $2 billion. According to present plans the figure will rise to around $3 billion a year and then decline toward the end of the program.

Estimates of expenditures this year on all sorts of roads and streets, including Federal, state, and local money, range from $5.2 billion to $5.5. Mr. Curtiss thinks it possible, and no one should be a better guesser, that 5 years from now the enormous total of $8 billion a year may be spent for construction of roads and streets of all kinds, with an additional $4 billion necessary for maintenance.

It will take some months to get the increased sums flowing from the Highway Trust Fund to the state treasuries, to the road building companies, to their workers, to the supermarkets, but it will be a mighty and swelling stream of buying power for years to come.

State Highway Financing

Moody's, in its "Bond Survey" of July 2, 1956, says of the combined effect of the old and new Federal-aid provisions, "Both programs would increase state spending by about $244,000,000 a year," and believes that added state borrowing for highway purposes will not be "unwieldy."

Presumably the mileage built in every state will be greater than it would have been without the new Federal Highway Program. But the state's share of the cost may not be much more than it would have had to lay out had there been no increase in Federal-aid.

The program, trying to plan 13 years ahead, publishes startling figures, and calls upon state highway departments to realize that, as Mr. Curtiss says, "We are using roads that were built for the Model T for our 300-horse power motors." State expenditures for highways will be increased but, if Congress had done nothing, they still would have increased in the years immediately ahead.

Economic Growth Definitely Tied To Transportation

Existing highways might be adequate if the recent rate of population growth were reversed, factory capacity decreased, wages lowered, and spending of every kind curtailed. With every indicator pointing in the opposite direction, the building of more roads is hardly a matter of choice.

The inevitable relationship between Gross National Product (the value of all goods and services) and tons transported is made clear by a tabulation included in "Freedom of the American Road," published by the Ford Motor Co.

"Transportation as a Raw Material." (From a study by Thomas H. MacDonald, Texas Transportation Institute).

This hitherto unpublished table reveals a constant relationship between wealth produced and transportation consumed. Every dollar of Gross National Product (GNP) appears to be matched by an almost fixed number of ton-miles. To earn $1 we must transport one ton of goods about 6⅕ miles. That is, transportation is a raw material in all production.

Morgan Stanley Group Offers Pacific Tel. & Tel. 4⅜% Debentures

A nationwide underwriting group headed by Morgan Stanley & Co. and comprising 52 investment firms offered for public sale yesterday (Aug. 22) a new issue of $78,000,000 32-year 4⅜% debentures of The Pacific Telephone & Telegraph Co. The debentures, due Aug. 15, 1988, are priced at 102.53% and accrued interest to yield approximately 4.23% to maturity. The issue was awarded to the group at competitive sale Aug. 21 on its bid of 101.551.

The proceeds from the sale and from a scheduled offering in September of 1,562,267 common shares to shareholders for subscription at par, $100 per share, will be used to reimburse the company's treasury for expenditures made for extensions, additions and improvements to its telephone plant. For the five years and five months ended May 31, 1956 the company has spent more than a billion dollars for new construction.

The current financing plan also calls for the repayment of borrowings from banks and from American Telephone & Telegraph Co., parent organization. American Telephone intends to subscribe for the 1,399,824 shares of additional common stock of Pacific Telephone which represent its pro rata portion of the offering.

The new debentures are redeemable at 107.03% to and including Aug. 14, 1958 and thereafter at prices decreasing to the principal amount on and after Aug. 15, 1983.

The company's service territory includes California, Oregon, Washington and the northern portion of Idaho. A wholly-owned subsidiary serves Nevada. On May 31, 1956 there were 5,910,662 company telephones in service, of which about 34% were in Los Angeles and vicinity and about 23% in San Francisco and vicinity. The subsidiary had 39,966 telephones.

For the five months ended May 31, 1956 total operating revenues were $320,093,000 and total income after taxes, but before interest deductions was $43,087,881 compared with $286,493,340 and $40,016,876 for the like period of 1955. For the calendar year 1955 operating revenues were $715,494,444 and total income after taxes, but before interest deductions was $98,435,185.

With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Paul A. Randolph and Benny Rubin have joined the staff of Daniel Reeves & Co., 398 South Beverly Drive. Mr. Randolph was formerly with Merrill Lynch, Pierce, Fenner & Beane. Mr. Rubin was with Lloyd Arnold & Co.

Cameron Appointed By Hemphill, Noyes

Hemphill, Noyes & Co., members of the New York Stock Exchange and other leading securities exchanges, announces that Alan L. Cameron has been appointed Sales Manager in the firm's New York office, 15 Broad Street. He had been with Merrill, Lynch, Pierce, Fenner & Beane's Newark office as an account executive since 1948. Prior to that he was with the investment department of the National Newark & Essex Banking Company for two years.

Alan L. Cameron

Mr. Cameron is a graduate of Princeton University, class of 1942, and attended the Graduate School of Business Administration, New York University. He served in World War II as a communications officer with the Fifth Air Force in the South Pacific and was discharged a Captain in 1946.

Hemphill, Noyes & Co. has offices and representatives in 24 cities across the country.

FIF Management Appoints Executives

DENVER, Colo.—Two new appointments to the executive staff of Financial Industrial Fund, Inc., and FIF Management Corporation, 950 Broadway, investment manager and national distributor of FIF, have been announced by Charles F. Smith, President of both corporations.

J. William Tempest, who has been associated with FIF Management Corporation since 1949, has been appointed Assistant to the President of FIF. Mr. Tempest currently holds, and will continue to hold, position of Assistant to the President of FIF Management Corporation. He was recently elected Vice-President of the Denver Society of Security Analysts.

Randall B. Palser, associated for 11 years in an executive capacity with the Denver office of United Air Lines, has been appointed to the newly-created position of Sales Director for Foreign Distribution for FIF Management Corporation. Mr. Palser will act also as a special Assistant to President Smith in sales training and distribution.

With Securities, Inc.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Hugh C. Alkire, Charles W. Carkhuff, Clarence A. Cook, Hazel S. Davis, Harry W. Dorris, Jr., John A. Epps, Stephen K. Henkel, Ervin L. Housman, Mason K. Knckles, Donald F. Loury, Robert H. Lundberg, and John S. Moore are now with Securities, Inc., Farmers Union Building.

Three With Hamilton

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Carl J. Frazzini, Philip F. Johns and Claude W. Smith are now with Hamilton Management Corporation, 445 Grant Street.

With Intermountain Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Norval Starr, Maurice E. Stapleton, Arthur W. Wermuth and Fred Wolf have become affiliated with Intermountain Securities, 309 Columbine Street.

Public Utility Securities

By OWEN ELY

Puget Sound Power & Light

Puget Sound Power & Light serves electricity to an estimated population of nearly 700,000 in the western Puget Sound-Cascade area of the state of Washington. Residential sales of electricity account for 55% of revenues, commercial 26% and industrial only 11%. Principal activities in the area are lumbering, dairying, farming and raising of fruit, fishing, and diversified industry.

The company generates about 72% of its own power and buys the remainder, principally from the Bonneville Power Administration. It is a member of the Northwest Power Pool with a considerable interchange of power with other members, public and private. The completion of two hydro projects now under way will add 20,000 kw during 1957 and 140,000 kw in 1959, as compared with the present 238,000 kw hydro and 85,000 kw steam generating capacity.

The company now serves 265 communities and adjacent rural areas, the largest city having a population of over 34,000. The population growth in the company's area during the 1940-50 decade was twice that of the rest of the state and four times that of the country as a whole; it has been predicted that the decade 1955-65 will show a gain of 60%.

Under broad powers granted by state laws, municipalities and public utility districts ("PUD's") sought during 1932-52 to acquire much of the company's property through 24 piecemeal condemnation proceedings. The City of Seattle refused to extend the company's franchise when it expired in 1952, and took over the properties within the city to add to its own electric system. In January this year the Chelan PUD bought the company's interest in the Rock Island Hydro Project and related facilities for more than $28 million which was about 210% of book value. The deal was also favorable in that the sales contract gave Puget the right to buy power from the Project at reasonable cost for a period of years.

While on the whole the company has disposed of more than one-third of its properties, it has been able to obtain on the average cash amounting to about 55% in excess of net book cost. Reinvestment of these funds in new construction has maintained total plant at a level only slightly under the 1948 figure and additional cash has been used to retire senior securities.

Possibly as the result of Administration encouragement of a "partnership" power program in the northwest, Puget Sound adopted a more conciliatory policy toward PUDs. Last year eight condemnation cases against the company were voluntarily dismissed so that only 15% of revenues was obtained from areas where property was under condemnation, instead of the 50% formerly involved in condemnation proceedings. It appear likely that the two remaining suits will be dropped.

Establishment of the Puget Sound Utilities Council in the spring of 1954 was a favorable factor; it consists of Puget Sound P. & L., the Seattle and Tacoma municipal systems, and the Snohomish and Chelan PUDs. The Council is planning a large-scale power development program including 13 major hydro projects.

In the meantime, Puget has proceeded on a definite expansion program. The company plans to install 160,000 kw new generation on the Baker and Snoqualmie Rivers. It also expects to have available a minimum of 426,000 kw from the present Rock Island and the proposed Rocky Reach Projects of the Chelan PUD (on the Columbia River) by means of 50-year contracts. The Priest Rapids, Wells and other projects will, as developed, provide additional sources of power.

Puget Sound's equity ratio is now around 60%. The management expects to put about $87 million in new plant (compared with the 1955 net plant investment of $102 million) during 1956-59, to be financed with internal cash, bank loans, and senior securities. By the end of 1959 it is estimated that the equity ratio will have dropped to around 40% — still probably above average for the industry.

Share earnings remained irregular between 1945 and 1952, dropping from $1.39 in 1948 to $1 in 1952. However, since 1952 earnings have increased steadily to $1.51 last year and an estimated $1.60 or $1.65 for 1956, it would seem logical to expect an increase to $2 or $2.25 by 1959, considering the large proposed plant investment and the increased capital leverage for the common stock.

The annual dividend rate has been steadily increased from the 53c paid in 1947-52 (adjusted for the 50% stock dividend in 1955) to $1.28 currently, which includes an 8c increase in May. With a high equity ratio the company is now following a more liberal payout policy so that further increases appear likely as share earnings gain.

At the current price around 29¼ (which is almost the record high for many years, on an adjusted basis), the stock yields 4.4%. The price-earnings ratio is 18.6 — or 17.7 if based on the estimated earnings for the calendar year. The stock has now acquired somewhat the status of a growth utility, despite its drab earlier record.

With La Montagne Co.

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, Calif.—Arthur M. Haddock is now with La Montagne & Co., 71 Stanford Shopping Center.

Joins Nelson Burbank

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Howard J. Richard is now connected with Nelson S. Burbank Company, 80 Federal Street.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Daniel L. Cadiff is now with King Merritt & Co., Inc.

Continued from first page

As We See It

have been said of Stevenson had he been elected with the active help of then President Truman.

Now there are few left to dispute President Eisenhower and his "middle-of-the-road" ideas. When Governor Harriman and ex-President Truman went down in ignominious defeat, the extremist in the Democratic party seemed *ipso facto* to vanish from a position of great influence. It would be foolish, of course, to suppose that left-over followers of Roosevelt and Truman will disappear from the scene or remain quiet and docile at all times henceforth. It would be equally naive to suppose that there is none in the Republican party who would say nay to Eisenhower if they could, But as such things go, the two candidates for the Presidency this year seem to have things well under control.

An Inevitable Conclusion

Put all these facts together and we have the inevitable conclusion that this country will have a "middle-of-the-road" Administration in power next year, or else an Administration whose key note is "moderation." The difference between the two attitudes, so far as basic principles are concerned, is the difference between twiddledee and twiddledum. There are quite possibly specific matters about which President Eisenhower and Mr. Stevenson would and do differ. Political considerations would in all likelihood oblige a President Stevenson to make changes in the Eisenhower program—and to make much of these alterations. The fact remains that fundamentally it is unlikely that four years of Mr. Stevenson would differ radically from four more years of Mr. Eisenhower.

This means that we are destined to have at least four more years of the essentials of the New Deal and the Fair Deal. Both political parties are now apostles of Roosevelt, whether either or both like the label or insist upon wearing some other button. There is not the slightest reason to expect a sharp turnabout from either in the foreseeable future. Neither Eisenhower nor Stevenson is in a position to disavow the paternalism innate in the so-called full employment act. Neither, we are certain, has or would have the slightest desire to do so. If either did he could not carry his party with him. The idea that the national government can and must prevent depressions in the future has become part and parcel of the folkways and the mores of the times. Even a very substantial number of the economists—who of all people should be definitely skeptical — have been taken into camp by this type of socialistic philosophy. Any very serious threat of depression during the next four years, no matter which of these gentlemen is President or which party is in power, will without doubt see a revival of credit manipulation, pump priming and all the rest which the pseudo-economists have listed as means of procuring and securing permanent prosperity.

Nowhere in either party or either convention has there been any real turning from the "soak-the-rich" philosophy so dear to the heart of all New Dealers, and definitely continued in practice by the Eisenhower Administration. The extreme progressiveness of the individual income tax will beyond doubt remain regardless of who wins this fall. So will all the expensive fol-de-rol loosely referred to as social security; enormous agricultural subsidies are here to stay, so far as can be foreseen at this time; labor will continue to be coddled; the securities business will remain in shackles; and so it will be with all the other essential New Deal programs. All this is true quite regardless of the outcome of the voting in November.

Compensating Factors

There are, of course, some compensating factors in the situation. In the first place, it now appears clear that the irresponsible purveyors of sensationalism are far less potent in the Democratic party than they once were. Governor Harriman was an outstanding example of this type of politician or reformer, whichever he prefers to call himself. Ex-President Truman, for purposes of his own, had thrown in with the New York Governor as an outspoken enemy of moderation. Neither is longer in a position of influence in the national party. Nor is the Republican party without its extremists, but they are no longer in a position to impose their ideas upon the party, or the country.

Possibly four years of "middle-of-the-road" or "moderate" New Dealism may offer an opportunity for forward looking citizens with the good of their country at heart to lay the groundwork for a return to the true American philosophy of government which has brought this country to the state where all the other peoples of the world look on with wonder and envy. It may be easier to make such a start from "moderation" than from the more extreme positions of the clique which ran the Democratic party for several decades. Any such return would plainly have a long way to go, but not so long a road as would have to be faced were the extremists still in the saddle.

We are now about to enter the period of active and often bitter campaigning. We shall hear many charges and counter charges. Doubtless the Eisenhower Administration will be accused of "steals," of favoring the rich, and much more of the same order. There will be little or no truth in them. The Democrats will be accused, doubtless, of New Dealism—which is true, but of course their opponents have often been tarred with the same stick. It would be well if the American people viewed all this calmly and thoughtfully, letting the politicians know that they are well aware of the hollowness of much that is being said, and that what is really wanted is constructive statesmanship.

Continued from first page

Prospects for Private Investment Abroad

major institutions at the end of 1939 and 1955 (in billions):

ASSETS OF AMERICAN FINANCIAL INSTITUTIONS

Class of Institution—	1939	1955
Commercial banks	$65	$208
Life insurance companies	30	90
Savings & loan assns.	4	32
Mutual savings banks	10	30
Pension funds	3	23
Fire & casualty ins. cos.	5	21
Investment trusts	1	8
Credit unions	0	2
Total	$118	$414

Institutional Trends

The commercial banks, as the table shows, remain the largest group of financial institutions in terms of assets. However, their relative importance has been contracting with the expansion of older competitors and the emergence of new. This decline in relative position has been more pronounced in some avenues of activity than in others, and it is possible that the ground lost by commercial banks in some fields, such as savings deposits, may be recovered as more aggressive methods are adopted.

At the end of 1955, commercial banks accounted for 50% of the assets of the financial institutions listed above. This compared with 54% in 1939.

Since the end of 1939, the most striking institutional change in commercial banking has been the growth of loans and the cutting back of investments. Even in 1939, before the great wartime expansion of government security holdings, the latter were almost equal to total loans. At the end of 1955, by contrast, loans exceeded government security holdings by $21 billion. In fact, last year loans of American commercial banks exceeded all their investments for the first time in many years. American commercial banks are again becoming primarily lending, rather than investing, institutions.

The greatly expanded demand for short-term accommodation, increases in capital and reserves to absorb possible future losses, and the waning fears of depression have combined to make American commercial bankers once again eager, rather than reluctant, lenders.

The most pronounced rise in loans has occurred in the consumer lending field. Real estate loans and "other loans to individuals" together constitute 45% of commercial bank loans. They were about a third of the total in 1939.

Business and agricultural loans have declined in relative importance, although loans to business have shown the most vigorous expansion in the past year.

Commercial Bank Lending Abroad

The changes in bank portfolios, and the management policies they reflect, augur both good and ill for international lending. On the one hand, it means that bank managements will be more alert to favorable lending opportunities abroad. On the other hand, with portfolios swollen by domestic loans at higher rates, foreign lending opportunities may appear less attractive.

Prospective borrowers will want to keep in mind that loan portfolios of American commercial banks are particularly sensitive to the business cycle, since so much of business borrowing is for inventory expansion and other cyclical needs. Hence, American banks will be found most interested in good lending opportunities abroad at times of cyclical recession at home.

Life insurance companies enjoy remarkably steady growth at a rate of some $6 billion per annum. This is likely to continue for the foreseeable future with little change due to cyclical fluctuations. Since a very large part of the portfolios of life insurance companies consists of obligations subject to regular amortization, total funds available each year for new investment are nearly twice this total.

The two great outlets for life insurance funds are real estate mortgage loans and bond issues of corporations, the latter acquired in the main through private placement rather than by purchase from public offerings. So long as ample attractive opportunities in these two fields are available, life insurance companies are likely to show little interest in alternative outlets such as domestic equities or foreign obligations. They have participated substantially in foreign investment through purchase of obligations of American companies that require funds for investment in activities abroad.

Should the net demand for funds either for construction or business expansion abate materially, life insurance companies would be ready to consider alternative outlets. Since they anticipate an immediate return on policy reserves as they accumulate, in computing premiums charged policyholders, they are impatient to invest their funds as fast as received. Hence, they are prospects for well-protected lending opportunities abroad whenever a major cyclical downturn should develop in domestic demands for mortgage and bond money.

Savings & loan associations, the fastest growing of the public investment institutions, and mutual savings banks are placing virtually all new funds in mortgages. It is doubtful that their managements would have any interest in foreign lending under any foreseeable circumstances, except through the medium of the International Bank for Reconstruction and Development.

Pension funds of corporations and of states and local governments, which have enjoyed spectacular growth in recent years and should continue to gain $3 to $4 billion yearly, find ample outlets in government and corporate bonds. Corporate pension funds are large-scale investors in equities. They do not appear to be significant prospects for foreign lending or investing.

Fire and casualty insurance companies favor tax-exempt obligations and equities for tax reasons. With some exceptions, they are not likely to be interested in investment abroad.

Investment trusts, the most flexible financial institutions in the country, are mainly concerned with equities. When equity opportunities abroad are particularly attractive as compared with domestic, they will be interested in them. Relative attractiveness of foreign and domestic equities is the sole consideration, especially for closed-end and specialized investment funds.

By their very nature, credit unions are concerned only with making small loans to their members. To the extent that they satisfy demands for consumer credit, they do lessen the demands made upon other institutions for such accommodation, and so increase funds available for other purposes, including foreign loans.

Commercial banks, life insurance companies and investment trusts are the institutions that are most likely among the major American financial institutions to be interested in lending and investing abroad. This interest is at low ebb when domestic capital requirements are very large, as is the case at present. Should demands for capital decline in this country in the future, however, and conditions favorable to foreign investment continue to develop abroad, these institutions may be expected to display more interest in foreign commitments.

Security Ownership

The character of the ownership of securities in a country is of major concern to anyone concerned with the sale of securities, whether domestic or foreign, in that market.

In the 1920's, the market for securities in the United States was mainly among individuals. This applied not only to equities, but also to corporate and foreign bonds.

In the 1930's, due to widespread losses, there was a major shift from direct individual investment to the institutionalization of savings. Institutions invested mainly in bonds, so that bond yields tended to decline while equity yields rose because of the absence of demand. In the late 1940's, yields on common stocks averaged more than twice the yield on representative corporate bonds.

More recently, institutional interest in equity investment has increased greatly. Life insurance companies and savings banks in New York State have received statutory authority to invest small proportions of assets in equities, which they could not do before. New York and other states have adopted the "prudent man" rule, authorizing trustees to invest trust funds subject to statutory restrictions in equities in part. Corporate pension funds, not subject to such regulation, have been major buyers of equities.

These developments have led to exaggerated generalizations about the institutionalization of the American equity market. Thanks to the Fulbright inquiry into the stock market a year ago, we have estimates of security ownership that permit a better quantitative appraisal of what has happened to security ownership in the United States.

Fulbright Inquiry Reveals Data

The market value of all domestic publicly-owned common stocks outstanding at the end of 1954 was estimated by the Securities & Exchange Commission for the Fulbright inquiry at $252 billion. Of this total, financial institutions owned $25 billion or 10%, and personal trusts administered by banks and trust companies held another $32.7 billion.

Since the latter are actually individual rather than institutional holdings, they should not be included among institutional holdings of equities.

It is thus apparent that holdings of equities by financial institutions, while substantial, cannot be the dominant factor in the American market that some have implied. Some 90% of outstanding equities are still owned by individual investors.

It is true, however, that institutions are expanding their holdings of equities at a fairly rapid pace. In 1954, net purchases of equities were estimated as follows by the Securities & Exchange Commission for the Fulbright inquiry (in millions):

Corporate pension funds	$450
Investment companies	380
Life insurance companies	130
Other insurance companies	140
Savings banks	140
Nonprofit institutions	80
Total institutional	$1,320
Personal trust funds	200
Foreigners	120
Domestic individuals	460
Total net addition to common stocks outstanding	$2,100

These data indicate that ownership of equities in the United States is still overwhelmingly by individual rather than institutional investors, but that the latter are becoming relatively more important. The market for fixed income obligations, however, is almost entirely institutional in character, especially outside of government obligations.

Domestic Capital Demands

There has been a great increase in the supply of funds seeking investment in the American capital market, even after allowing for the decline in the purchasing power of the dollar. The bulk of these funds seek investment through financial institutions.

The readiness of institutions to invest funds abroad in volume in the future will depend, however, on the domestic investment opportunities that will be available. If domestic demands for capital are ample, then yields will tend to be relatively higher and there will be less reason for seeking outlets abroad, with the added problems and risks they usually present.

An analysis of the prospective demands for funds within this country, therefore, provides valuable clues to the probable future attitude of investors in this country towards foreign investment.

Business Financing

High labor costs, technological progress and the expansion of the domestic market have expanded business capital requirements to unprecedented proportions.

Capital requirements of corporate enterprise are estimated by the Department of Commerce in its annual series covering the uses and sources of corporate funds. In the 10 years ended 1955, corporations required $275 billion to finance plant and equipment purchases and increases in current assets.

Of this vast sum, two-thirds was raised from internal sources. Depreciation allowances and retained profits provided some $178 billion in approximately equal proportions.

The huge amounts of capital provided internally explain the modest volume of new corporate financing in the capital market in the postwar decade, and the relatively moderate increase in bank borrowings from the banks. In fact, corporate financing outside the regulated public utility field has been small indeed.

This development also explains why high-grade bond prices held up as well as they did in the years following the end of pegging of government bond prices by the Federal Reserve banks in 1951.

Looking to the future, however, it is probable that corporate external financing will assume substantially larger proportions. Corporate managements are basing their plant and equipment outlays increasingly upon optimistic long-range projections of new capacity needs, as well as on large-scale labor-saving replacements of existing capacity. In 1956, plant and equipment spending is expected to exceed that of last year by some 30%.

The internal flow of funds from depreciation allowances and retained profits is relatively inelastic. Depreciation allowances have expanded spectacularly, from $4 billion in 1946 to over $16 billion this year, but they will tend to increase more slowly in the next few years with the expiration of the five-year accelerated amortization period for defense facilities. In any event, depreciation schedules are predetermined, and cannot be expanded at management discretion to keep pace with the kind of increases in capital requirements now taking place.

Corporate external financing through bond issues is increasing this year to record proportions, in consequence, business borrowing from the banks is also at a new high level. If spending on plant and equipment and inventories is sustained, demands for funds from business will reach a much higher level than was the case during the decade following the end of World War II.

Consumer Financing

The chief source of the demand for capital in the American economy since the end of the war has been in the financing of consumption.

In the 10 years ended 1955, home mortgage debt increased almost fourfold, from $23 to $89 billion. Short and intermediate term consumer debt increased in even greater proportion, from $8 to $36 billion. The rise in personal debt for the decade was thus $94 billion, which dwarfs every other type of demand for capital during the period.

Thanks to the relatively modest demands that were being made upon financial institutions by government and business borrowers, the American financial system was able to satisfy these enormous demands for consumer financing. Were it not for this conjuncture of circumstances, it is quite doubtful that such large sums would have been available to finance personal requirements at the relatively low interest rates and on the easy terms that have prevailed.

Looking ahead, both home mortgage and consumer borrowing may well be sustained due to the high and rising standard of living of the American people, the rise in the proportion of families owning their own homes from 40 to 60% since 1940, and the prospective sharp increase in family formation in the 1960's. For example, based on population trends it has been suggested that the decade of the 1960's may witness as many as 2,000,000 new housing starts in some one year, as compared with the peak to date of 1,396,000 dwelling units started in 1950, on the outbreak of the Korean war.

Conclusions

Far-reaching changes have taken place both in the structure of American finance and in the capital requirements of the American economy.

The chief changes in the nation's financial structure have been:

(1) A progressive shift in commercial bank portfolios from investments, mainly in government securities, to loans to consumers and to business.

(2) A great increase in mortgage lending by life insurance companies, savings and loan associations and savings banks.

(3) Pension funds, fire and casualty companies and investment companies are finding ample outlets for investment in government and corporate bonds and in equities.

The chief changes in the demand for funds have been:

(1) The small proportions of government needs for funds since the end of World War II.

(2) The tendency for business capital needs from external sources to rise, as the flow of funds from internal sources, very heavy by comparison with the past, proves inadequate for the expanded fixed and working capital requirements of American enterprise.

(3) Consumer borrowing, especially to finance home ownership, has been the chief source of capital demands to date. They are likely to continue heavy for some time to come.

These trends indicate that, so long as the American economy remains in its current highly dynamic phase, both commercial banks and investing institutions are likely to find ample outlets for funds at home. This may be expected to curtail their interest in foreign lending and investing, apart from investment by American corporations of funds raised at home in operations or ventures abroad.

Whenever domestic demands for funds may decline, because of business recession or new developments in the American economy, this attitude could be expected to change.

The flow of savings into institutional channels tends to hold relatively stable from year to year, while fluctuations in domestic demands for funds are quite wide in an economy as dynamic as that of the United States.

In the period since the end of the war, the trend of capital requirements has been sharply upward, chiefly from consumers but latterly from business. The future trend of domestic capital requirements, as much perhaps as political and economic developments abroad, will determine the attitude of American financial institutions towards foreign lending and investing.

First International

(Special to The Financial Chronicle)

DENVER, Colo.—First International Corporation has been formed with offices in the First National Bank Building to engage in a securities business. Officers are Pierre E. Olivan, President; Arthur L. Ashworth, Vice-President; and Sam Levy, Jr., Secretary-Treasurer. All were formerly with A & C Realty Investment Co.

Baker, Simonds Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — Donal L. Huebler has been added to the staff of Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange

Evans Forms Company

TUCSON, Ariz. — Louis Evans Investments, Inc. has been formed with offices at 1045 North Swan to engage in a securities business. Louis Evans is President.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government bond market continues to be on the sloppy side, as new lows for the year are being made in many issues, with volume and activity very light and limited. The professional tone which is so evident in the more distant Treasury obligations is the direct result of the lack of interest among investors in Treasury securities. The tight money policy of the monetary authorities is putting interest rates up, but it has not yet made any appreciable dent in the demand for credit. The cost of borrowing has never been too important to those who have need for funds, and this is especially so at this time because of the high taxes which have to be paid by the borrowers of these funds.

The short-term rate is still in the ascendancy even though the supply of funds is much larger in this sector of the Government market. The middle and longer-term Treasuries continue to be on the defensive, since they must meet the competition from other forms of investment.

Market Under Pressure of Tight Money

The money pinch continues to exert an adverse influence on the market for fixed income bearing obligations, which means that short as well as long yields for these securities are still advancing. The demand for loanable funds is very sizable, as it has been for sometime, and even though there have been postponements of several corporate bond issues, the pressure to obtain money, especially in the longer sector of the market, is still very great.

When the money markets are uncertain as they most certainly are now, the available funds that are seeking investment in fixed income bearing securities are not inclined to do very much more than to make commitments in the shortest and most liquid kind of interest bearing obligations. This is the case now, with short-term money seeking investment being plentiful but, in spite of this, the demand for such funds is so sizable that near-term rates are also on the climb. To be sure, the tight money policy of the monetary authorities is one of the most important reasons for the money stringency which is currently so prominent in the loaning business.

Boom Psychology Still Dominant

The boom or inflationary pressures show no signs of an immediate letdown even though there are more than a few maladjustments making their appearance on the economic horizon. Just the same, it does not seem likely that there will be any change in monetary policies as long as the boom psychology rules the business pattern. The demand for credit is as large as it ever has been, and in some quarters the belief is that the need for loanable funds will be greater during the fall and winter. If this should be the case and, unless the powers that be make some funds available to the money market, interest rates will continue to advance because of the competition for the not too rapidly expanding pool of credit.

Inflation Still Underlies Monetary Policy

To be sure, the restrictive credit policies of the monetary authorities are aimed at combatting the forces of inflation which have at least from the psychological viewpoint apparently gained in strength since the settlement of the steel strike. It is evident that these policies of the powers that be, are based on the broad belief that credit demands are outrunning the supply of savings and that financing of the future by this kind of borrowings, whether it be spending for inventories, plant expansions, or for other purposes, is growing too rapidly. This kind of loaning, according to some money market specialists, can result only in inflation.

Accordingly, the money market continues to be kept on the restrictive side and this results in the yields for all fixed income bearing issues being pushed ahead, since these borrowers must compete in the open market for the available funds. However, yields for some of the recently floated corporate bonds reached levels which were attractive to investors and as a result they were well taken.

Increase in Discount Rate Indicated

The pressure on interest rates has finally brought about an increase in the prime bank rate from 3¾% to 4%. This would seem to forecast a higher discount rate. The increase in the central bank rate in Canada was followed shortly thereafter by an increase in the "prime bank rate" of the chartered banks.

The flotation of corporate securities, according to advices, will pick-up rather sharply in the fall, with indications that several private placements are also being worked on at this time. Tax-free financing is not expected to be too much larger than it has been, although some important financing will be up for voters' approval at the time of the national elections in November. All of which seems to indicate that the demand for loanable funds is likely to continue to be large, which means that Government securities must meet this competition.

Forms Market Research

(Special to The Financial Chronicle)

PASADENA, Calif. — Arthur Hess is engaging in a securities business from offices at 108 South Los Robles under the firm name of Market Research Associates.

Sierra Corp. Formed

(Special to The Financial Chronicle)

DENVER, Colo. — The Sierra Corporation has been formed with offices in the Majestic Building to engage in a securities business. Officers are Ralph Lilley, President; Charles F. Newell, Secretary and Joseph B. Lilley, Treasurer.

Joins Greene & Ladd

(Special to The Financial Chronicle)

SPRINGFIELD, Ohio—John M. Westcott has joined the staff of Greene & Ladd, First National Bank Building.

Forms Sam. Swimmer Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Samuel Swimmer has formed Samuel Swimmer & Co. with offices at 210 West Seventh Street to engage in a securities business.

Puerto Rico Water Resources Authority Financing Completed

S. L. Descartes, Executive Director of the Puerto Rico Water Resources Authority accepted a check from Wilbur M. Merritt, Vice-President of The First Boston Corporation, acting on behalf of an investment banking group headed by First Boston, Ira Haupt & Co., and B. J. Van Ingen & Co., Inc., which recently marketed a $22,000,000 bond issue of the Authority. The scene was the board room in the No. 2 Wall Street offices of the First National City Bank of New York, Trustee.

Purpose of the financing is to provide funds for extension and improvement of the Authority's electric properties to keep pace with Puerto Rico's rapidly expanding industry. Production of electric energy by the Authority totaled 1,135,000,000 kilowatt hours in the fiscal year ended June 30, 1956, a gain of 18% over the previous year and 224% over the fiscal year ended June 30, 1946. The Government Development Bank for Puerto Rico is fiscal agent for the Water Resources Authority.

Seated, left to right—Wilbur M. Merritt, Vice-President of the First Boston Corporation, S. L. Descartes, Executive Director of the Puerto Rico Water Resources Authority, and Sanford L. Smith, Vice-President of the First National City Bank of New York.

Standing, left to right—William C. Carrington, Jr., of Ira Haupt & Co., and L. Walter Dempsey, President of B. J. Van Ingen & Co., Inc.

Continued from page 14

Long-Term Financing Institutions Of the Western Hemisphere

which is now running at the rate of $60 million a year and has built up reserves of nearly $400 million which do not, however, increase its total lending authority but merely reduce the extent to which its operations are financed on borrowing. The term of its loans ranges from 6 to 15 months for commodity loans, to 30 years for postwar reconstruction loans. The average term varies from 7 to 10 years.

The operations underlying these aggregate figures are of four main kinds: (aside from the large emergency reconstruction credits made to Europe in 1945 and 1946).

(1) Exporters credits, by which the Bank assists in the financing of the export of goods of a productive character, either by individual items, or by lines of credit. In the past the Bank has agreed to carry from 50% to 90% of the amount and of the risk involved; today the normal practice is to provide 60%.

(2) Commodity credits, by which the Bank has extended lines of credit to foreign banks to provide short-term financing for the export of commodities such as cotton and tobacco.

(3) Project loans by which the Bank has extended credit to finance projects undertaken overseas by U. S. or foreign corporations, or by foreign governments. These include projects for the development of material supplies, and for the construction of basic industries, roads, harbors, power installations and irrigation schemes which involve the use of American equipment. This kind of operation makes up the major part of the Bank's lending.

(4) The Bank has made loans for the purpose of providing dollars to countries which are in temporary exchange difficulties, the most noteworthy of which have been the credit of $300 million for the government of Canada in 1947, of $125 million to Argentina in 1950 and of $300 million to Brazil in 1953.

In June 1946, after the IBRD had opened for business, the Bank decided to cease its program of emergency reconstruction credits and its report for that year stated that "it is the policy of the Bank that the credits which it authorizes shall be for specific purposes and shall contribute in the most direct manner to a balanced long-range expansion of foreign trade, and shall be on terms appropriate to the circumstances in each case." Thereafter the Bank's business has been in line with the provision of the Export-Import Bank Act that loans shall "offer reasonable assurance of repayment."

In effect the background of the Bank's operations is not that the U. S. finds difficulties in selling overseas but that it does have difficulties in getting paid. The blind extension of credit as such would postpone this problem but at the same time increase its magnitude in the long-run. The Bank, therefore, aims to provide finance in a selective manner for exports such as capital goods that will increase the ability of the importing countries to earn dollars. It furthermore restricts its commitments towards countries whose repayment capacity appears to the Bank to be open to question.

The second principle of policy written into the Act is that the Bank should "supplement and encourage and not compete with private capital." Before making a loan the Bank satisfies itself that private capital is not available; one broad effect of this has been that the Bank does hardly any financing of imports as private finance is normally available for this purpose. The Bank works with commercial banks, and uses their facilities for the extension of credit. It has arranged with commercial banks that they should actually take over some of its credits. Obligations of borrowers have always been available for purchase by private interests, though few such transactions have taken place—far fewer than is the case with IBRD. We shall revert to this later when we discuss cooperation with the private market.

Finally, the Export-Import Bank, in contrast to IBRD, but consistent with its purpose which is to foster American foreign trade, makes tied dollar loans for the foreign exchange costs of the borrowers requirements. Only in very rare and exceptional circumstances has it financed local currency costs, or purchases in third countries.

Thus in more than twenty years of existence, from 1934 to the present date, the Bank has changed the emphasis of its business from exporters credits before the war to development loans to Latin America during the war; emergency reconstruction loans to Europe after the war; then to foreign exchange funding loans and development loans in the Western hemisphere. In the last two or three years it has experienced once again and on a small scale, a demand for the type of exporter credit which was its main business at the beginning. Moreover, it has a continued interest in project loans which benefit either American exporters or American business abroad or future supplies to the American economy.

B. The International Bank for Reconstruction and Development

The IBRD was established as a result of the Bretton Woods Conference of July 1944 at the same time as the International Monetary Fund. It began operations at the beginning of 1946 and made its first loan in May 1947. It is a specialized agency of the United Nations and its shareholders are governments. Its organization deserves a word of comment.

Its membership includes today 58 countries. In addition to the countries belonging to the Soviet orbit, only a few nations of the free world are missing, the most important being Switzerland, Spain, Portugal, Argentina and New Zealand. One of the possible explanations for the absence of at least some of them is that membership in the Bank cannot be obtained unless membership in the Fund has been secured. The member countries are represented individually once a year at the meeting of the Governors where each country has a voting power proportionate to its capital subscription. These capital subscriptions are in turn computed according to the approximate economic strength of each member. As a result of this system of weighted voting, the United States of America has a little over 30% of the voting power, the U. K. around 12½%, France a little over 5%, etc. The five bigger shareholders each appoint a permanent Executive Director and the 53 other members group their votes to elect 11 further members of the Board of Directors. The weighted voting system applies to the Executive Directors as well as to the Governors. These Executive Directors meet at intervals, at least once a month; they appoint the President of the organization and vote on its policies and loan operations.

The capital structure of the Bank is no less original. In establishing it, the founders of the institution intended to give the Bank both cash resources and a substantial borrowing capacity. For that purpose, they subscribed in cash around $1.8 billion and guaranteed the Bank obligations to the tune of four times that cash subscription, this making a total of $7.2 billion as guaranteed funds.

Unfortunately, not all of the cash subscription could be made available to the Bank immediately. A number of countries felt unable to allow substantial exports of capital to take place. To this day the Bank has been able to avail itself of only a little over $1 billion; the U. S. and Germany are the only countries which have fully released their cash subscription. This cash capital is not only important because of its amount but also because of its denomination. Except for one-tenth which was paid in gold or dollars, it is expressed in the national currencies of the member countries, thus giving the organization a first supply of currencies other than U. S. dollars: of the billion dollars available from this source roughly 25% was in currencies other than U. S. dollars.

As to the guarantee fund which is provided by creditor nations and potential borrowers alike, it serves as foundation for the borrowing activities of the Bank. It was one of the purposes of its founders that the Bank should be a channel between the private market and the foreign borrowers; they knew the reluctance of the investors to run a foreign risk, and the guarantee feature in which the U. S. A. participates for $2,450 million explains the success of the Bank in floating roughly $1 billion of bonds. By this means also, the organization was able to secure other currencies than U. S. dollars: of the $850 million of bonds now outstanding nearly 20% are expressed in Swiss francs, Canadian dollars, pounds sterling and Dutch guilders.

In addition to capital subscription and bonds, the Bank secured further resources (roughly $550 million) from principal repayments, from its accumulated surplus, and finally from the sale to the market of obligations delivered to it by its own borrowers.

$2½ Billion Commitments to Forty-one Countries

Altogether these resources amount to close to $2½ billion; the amount of commitments entered into by the Bank is almost $2½ billion, of which $1.9 billion has actually been disbursed. These commitments or loans go to some 41 member countries or territories. The rate at which the money is lent is based on its cost to the Bank plus a small margin for expenses, plus a statutory differential of 1% the proceeds of which are accumulated in a special reserve against losses. The running rate turns out to be between 4¼ and 4¾% according to the maturity. Loans are usually made for terms ranging from 7 to 30 years, the average maturity of the portfolio being around 12 years.

The lending policies of the IBRD were set forth in its Articles of Agreement. A basic one is that the loans should have reasonable prospects of repayment; the creditworthiness of the borrowing countries is, therefore, all important and subject to constant review. As a matter of fact the Bank has not experienced one default. The second is that the loans should be granted to a government or provided with a government guarantee. This rule has a dual purpose: to make sure that priority of transfer will be granted to the loan service, and that the country attributes enough importance to the project financed to shoulder the commercial risk. In this respect the IBRD has stricter rules than the Export-Import Bank which is free to lend to governments, individual importers or exporters alike. As we shall see the International Finance Corporation will be free of this limitation. Thirdly, the loans should be made for specific projects: this expression has been interpreted in a flexible manner and "projects" may include a wide range of operations, from a hydroelectric plant or a paper mill to a general development program or a specific import list related to a development or a rehabilitation program. Fourthly, the Bank lends primarily for the foreign exchange cost of a project; this rule is also subject to flexible interpretation.

Cannot Make Tied Loans

Last but not least, the Bank cannot make tied loans. Contrary to the Export-Import Bank and contrary also to the practice of the export insurance organizations in Europe, the Bank must provide its borrower with the currency needed to secure the goods financed by it. The importance of this provision prevades all its operations. It implies that the need for non-dollar currencies is an ever recurring problem in its financial management; it implies that when the dollar prospects of a given borrower are weaker than its general debt carrying capacity, the Bank will endeavor to lend in European currencies rather than in U. S. dollars; it implies that the borrower will be encouraged to purchase his supplies wherever the market is cheaper.

In other words, it implies that the Bank should not support any particular group of exporters: by necessity it finds itself placed in the position of an agent of the importers, that is to say an agent of the borrowing country. This, in turn, has had a number of consequences. If one starts from the premise that the borrowing capacity of the borrowing country is limited, one must share in the responsibility for advising on the best use which can be made of it. One is therefore compelled to consider how the foreign exchange revenues may best be managed, what policies in the fiscal and investment field are the most likely to be successful, what investments should be undertaken by priority. The Bank finds itself perforce in the position of a financial and investment adviser to its member countries. It would, therefore, be hardly fair to judge its contribution merely on the amount of loans it has actually granted, although its contribution to economic development rises at the rate of about $400 million a year. Technical assistance is absorbing almost as much time and effort as lending *per se*.

The forms which this technical assistance can take are extremely varied. They include advice on the construction of the projects, suggestions as to their financial or technical operations, advice on the establishment of development financing institutions, advice on the choice to be made among different investment projects, advice on the establishment of development programs or their administration, advice on development banks and the organization of development banks and financial markets. The most ambitious and better known of these activities includes what the Bank calls the "survey missions," where experts in various fields join efforts to make consistent recommendations for the development of a particular country. Some 13 such missions have already submitted their reports and very frequently their recommendations have been adopted and put into force. The strength of the IBRD is precisely this unique combination of lending power coupled with advice on the economic development of its potential borrowers.

By the end of March, 1956, its lending had been distributed as follows:

	Million
Reconstruction loans to Europe	$497
Development loans to Europe	432
Loans to Latin America	632
Loans to Asia & Middle East	346
Loans to Africa	267
Loans to Australia	258
	*$2,432

*Net of cancellations and refundings.

As to the purposes served by this financing, it has gone very largely to basic facilities. Only the reconstruction loans which amounted to nearly $500 million in 1947 included substantial amounts for raw materials. Of the development loans, some 67% went to power and transportation and some 25% to industry and agriculture, including irrigation and forestry.

The question arises, of course, how two institutions, both residing in Washington, one of which handles exclusively dollar credits, the other one handling mostly dollar credits, divide the operations among themselves. In the first place, it must be pointed out that no question arises in the countries which are not members of the IBRD, Spain and the Argentine, for instance: there, the IBRD cannot lend. In the second place, long-term loans for development purposes would rather naturally fall within the province of the International Bank, so far as its member countries are concerned, while when the interest of the American exporters or American business abroad is primarily concerned—especially when no government guarantee is contemplated—the Export-Import Bank may well come first in line. There are also certain countries which prefer to deal with an international organization than to entering into bilateral arrangements. Finally, these broad principles may not be enough to serve as a definite guide, and some borrowers have, from time to time, hesitated between the two institutions. It is hardly necessary to point out that the very fact that they both have their seat in Washington facilitates enormously the elimination of possible confusion. Conversations between the two institutions are a common occurrence and the areas of operation can therefore not overlap.

III

The Foreign Bond Market

The time and effort which were needed to obtain full acceptance of the International Bank bonds by the American private market are a good illustration of the slow psychological evolution of the investing public in this country. This sounds like a strange pronouncement after the Bank has already issued $830,000,000 of its bonds in the USA. It is, however, true. When early in 1947 it became possible for the IBRD to consider floating its first issues, the foreign bond market was practically dead, except for Canadian issues which are historically considered as hardly different from domestic U. S. risks. There were in 1946 and 1947, two small issues of Norwegian and Netherlands bonds and a few Australian refunding issues. That was all. It is not necessary to explain this reluctance to lend abroad. Fifteen years of depression and of war had convinced the investors that discriminating good from bad investment at home was difficult enough without going into what was generally dreaded: the "transfer risk."

But there is one aspect of this situation whose weight is not always adequately appreciated. In the USA individual investors hold very few bonds today, except tax exempt securities. Bonds are mostly held by institutional investors. Savings in the form of money claims accumulate largely in the form of insurance, savings account, savings and loan association shares. In 1953 total net investment of personal savings in financial assets amounted to about $20 billion. One half of this amount was entrusted to insurance companies, savings banks and savings and loans associations. An additional $2.7 billions went into pension funds. The managers of these institutions and funds can hardly afford to take other than normal risks. They will inevitably be more careful in their selection than private individuals. Moreover, all of them are subject to some kind of legislation or regulations or to regular inspection. Very often these rules and regulations specifically preclude them from investing abroad except in Canada. As to the commercial banks, they are mainly interested in medium-term investment and they must abide by the judgment of both their Board of Directors and the Bank examiners.

As a result of this complex background, it was necessary for the International Bank to conquer two obstacles. One was the psychological resistance to foreign investment in general. An educational campaign had to be launched to bring home to the market the fact that while the IBRD was meant to take foreign risks, its own securities carried the guarantee of the major creditor countries, beginning with the U. S. and the U. K. The second obstacle was legislative. Special legislation had to be passed in some 20 States to authorize insurance or savings institutions, or both, to buy these bonds. This could only be done very progressively. Only two years ago did Congress—which has jurisdiction over the District of Columbia—allow the insurance companies of Washington to purchase them. Similar legislation is still pending or being considered in some states such as South Carolina and also in some of the Canadian provinces.

And the IBRD bonds are not really foreign bonds. Except for Canadian bonds, all foreign bonds remained in fact a prohibited investment for most institutions. This year, however, a new departure was finally made in this respect. The State of New York recently allowed its insurance companies to invest 1% of their admitted assets in foreign securities. This movement may spread. But the fact that this is happening in 1956 underlines both the strength of the resistance to change and that a change is beginning to make itself felt.

How far has this change gone? Actually some interest in straight foreign bonds has revived during the last two years. Since 1954, Australia, Belgium, Norway and South Africa were able to float on the market medium size issues mostly at ten years or less. Nothing of the kind had been possible since 1947. According to inquiries made in the market, a substantial fraction of these securities was bought for foreign accounts, mostly for European holders of dollars. And, indeed, at about the same time the same borrowing countries found it easier to issue bonds in Switzerland, Holland or Sweden. The fact is that there has been a revival of European interest in at least European or Commonwealth fixed-interest securities and that this climate has progressively influenced New York. As we shall see presently cooperation with the official lending agencies has also played a major role in this improvement.

Who are the domestic purchasers? Some individuals, some funds which are free to invest as they choose and the commercial banks. The commercial banks have traditionally cooperated with the Export-Import Bank in carrying some of the latter's commitments sometimes with and some times without guarantee from the agency. And the Charter of the recently created AOFC (a private corporation which is to assist American exporters with medium-term credit) has provided room for letting the Export-Import Bank carry at least part of its risks. A similar and very active cooperation has been established with the International Bank. Some technical details may be of interest in this respect.

In the first place, medium-term bonds of the International Bank itself are an attractive security for banks, commanding as they do a small yield premium over direct U. S. obligations. In the second place early in the Bank's history some of the commercial banks began to buy bonds held by it in its portfolio, in other words, obligations of countries to whom IBRD loans had been made, provided the IBRD put its guarantee on it. From the financial standpoint this amounts to the same thing as for the Bank to issue its own obligations. Much more significant, therefore, was the third stage of this evolution.

The commercial banks progressively became interested in buying out of the Bank's portfolio short and medium-term obligations of its borrowers without the Bank's guarantee. A growing amount of sales of this kind has taken place in recent years. Their total now reaches around $200 million, of which about $150 million are still outstanding. The importance of this kind of operation becomes clear if it is realized that in this case the holder of the foreign bond carries the full risk of the foreign debtor without any shield. The result is that certain foreign signatures are progressively gaining circulation again on their own. And they are by no means all European. A great number of operations concerned Latin American or Asian bonds. The role of the IBRD in this context is to reassure the ultimate purchaser of the bond that the project has been thoroughly examined and that the creditworthiness of the debtor country has been carefully studied. Moreover, it is almost inevitable that the Bank should keep part of the debtor's bonds and mostly, of course the long-term ones. There is, therefore, an unwritten assurance that the Bank will continue its interest in these particular obligations and in case of need exert its influence to obtain regular servicing.

It would be an exaggeration to represent these operations as the only means through which American banks participate in non-commercial direct medium-term financing abroad. The major American commercial banks do from time to time lend abroad on their own, although there is no official record of these transactions. Some of them are linked to a gold or dollar deposit; others represent genuine risk taking by private institutions without security. But clearly the system of IBRD portfolio sales without guarantee represents in a way a welcome intermediate step between IBRD lending and strictly independent commercial bank loans.

A fourth stage in the progress of cooperation was reached in 1954 when the commercial banks instead of buying obligations out of the Bank's portfolio actually participated in the loan at the outset. Instead of waiting until disbursements allowed for the creation of a new security and then purchasing it from IBRD, the banker in this new system undertakes at the time when the loan is signed to participate without IBRD guarantee in the disbursements as and when they take place under an agreement whereby his contribution will be repaid out of the first maturities. The participation agreements are actually a refinement of the portfolio sales. They now amount to $55 million and in the year 1955 commercial banks participated in 20 out of 27 loans made by the Bank.

Finally, it is necessary to mention another most important form of cooperation. It affects this time not only the commercial banks but the financial market generally. This is the combined IBRD-public market bond issue When in 1951 the International Bank lent $50 million at long-term to South Africa for transportation and electricity, a group of investment bankers privately placed another $20 million of short and medium-term South African bonds with their own investment customers. The IBRD was not involved in the operation except that the private placement and the signing of the loan agreement by the Bank took place at the same time. More recently several public bond flotations were made in a similar fashion. When in December 1954 the IBRD made a $20 million loan at 15 years to Belgium, an investment banking syndicate offered for public subscription $35 million of 3 to 10-year bonds. Norway borrowed $25 million from the IBRD and $15 million in the market at exactly the same date (April 1955). And in November 1955 South Africa combined a 10-year loan of $9 million from IBRD with a public issue of $25 million in New York.

In each case maturities taken by the IBRD were longer or at least equal in length to those carried by the public offering. The great importance of these combined operations was underlined several times by the underwriting firms. They represent a vivid illustration of how an official institution can assist in re-opening private market operations.

IV

The Equity Market

Our review till now concerned essentially the long and medium-term capital movements in the form of loans. We have seen how government, official lending agencies, and the private market have substituted for one another, or supplemented and stimulated each other, and how a practically non-existent foreign bond market is slowly regaining some strength and initiative. But there is another form of capital export which has been much more lively than fixed yield capital. Equity financing has not only never ceased, it has known a substantial activity since the war.

This was mainly in the form of direct investment by important corporations desirous of branching out abroad, largely to develop their supplies or open up new outlets. It is a striking fact that while between 1922 and 1929 in the golden era of U. S. capital export, direct investments including reinvestments represented less than 40% of total net capital exports, since 1946 this same category has amounted to nearly 90% of the total, a yearly total which, in dollars of the same purchasing value, had remained practically unchanged. In other words, the great concentration of savings and financial means in corporate or mutual form had in the field of equity investment an effect exactly opposite to what it had had in the field of bond investment. In amount, equity investment abroad has not varied greatly from year to year since the war. There was, however, a sizeable spurt in 1954 and probably also in 1955. At the same time, that is to say during the last two or three years, three major developments have taken place.

First, oil and mining which account for over two-thirds of the total do not seem to be growing in proportion to the total, while manufacturing industry and trade and marketing are rather on the increase. This might indicate that more opportunities are opening up in this field, a not unexpected conclusion in view of the great economic movement which has carried the whole world forward since the war. This by the way may have an important bearing on the future prospect of investment abroad. It may well be that medium and small size investment other than branching off of U. S. corporations will tend to expand more quickly in the near future. This would provide a good operational basis for the institutions which are discussed later on.

Second, foreign investment in the form of purchase of shares quoted abroad has become a relatively sizeable business in New York, although the amounts purchased for private account cannot be very big as long as the shares are not quoted in the U. S. But quotation has been obtained for some foreign securities, Royal Dutch Shell being the outstanding example.

Thirdly, and this is the most important in the context of this lecture, institutions of all kinds are springing up in the wake of this renewed interest in foreign ventures. Some of them fall in the investment trust category. They are more or less specialized; they sometimes limit themselves to Canadian holdings; a few, however, are now free to invest in other foreign securities. Others can participate directly in new or old ventures, and besides intend to act as investors or promoters. It may be worthwhile mentioning some of them.

The oldest one in this category is the **International Basic Economy Corporation.** It was set up years ago by the Rockefeller brothers, with an initial capital of $12 million. It has assisted in the creation and financing of industrial trade, agricultural and finance companies in Latin America. Among the creations of the last two or three years the following names are best known:

Acturus Investment and Development Corporation is a subsidiary of the Chase Manhattan Bank. It is believed to have made some

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Long-Term Financing Institutions Of the Western Hemisphere

test investments abroad in partnership with U. S. concerns.

The Development Resources Corporation established by Lazard Freres, New York, under the management of two well-known former heads of TVA, Messrs. David Lilienthal and Gordon Clapp, aims to go into partnership with U. S. or European firms in the establishment of new ventures overseas, and perhaps to provide technical assistance.

Inter-American Capital Corporation has been established with a capital of $10 million by the South American Gold and Platinum Co., Time Incorporated and the Pennroad Corp., to undertake both portfolio and direct investments in the form of equity or convertible loans. It is a by-product of the Inter-American Investment Conference of 1955, where its promoters had been active.

One potential development company draws its finances directly from the public—the **International Resources Fund**, which is a mutual investment fund investing in securities in the field of natural resources. When its capitalization which is at present $11 million, reaches $50 million, it may go into the field of direct financing of overseas enterprises.

The Transoceanic Development Corporation has an international sponsorship. It was established by Kuhn, Loeb, First Boston and several European participants with an authorized capital of $10 million for the purpose of making equity investments in overseas enterprises, and it is willing to consider such investments jointly with industrial partners. It plans eventually to sell shares to the U. S. public as a closed-end mutual fund.

The Deltec Corporation has an assorted group of promoters who include the Banco Mercantile de Sao Paulo, the Suez Canal Company, the Banque de l'Indochine, Loavo Aranha, and partners of Kidder, Peabody, Wood Struthers, A. S. Stearns, and Goldman, Sachs & Co. It aims to provide short-term dollar loans, as well as venture capital for overseas enterprises, and it is also organizing finance and investment companies overseas.

The present means of these institutions are not, of course, very great. But behind them stand the very large resources of their sponsors. They would undoubtedly be forthcoming if the demand emerged. As it is, their list is clear evidence of a change in climate and of a new willingness on the part of the financial world to look for new investment opportunities abroad and to go into partnership with others, including official institutions.

May I, once more, emphasize the importance of partnership or cooperation? As we have seen, the slow revival of the bond market is in part based on the reliance of the financial world on partnership with the International Bank, whose structure and history inspire confidence. Is it surprising that this same idea should have been viewed with favor in the field of venture capital?

Sometime in 1956 the **International Finance Corporation** will be established. It is to be an affiliate of the International Bank and its constitution will be very similar. The governments of the member countries will subscribe the capital, this time entirely in dollars, and their votes will be weighted according to the number of shares held by them. Again the U. S. A. and the U. K. will be at the top of the list. At the start the capital will be somewhere between $75 million and $100 million. The member countries will be represented on the Board of Directors by the same persons who represent them as Executive Directors of the International Bank and the Chairman of the Board will be the President of the IBRD.

Its essential purpose will be to make loans in partnership with private capital, local or foreign, in order to assist in the creation or expansion of private enterprises principally in underdeveloped countries. One of its most delicate problems will be to determine that it is not substituting for private capital which could have been contributed had the IFC not existed, and that its assistance is really making a new investment possible. It will make only loans but these loans can be accompanied by any clause which would make their remuneration or resale value dependent upon the earnings of the borrowing enterprise, e. g., income bonds or bonds convertible into shares if held by other than IFC. Many of its loans could thus enjoy a chance of capital appreciation. This is an important feature since one of its basic policies will be to turn over its capital by selling its holdings whenever an attractive possibility comes to hand. Moreover, it will not require the guarantee of the government in whose territory the enterprises it finances are situated. This will relieve it from one of the limitations under which the IBRD has been operating. Its position with regard to the country in which it invests will be in principle exactly the same as that of any private investor.

It is hoped that thanks to the experience of the International Bank and to the high sponsorship which it enjoys, the IFC will be able to stimulate the movements of private capital—local or foreign — into a number of medium-size enterprises which, without this assistance, would forever remain in the planning stage. And there is good reason for this hope. Since the idea of IFC was launched about three years ago, is it not striking to see how many new private financial institutions have been born in New York which, besides all the other enterprises already engaged in direct investment abroad, are apt to become either the partners of IFC or the purchasers of its portfolio? And if any prediction is possible in this field, it is probable that the partnership system between private and official capital will grow even more quickly in the field of venture capital than in the field of bond investment.

McCormick Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—William M. Moss has been added to the staff of McCormick and Company, Security Building.

With Calif. Investors

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jean F. Monnette is now with California Investors, 3932 Wilshire Boulevard.

Joins du Pont Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Rose K. Waco has joined the staff of Francis I. du Pont & Co., 677 South Figueroa Street.

Bankers Offer Hooker Electrochemical Stock

Smith, Barney & Co. and R. W. Pressprich & Co. yesterday (Aug. 22) offered to the public 110,423 shares of common stock of Hooker Electrochemical Co., comprising part of the Hooker shares held by the Estate of Blanche Ferry Hooker, late widow of Elon Huntington Hooker, a founder of the company. The stock is priced at $46 per share. The shares are being sold by the Estate to obtain funds to meet estate taxes.

Hooker Electrochemical Co. manufactures chlorine, caustic soda, hydrogen, phenolic resins, plastic moulding compounds, caustic potash, potassium carbonate, trichloroethylene, phenol and many other diversified chemicals. The company also derives some income from the sale and licensing to others of its electrolytic cells.

Net sales of Hooker during the six months ended May 31, 1956, totaled $49,658,000 compared with $46,540,000 in the corresponding months of the previous fiscal year. Net income in the respective periods was $5,743,000 and $5,121,000, equal after provision for preferred dividends to 94 cents and 83 cents a share on 6,006,946 shares of common stock. For the fiscal year ended Nov. 30, 1955, sales were $94,182,000 against $77,517,000 in the preceding year. Net income in the 1955 fiscal year was $10,555,000 or $1.72 per common share, compared with $8,202,000 or $1.33 per common share in the 1954 fiscal year.

Form Pan American Secs.

MIAMI, Fla. — Pan American Securities has been formed with offices at 561 Northeast 79th St. to engage in a securities business. Partners are John Skijus, Harry Skijus and Kenneth B. Stucker. Mr. Harry Skijus and Mr. Stucker were formerly with Makris & Kakouris.

Now Buhler, De La Marre

VICTORIA, Tex. — The firm name of De La Marre & Company, Inc., McFaddin Building, has been changed to Buhler, de la Marre & Company, Inc. Officers are Jacques L. de la Marre, President; Frank S. Buhler, Executive Vice-President; Frank H. Crain, Vice-President, Secretary and Treasurer; and Mrs. Ann de la Marre, Assistant Secretary and Assistant Treasurer.

C. G. Merrill Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles G. Merrill has opened offices at 10848 Wellworth Avenue to engage in a securities business under the firm name of Charles G. Merrill and Company. Mr. Merrill was previously with Daniel Reeves & Co.

With Shelley, Roberts

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Lawrence Rudick has become affiliated with Shelley, Roberts & Co., 9486 Santa Monica Boulevard.

Sterling Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Kendall L. Green has become connected with Sterling Securities Co., 714 South Spring Street.

Joins Hill Richards

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Robert D. Burgener has become associated with Hill Richards & Co., 490 East Walnut Street. He was formerly with J. Logan & Co.

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The State of Trade and Industry

some hard feelings and record high prices. Heavy export demand, particularly from Japan, is adding fuel to the fire.

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 95.1% of capacity for the week beginning Aug. 20, 1956, equivalent to 2,340,000 tons of ingot and steel for castings as compared with 87.5% of capacity and 2,154,000 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 17.0% and production 419,000 tons. A year ago the actual weekly production was placed at 2,186,000 tons or 90.6%. 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.

Truck Volume This Week at Highest Level Since Opening Week in May, Nearly Four Years Ago

Three more car makers—Ford, Dodge and Studebaker—this week joined the expanding list of companies closed down for changeover to '57 models, said "Ward's Automotive Reports" today.

At the same time, the statistical publication estimated a decline of 5,000 units this week in car building.

Automotive output for the latest week ended Aug. 17, 1956, according to "Ward's," was as follows:

In the past week the industry assembled an estimated 103,181 cars, compared with 108,155 (revised) in the previous week. The past week's production total of cars and trucks amounted to 125,313 units, a decrease of 2,335 units below the preceding week's output, states "Ward's."

Last week's car output dropped below that of the previous week by 4,974 cars, while truck output declined the past week by 2,639 vehicles. In the corresponding week last year 138,209 cars and 21,316 trucks were assembled.

Last week the agency reported there were 22,132 trucks made in the United States. This compared with 19,493 in the previous week and 21,316 a year ago.

Canadian output last week was placed at 4,150 cars and 1,701 trucks. In the previous week Dominion plants built 3,958 cars and 1,639 trucks, and for the comparable 1955 week, 4,030 cars and 1,536 trucks.

"Automotive News," a leading trade publication, is authority for the following statement that auto registration figures for the United States in the first six months of 1956 today showed Chevrolet far out in front, followed by Ford, Buick and Plymouth.

Ford was nearly 140,000 units off the pace after its redhot races with Chevrolet in 1954-55.

The German Volkswagen, whose sales have soared in the U. S. in the past year, accounted for some 25,000 of the 42,432 cars in the "miscellaneous, including foreign" category. This put the Volkswagen ahead of registrations by four U. S. cars. The registration record:

Chevrolet	805,100	Chrysler and Imperial	62,799
Ford	665,733	De Soto	53,660
Buick	294,194	Studebaker	44,441
Plymouth	257,318	Nash	42,619
Oldsmobile	238,201	Lincoln	21,898
Pontiac	192,313	Hudson	18,773
Mercury	142,892	Packard	17,781
Dodge	113,587	Continental	937
Cadillac	73,809	Miscellaneous	42,432

Electric Output Higher in Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 18, 1956, was estimated at 11,794,000,000 kwh., according to the Edison Electric Institute.

This was an increase of 264,000,000 kwh. above that of the previous week. It increased 982,000,000 kwh. or 9.1% above the comparable 1955 week and 2,589,000,000 kwh. over the like week in 1954.

"Electrical World" a McGraw Hill publication estimates that 1,125,000,000 kwh. or 9.8% of the total electric utility output for the week ending Aug. 11 was used at Atomic Energy Commission installations.

Excluding the Atomic Energy Commission use, output for the week totalled 10,405,000,000 kwh., 6.1% higher than the same period last year, also adjusted to exclude AEC use. This compares to a 7.5% increase in overall output of the nation's utilities (11,530,000,000 kwh.) as reported by Edison Electric Institute.

Car Loadings for Aug. 11th Week 7.1% Below 1955 Week

Loading of revenue freight for the week ended Aug. 11, 1956, totaled 715,236 cars, the Association of American Railroads announced on Aug. 16, 1956. This was a decrease of 55,015 cars or 7.1% below the corresponding week in 1955, but an increase of 29,964 cars or 4.4% above the corresponding week in 1954.

Loadings in the week ended Aug. 11, which still were affected somewhat by the recent steel strike, were 54,949 cars or 8.3% above the preceding week.

July Building Permit Values Up Sharply Over Last Year

Building permit values spurted sharply upward in July, reports Dun & Bradstreet, Inc. The total estimated cost of permits issued during the month in 217 cities increased 15.6% to $591,936,352, from $511,841,797 in July, 1955. Compared with the June volume of $558,856,212, the gain was 5.9%. The July permit figure was the largest ever recorded for that month.

New York City building plans for July included several large construction projects which boosted the valuation total to $95,455,909. This compared with $51,383,412 in July last year, for a rise of 85.8%, and with $50,349,355 in June, for a gain of 89.6%.

Building permits for 216 outside cities in July were valued at

$496,480,443, an increase of 7.8% over $460,458,385 a year ago, but a drop of 2.4% from $508,506,857 in June.

Total building permit valuations for the first seven months of this year went slightly ahead of the same period last year to establish a new high record for the period. The aggregate for the 217 cities this year was $3,643,113,026, as against $3,624,091,293 a year ago, or a rise of 0.5%.

New York City building plans for the seven months period increased 7.3% to $453,569,180, from $422,874,816 for the corresponding 1955 period.

Permit turnover for the 216 outside cities for the first seven months totaled $3,189,543,846, as compared with $3,201,216,477 last year, or a decline of 0.4%.

Weekly Record of Business Failures Rises

Commercial and industrial failures rose to 289 in the week ended Aug. 16, from 229 the previous week, reports Dun & Bradstreet, Inc. The toll was noticeably above the 216 of the comparable week last year and the 246 of the similar 1954 period. Failures were 14% higher than the 253 of pre-war 1939.

Failures with liabilities of $5,000 or more climbed to 233, from 190 last week, and exceeded the 176 of this size group a year ago. An increase to 56 from 39 was reported among small failures, those involving liabilities under $5,000, and they were sharply above the corresponding 1955 level of 40. Liabilities in excess of $100,000 were incurred by 30 of the week's failures, as against 27 a week earlier.

All industry and trade groups reported a rise in failures during the week. In manufacturing they climbed to 50 from 31, in commercial service to 32 from 15, in construction to 37 from 28, in retailing to 142 from 133, and in wholesaling to 28 from 22. More businesses failed than a year ago in all groups except construction. The greatest year-to-year increases occurred in retailing, where the toll was 43% higher than that of the similar 1955 period.

Monthly Failures Down and Liabilities Up for July

Business failures continued to decline in July, dropping 8% to 1,018 but were at a postwar peak for the month. The toll exceeded the 861 of July, 1955 by 18%; failures remained above the year-ago level for the seventh consecutive month.

Failures occurred at the rate of 49.9 for each 10,000 enterprises listed in the Dun & Bradstreet "Reference Book," according to Dun's Failure Index. The index projects monthly mortality to an annual basis and is adjusted for seasonal variations. This rate was a new high for the postwar period. It was noticeably above the 42 for each 10,000 last year, but was far below the prewar rate of 71 in 1940.

Liabilities involved in the July failures rose 13% to $48,689,000, a volume half again as heavy as in July, 1955. Casualties of all sizes were below the level of the preceding month, but a considerable increase occurred in liabilities among failures involving more than a million dollars.

Countrywide Bank Clearings Show Little Change

The volume of bank clearings for the latest week of Aug. 15 was only slightly above that for the preceding week and the corresponding week a year ago, reports Dun & Bradstreet, Inc. The total for 26 cities for the week ended Aug. 15 was $19,807,862,000, a gain of 0.5% over last year's $19,707,457,000, and 1.6% above the $19,493,403,000 of a week ago.

Clearings at New York amounted to $9,318,418,000, an increase of 2.5% from $9,090,175,000 in the 1955 week, but a drop of 1.4% from $9,447,239,000 a week earlier.

Transactions in 25 outside centers totaled $10,488,944,000. This compared with $10,617,282,000 last year, for a loss of 1.2%, and with $10,046,239,000 in the prior week, for a gain of 4.4%.

July New Business Incorporations Drop to Lowest in Eight Months

New businesses chartered during July numbered 11,513, reports Dun & Bradstreet, Inc., representing a drop of 3.7% from the June total of 11,952, which, in turn, was 9.1% below the May count of 13,142. Although July incorporations at 11,513, were the lowest since November, they were up 5.7% as compared with 10,893 in July a year ago.

For the elasped seven months of this year, new corporate formations remained at a record high level, numbering 87,770. This was a gain of 3.0% over last year's 85,250, and a rise of 30.4% above the 67,299 recorded in the like period two years ago.

Retail Sales Expand

There was a considerable rise in **consumer buying** this week ending Aug. 17 as shoppers increased their purchases of back-to-school merchandise, furniture, and major appliances. Volume in **used cars** continued to advance, but sales in **new automobiles** remained at the level of the preceding week. **Total retail trade was noticeably above that of the similar week last year.**

The **total dollar volume** of retail trade in the week ended this Wednesday was 4 to 8% higher than a year ago, according to estimates by Dun & Bradstreet, Inc.

A sharp rise in the buying of **children's Fall clothing** occurred this week; sales of **girls' Fall coats** and **sweaters** and **boys' heavy slacks** and **sport jackets** exceeded comparable year ago levels. Retailers reported increased interest in women's Fall coats, suits, and dresses, but volume in **shoes** and **Summer sportswear** declined moderately.

Furniture stores reported an appreciable rise in the buying of bedding and dining room sets. Despite continued sales promotions, volume in **linens** fell somewhat this week, but slightly exceeded that of a year ago. While interest in **washers** and **refrigerators** climbed substantially, sales of **lamps** and **lighting fixtures** were below those of the previous week. The call for **television sets** was high and steady.

While grocers reported increased volume in **frozen foods** and **fresh produce**, sales of **canned goods** decreased considerably. Volume in **poultry** and **fresh meat** was sustained at the level of the preceding week, but the call for **dairy products** fell somewhat.

Wholesale Volume Up

Wholesalers reported increased orders for **Fall apparel, furniture, and major appliances** this week. The total dollar volume expanded somewhat, and was moderately higher than that of a year ago.

There was a noticeable rise in the buying of **men's Fall suits** and **overcoats** this week; best-selling men's furnishings were white **dress shirts, hosiery,** and **hats.** While volume in women's **Fall coats** and **dresses** continued to climb, the call for woolen **skirts** and **sweaters** fell somewhat. Scattered re-orders for **women's sportswear** and **beachwear** were reported, but volume was below that of the preceding week. Bookings in **children's back-to-school clothing** rose appreciably, with gains in **boys' jackets, slacks, and shoes.**

Furniture buyers increased their purchases of upholstered living room chairs and dinette sets, while the call for **outdoor chairs** and **tables** continued to decline. There was a marked rise in orders for **linens, blankets** and **slip covers;** volume in **draperies** and **carpeting** slightly exceeded that of the similar period a year ago. An upsurge in the buying of **refrigerators** and **automatic laundry equipment** occurred, while sales of **television sets** and **radios** remained at the level of the previous week. While interest in **barbecue equipment** and **garden implements** decreased somewhat, the call for **hardware** and **building materials** was high and steady.

Transactions in **industrial fabrics** and **man-made fibers** improved considerably this week, with noticeable increases reported in lightweight **coating fabrics** and **rayon yarns.** While bookings in **broadcloths** and **sheetings** expanded somewhat, the call for **cotton prints** and **drills** decreased moderately.

There was a noticeable decline in the call for **canned fish** and **citrus juices.** Although purchases of **butter** and **cheese** expanded moderately, sales in **eggs, poultry,** and **fresh meat** fell somewhat. Volume in **fresh produce** equalled that of the previous week.

Wholesale Food Price Index Slightly Lower in Week

The general food price level moved slightly lower this week for the first time in four weeks. The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., fell to $6.08 on Aug. 14, from $6.10 the previous week, current figure compares with $6.23 on the corresponding date a year ago, or a drop of 2.4%.

Commodities advancing in wholesale cost this week included corn, rye, barley, beef, bellies, lard, coffee, and steers. Declines occurred in flour, wheat, oats, hams, sugar, cocoa, eggs, potatoes, rice, raisins, hogs, and lambs.

The Dun & Bradstreet Wholesale Food Price Index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Advances to Four-Year Peak

Continuing the upward trend of last week, the Dun & Bradstreet Daily Wholesale Commodity Price Index again rose sharply to reach a new peak for the year and the highest level since June, 1952. The index closed at 295.50 on Aug. 14, as compared with 291.42 a week previous, and with 273.02 a year ago.

Grain markets this week were mostly steady to firmer. **Wheat** turned higher following a mid-week recession, reflecting a steady demand for reduced offerings. **Wheat futures** were buoyed by trade expectations that increased exporter competition will take place when the new export wheat program becomes effective Sept. 4. **Crop prospects** generally showed a slight improvement in July but the over-all outlook for all crops as of Aug. 1 remained considerably below last year's high level, according to the latest Department of Agriculture report. This year's **corn crop** estimate at 3,143,779,000 bushels, shows a drop of 3.0% below last year's 3,241,536,000, but is 2.0% above the 10-year average of 3,084,389,000 bushels. Trading in **grain** and **soybean futures** on the Chicago Board of Trade was slower this week. Daily average purchases of 39,300,000 bushels, compared with 45,300,000 the pervious week, and 54,400,000 a year ago.

Domestic bookings of **hard wheat bakery flour** were slow as most buyers had covered for extended periods. Some business was done in **Spring wheat flours** over the week-end, aided by concessions offered by some mills. The **export market** was featured by active Cuban buying of Spring wheat flours with some commitments being made as far as a year ahead. Demand for **coffee** showed improvement and prices continued to trend slightly higher, influenced by the threat of shipping delays after Sept. 30 and limited available supplies of mild coffees.

Manufacturer demand for **cocoa** was somewhat better. Prices were firm and moved in a narrow range during the week. Warehouse stocks of cocoa showed a moderate dip and totaled 427,526 bags, against 436,275 a week earlier. At this time last year they were 246,484 bags. The undertone in **lard** was strong, reflecting prospects of better export trade and indications that the western run of **hogs** appeared to be tapering off. Hog values were firm, while reduced cattle receipts sent prime steer prices to the highest levels in nearly 16 months.

Spot cotton prices displayed a firmer trend this week. Principal supporting factors were the growing indications of a holding movement among farmers, the failure of the market to make any appreciable response to the higher than expected official crop estimate, and the belief that the **Soil Bank program** would result in a higher loan rate on next year's crop. The first official estimate of the 1956 crop, based on Aug. 1 conditions, placed the yield at 13,552,000 bales, or considerably higher than earlier private estimates. The prospective production compares with the 1955 crop of 14,721,000 bales, and a 10-year average of 13,098,000 bales.

According to the Federal Reserve Board's index, department store sales in **New York City** for the weekly period ended Aug. 11, 1956, registered an increase of 10% above those of the like period last year. In the preceding week, Aug. 4, 1956, an increase of 12% was recorded. For the four weeks ended Aug. 11, 1956, a gain of 8% was recorded. For the period Jan. 1, 1956 to Aug. 11, 1956, the index recorded a rise of 4% above that of the corresponding period in 1955.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index of the week ended Aug. 11, 1956, increased 7% above those of the like period last year. In the preceding week, Aug. 4, 1956, an increase of 7% was reported. For the four weeks ended Aug. 11, 1956, an increase of 8% was reported. For the period Jan. 1, 1956 to Aug. 11, 1956, a gain of 4% was registered above that of 1955.

Minneapolis-Honeywell Debentures Offered

Public offering of $25,000,000 Minneapolis-Honeywell Regulator Co. 20-year 3¾% sinking fund debentures due Aug. 1, 1976 was made yesterday (Aug. 22) by a group headed by Union Securities Corp. The debentures are priced at 99½% and accrued interest, to yield 3.78%.

Net proceeds from the sale of the debentures will be added to working capital and applied to reduce outstanding bank loans which amounted to $27,536,489 on June 30, 1956.

The debentures will carry a sinking fund sufficient to retire $1,200,000 of debentures on Aug. 1, 1961 and on each August 1 thereafter. The company also has the option to increase the sinking fund in any year by not exceeding 50% of the required sinking fund payment for that year. For the sinking fund the debentures will be redeemable at 100%. At the option of the company the bonds will be redeemable at prices ranging from 105% to 100%.

Sales of Minneapolis-Honeywell, a leading producer of automatic controls, during the year 1955 totaled $244,482,068 and net income amounted to $19,278,648. In the six months ended June 30, 1956, sales were $124,843,099 and net income was $9,560,314.

With First Calif.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William S. Escavaille is now with First California Company, 300 Montgomery Street.

Joins Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Laverne J. Sharp is now with Mutual Fund Associates, Inc., 506 Montgomery Street.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — John F. Huxtable has been added to the staff of Walston & Co., Inc., 901 Southwest Washington Street.

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.

★ **Aerovias Sud Americana, Inc., St. Petersburg, Fla. (8/27)**
Aug. 10 (letter of notification) $100,000 of 6% convertible subordinated debentures due 1971 and 35,000 shares of common stock (par $1). **Price**—Of debentures, 100%; and of stock, $3 per share. **Proceeds**—To pay outstanding obligations and for general corporate purposes. **Business**—A cargo air carrier. **Underwriter**—Beil & Hougn, Inc., St. Petersburg, Fla.

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.

American Seal-Kap Corp. of Delaware
Aug. 7 filed 160,000 shares of common stock (par $2) to be offered for sale "to a small number of persons who will acquire the same for investment only." **Price**—To be supplied by amendment. **Proceeds**—To retire demand notes and for general corporate purposes. **Office**—Long Island City, L. I., N. Y. **Underwriter**—None.

★ **American Telephone & Telegraph Co. (10/1)**
Aug. 22 filed 5,800,000 shares of capital stock to be offered for subscription by stockholders of record Sept. 14, 1956 at the rate of one new share for each 10 shares held; rights to expire on Nov. 5, 1956. **Price**—At par ($100 per share). **Proceeds**—For expansion of plant and for advances to, and investment in stocks of, subsidiaries. **Underwriter**—None.

Arden Farms Co., Los Angeles, Calif.
June 15 filed $4,099,300 of 5% subordinated debentures due July 1, 1986 (convertible until July 1, 1964) and 63,614 shares of common stock (par $1). The debentures are 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.**
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. Statement has been withdrawn.

Associated Grocers, Inc., Seattle, Wash.
April 20 filed 5,703 shares of common stock; $2,000,000 of 25-year 5% registered convertible debenture notes; and $1,500,000 of 5% coupon bearer bonds. **Price** — Of stock, $50 per share; and of notes and bonds, 100% of principal amount. **Proceeds**—To reduce bank, mortgage loan, or other indebtedness; and for working capital. **Underwriter**—None.

Atlantic Oil Corp., Tulsa, Okla.
April 30 filed 2,000,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — To be named by amendment.

Atlas 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. (9/4-6)**
July 13 filed 300,000 shares of ordinary (common) stock (par £1 sterling). **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.

★ **Bangor Hydro-Electric Co. (9/12)**
Aug. 21 filed 52,796 shares of common stock (par $15) to be offered for subscription by common stockholders of record Sept. 11, 1956 at the rate of one new share for each six shares held. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for construction program. **Underwriter**—Smith, Barney & Co., 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.

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.

★ **Blackstone Valley Gas & Electric Co. (9/11)**
Aug. 15 filed 25,000 shares of cumulative preferred stock (par $100), of which 1,430 shares are to be offered for subscription by common stockholders (other than Eastern Utilities Associates, the parent) on the basis of one preferred share for each common share held as of Sept. 11, 1956. **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 up to 11 a.m. (EDT) on Sept. 11.

Bonanza Oil & Mine Corp., Boston, Mass.
July 30 (letter of notification) 34,140 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—For mining expenses. **Office** — 4 Liberty Square, Boston, Mass. **Underwriter**—Kimball & Co., New York.

Bowater Paper Corp., Ltd.
Aug. 22 filed 250,000 American depositary receipts for ordinary stock. **Depositary**—J. P. Morgan & Co. Incorporated, 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.

Burma Shore Mines, Ltd., Toronto, Canada
July 26 filed 600,000 shares of capital stock, of which 500,000 shares are to be offered publicly, and 100,000 shares to promoters. **Price**—At par ($1 per share). **Proceeds** — For equipment, exploration, drilling, working capital and other general corporate purposes. **Underwriter**—To be named later.

Cadwell Mining Co., Denver, Colo.
Aug. 13 (letter of notification) 600,000 shares of common stock (par one mill). **Price**—50 cents per share. **Proceeds**—For equipment, payment of current liabilities and working capital. **Office**—2450 Kendall St., Denver, Colo. **Underwriter**—Wayne Jewell Co., Denver, Colo.

★ **Calvital Pharmaceutical & Cosmetic Corp.**
Aug. 14 (letter of notification) 49,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital, etc. **Office**—117 North Second Ave., Mount Vernon, N. Y. **Underwriter**—None.

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) being 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. The offer will expire on Dec. 3, 1956.

● **Centers Corp., Philadelphia, Pa.**
July 30 filed $8,000,000 of 5½% sinking fund debentures due Aug. 1, 1971, and 1,600,000 shares of common stock (par one cent) to be offered in units of $50 of debentures and 10 shares of stock (neither of which will be separately transferable until Aug. 1, 1958). **Price** — $50 per unit. **Proceeds**—About $4,100,000 will be used to acquire seven shopping center sites and a Penn Fruit supermarket adjacent to one of them; the balance will be used to develop shopping centers at the seven sites and to acquire and develop additional sites for related real estate activities, and for general corporate purposes. **Underwriter** — Blair & Co. Incorporated, Philadelphia and New York. Latter has agreed to purchase an additional 300,000 common shares and reoffer them to persons selected by it at $1.10 per share. **Offering**—Expected latter part of September.

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 Aug. 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.

● **Claussen Bakeries, Inc., Augusta, Ga. (9/4)**
Aug. 13 filed $250,000 of 6% debentures due 1966, and 166,000 shares of common stock (par $1), of which the debentures and 16,000 shares of stock are to be offered publicly and the remaining 150,000 shares of stock are to be offered for subscription by class A and class B common stockholders at the rate of two-thirds of a share of new common stock for each class A and/or class B stock held. **Price** — Of debentures, 100% of principal amount; and of stock to stockholders, $5.50 per share; and to public, $6.50 per share. **Proceeds**—Together with funds from private placement of preferred stock by H. H. Claussen Sons, Inc., a subsidiary, to retire debentures and subsidiary's preferred stock; for expansion and other corporate purposes. **Underwriter**—Johnson, Lane, Space & Co., Inc., Savannah, Ga.

Colonial Ice Co.
Aug. 6 (letter of notification) 15,000 shares of common stock (no par) to be offered to common stockholders. **Price**—$20 per share. **Proceeds**—For acquisition of 5% negotiable notes of Stonhard Co., Inc. **Office**—Greensboro, N. C. **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). **Underwriter**—Arthur L. Weir & Co., Colorado Springs, Colo.; and Copley & Co.

★ **Columbia Baking Co., Atlanta, Ga.**
Aug. 17 filed 26,768 voting trust certificates, each representing the beneficial interest in one share of common stock (no par), to be offered for subscription by holders of outstanding common stock and participating preferred stock of record Sept. 3, 1956 on the basis of one voting trust certificate for each eight shares of either class of such stock then held. **Price**—$25 per share. **Proceeds**—To reduce bank loans. **Underwriters**—The Robinson-Humphrey Co., Inc. and J. H. Hilsman & Co., Inc., both of Atlanta, Ga.

Combined Industries, Inc.
Aug. 6 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To pay accounts payable, for equipment and inventory, purchases and for other general corporate purposes. **Business**—Wrought iron furniture, etc. **Office**—33-0[illegible] Far Rockaway Boulevard, Edgemere 91, N. Y. **Underwriter**—Harold D. Levine, 82 Beaver Street, New York.

Commercial Credit Co.
July 31 filed $50,000,000 of notes due Sept. 1, 1976. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term loans and for working capital. **Underwriters**—The First Boston Corp. and Kidder, Peabody & Co.

both of New York (latter handling books). **Offering**—Indefinitely postponed.

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.

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.

★ Continental Credit Corp., San Antonio, Texas
July 30 (letter of notification) 750 shares of class A non-voting preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—1021 Broadway, San Antonio, Texas. **Underwriter**—None.

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. (8/25)
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; rights to expire on Sept. 14. **Price**—At par (flat). **Proceeds**—To repay short term bank loans and for construction and other purposes. **Underwriter**—None.

Devall Land & Marine Construction Co., Inc. (9/10-14)
May 16 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For payments of notes, to purchase and equip three boats and working capital. **Office**—1111 No. First Ave., Lake Charles, La. **Underwriter**—Vickers Brothers, Houston, Tex.

Doctors 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.
July 27 filed 4,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For exploration, development and acquisition of properties and for working capital. **Underwriter**—Columbia Securities Co., Denver, Colo.

Eastern-Northern Explorations, Ltd., Toronto, Canada
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 being 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 as of Aug. 9, 1956 (with an oversubscription privilege); rights to expire on Aug. 30. 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.

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.

★ Fortune Petroleum Corp., Sherman Oaks, Calif.
July 20 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds** — For exploration and drilling costs. **Underwriter** — Willis E. Burnside & Co., Inc., New York.

Gas Hills Mining and Oil, Inc.
Jan. 4 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price** — 25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Kemmerer, Wyo. **Underwriter**—Philip Gordon & Co., Inc., New York 6, N. Y.

● General Acceptance Corp. (8/28)
July 20 filed $20,000,000 of senior debentures due 1971. This amount has been reduced by 50%, and the planned interest rate is 4¾%. **Price**—Expected at par. **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 Credit, Inc., Washington, D. C.
Aug. 17 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital.

● General Merchandise Co., Milwaukee, Wis. (9/5)
Aug. 13 filed 180,000 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds** — To repay outstanding bank loans and for working capital. **Business**—Wholesale catalog mail order business. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

General Telephone Co. of California (9/11)
Aug. 13 filed $20,000,000 of first mortgage bonds, series J, due Sept. 1, 1986. **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. 11.

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) being 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 at $60 per share for each 3⅓ shares of Byers common stock. If less than 100,000 shares of Byers common stock are tendered, the exchange ratio will be one General Tire preference share, plus a common stock purchase warrant for each three shares of Byers com-

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NEW ISSUE CALENDAR

August 24 (Friday)
Gold Seal Dairy Products Corp. ____ Class A
(All State Securities Dealers, Inc.) $1,000,000
Indiana National Bank ____ Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc.) $7,750,000
International Shipbuilding Corp. ____ Common
(Atwill & Co.) $200,000

August 25 (Saturday)
Detroit Edison Co. ____ Debentures
(Offering to common stockholders—no underwriting) $59,778,900

August 27 (Monday)
Aerovias Sud Americana, Inc. ____ Debens. & Common
(Bell & Hough, Inc.) $205,000
Idaho-Alta Metals Corp. ____ Common
(Fenner Corp.) $180,000
Industrial Limerock, Inc. ____ Common
(M. S. Gerber, Inc. and James N. Toolan & Co.) $600,000
Mica & Minerals Corp. of America ____ Common
(Peter Morgan & Co.) $570,000
North Carolina Telephone Co. ____ Common
(Offering to stockholders—underwritten by R. S. Dickson & Co., Inc. and McCarley & Co., Inc.) 828,572 shares

August 28 (Tuesday)
General Acceptance Corp. ____ Debentures
(Paine, Webber, Jackson & Curtis and Union Securities Corp.) $10,000,000
Haughton Elevator Co. ____ Common
(McDonald & Co.) 160,511 shares
Republic Cement Corp. ____ Common
(Vickers Brothers) $9,650,000

August 29 (Wednesday)
New England Telephone & Telegraph Co. ____ Com.
(Offering to stockholders—no underwriting) $61,301,000
Ocean Drilling & Exploration Co. ____ Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co. and Reinholdt & Gardner) 211,238 shares
Puerto Rico Jai Alai, Inc. ____ Bonds
(Crerie & Co. and Dixon Bretscher Noonan, Inc.) $1,100,000
Puerto Rico Jai Alai, Inc. ____ Common
(Crerie & Co. and Dixon Bretscher Noonan, Inc.) $385,000
Tampa Electric Co. ____ Bonds
(Bids 11 a.m. EDT) $10,000,000

August 30 (Thursday)
Pacific Telephone & Telegraph Co. ____ Common
(Offering to stockholders—no underwriting) $156,225,700

August 31 (Friday)
Illinois Bell Telephone Co. ____ Common
(Offering to stockholders—no underwriting) $58,053,100

September 4 (Tuesday)
Bahamas Helicopters, Ltd. ____ Common
(Blair & Co. Incorporated) 300,000 shares
Claussen Bakeries, Inc. ____ Debentures & Common
(Johnson, Lane, Space & Co., Inc.) $338,000
Claussen Bakeries, Inc. ____ Common
(Offering to stockholders—underwritten by Johnson, Lane, Space & Co., Inc.) $825,000

September 5 (Wednesday)
General Merchandise Co. ____ Common
(Straus, Blosser & McDowell) 180,000 shares
St. Louis-San Francisco Ry. ____ Debens. & Common
(Exchange offer to preferred stockholders—Union Securities Corp. will be dealer-manager) $61,600,000 of debentures and 154,000 common shares
Vanadium Corp. of America ____ Debentures
(Offering to common stockholders—underwritten by Kidder, Peabody & Co.) $10,000,000

September 6 (Thursday)
Rochester Gas & Electric Corp. ____ Preferred
(The First Boston Corp.) $6,000,000

September 10 (Monday)
Devall Land & Marine Construction Co., Inc. ____ Com.
(Vickers Brothers) $300,000
Gulf States Utilities Co. ____ Bonds
(Bids noon EDT) $15,000,000
Gulf States Utilities Co. ____ Common
(Bids 12:30 p.m. EDT) 100,000 shares
Hawaiian Electric Co., Ltd. ____ Preferred
(Dillon, Read & Co. Inc. and Dean Witter & Co.) $5,000,000
Minerals, Inc. ____ Common
(Gearhart & Otis, Inc.) $3,750,000
North American Aviation, Inc. ____ Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) about $40,000,000

September 11 (Tuesday)
Blackstone Valley Gas & Electric Co. ____ Preferred
(Bids 11 a.m. EDT) $2,500,000
General Telephone Co. of California ____ Bonds
(Bids to be invited) $20,000,000
Southern California Edison Co. ____ Common
(The First Boston Corp. and Dean Witter & Co.) 500,000 shares

September 12 (Wednesday)
Bangor Hydro-Electric Co. ____ Common
(Offering to stockholders—underwritten by Smith, Barney & Co.) 52,796 shares
Northern States Power Co. ____ Bonds
(Bids 10 a.m. CDT) $15,000,000

September 13 (Thursday)
Procter & Gamble Co. ____ Debentures
(Goldman, Sachs & Co.) $70,000,000

September 18 (Tuesday)
Acme Steel Co. ____ Common
(Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane) 400,000 shares
Southern Nevada Power Co. ____ Bonds
(Bids noon EDT) $4,000,000

September 19 (Wednesday)
Southern Pacific RR. Co. ____ Bonds
(Bids to be invited) $35,000,000

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 $580,000,000

October 3 (Wednesday)
Columbia Gas System, Inc. ____ Debentures
(Bids 11 a.m. EDT) $25,000,000

October 4 Thursday)
Virginian Ry. ____ Equip. Trust Ctfs.
(Bids to be invited) $3,600,000

October 9 (Tuesday)
California Electric Power Co. ____ Bonds
(Bids to be invited) $8,000,000

October 16 (Tuesday)
Public Service Co. of Indiana, Inc. ____ Bonds
(Bids to be invited) $30,000,000

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

October 23 (Tuesday)
Central Illinois Public Service Co. ____ Common
(Bids to be invited) 170,000 shares

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

Continued from page 29

mon stock. The Byers preferred stockholders may exchange each preferred share for either 1.1 shares of General Tire preference stock and a warrant to purchase at an initial price of $70, one share of Byers common stock, or one share of General Tire preference stock and $10 in cash. The offers will expire on Sept. 6. 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. Statement effective Aug. 12.

General Tire & Rubber Co., Akron, Ohio
July 27 filed 26,068 shares of $5 cumulative preference stock (par $100) to be offered in exchange for common stock and 6% promissory notes of Carlon Products Corp. The exchange offer will be subject to acceptance by owners of all of the outstanding $1,060,000 notes and by not less than 39,400 of the 68,837 shares of Carlon stock. **Underwriter**—None.

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.

★Glamur Products, Inc.
Aug. 9 (letter of notification) an aggregate of not exceeding $50,000 market value of common stock (par two cents). **Price**—At market (about 65 cents per share. **Proceeds** — To selling stockholder. **Underwriter** — Graham, Ross & Co., Inc., New York.

● Gold Seal Dairy Products Corp. (8/24-28)
June 22 filed 200,000 shares of class A stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion and to repay outstanding obligations. **Office**—Remsen, N. Y. **Underwriter**—All States Securities Dealers, Inc., New York.

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.

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.

Gulf States Utilities Co. (9/10)
Aug. 10 filed $15,000,000 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**—To be received up to noon (EDT) on Sept. 10.

Gulf States Utilities Co. (9/10)
Aug. 10 filed 100,000 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**—To be received up to 12:30 p.m. (EDT) on Sept. 10.

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.

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.

Haughton Elevator Co., Toledo, Ohio (8/28)
Aug. 7 filed 160,511 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—McDonald & Co., Cleveland, Ohio.

★ Hawaiian Electric Co., Ltd. (9/10-14)
Aug. 20 filed 250,000 shares of cumulative preferred stock, series F (par $20). **Price**—To be supplied by amendment. **Proceeds** — For construction program and for retirement of bank loans. **Underwriters** — Dillon, Read & Co. Inc., New York, and Dean Witter & Co., San Francisco, Calif. **Offering**—Expected about middle of September.

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.

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 being 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 as of Aug. 8, 1956; rights to expire on Aug. 30. **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.

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.

Hydrometals, Inc., Chicago, Ill.
Aug. 10 filed 78,275 shares of capital stock (par $2.50) and rights to subscribe to an additional 391,375 shares (exercisable over a five-year period at $13 per share). Of the total, 77,500 shares, plus rights to purchase an additional 387,500 shares, are to be offered in exchange for the license rights and assets of Hayden Projects, Inc., and the remaining 775 shares, plus rights to buy an additional 3,875 shares, are to be issued to Cady, Roberts & Co., New York City, as a fee for its services with such transaction.

● Idaho-Alta Metals Corp. (8/27)
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., New York.

Ideal-Aerosmith, Inc., Hawthorne, Calif.
Dec. 16 (letter of notification) 150,000 shares of capital stock (par $1). **Price** — $2 per share. **Proceeds** — For equipment, machinery, inventory, etc. **Office**—12909 So Cerise Ave., Hawthorne, Calif. **Underwriter**—Samuel B. Franklin & Co., Los Angeles, Calif.

Illinois Bell Telephone Co. (8/31)
Aug. 10 filed 580,531 shares of capital stock to be offered for subscription by stockholders of record Aug. 31, 1956, on the basis of one new share for each eight shares held; rights to expire on Sept. 28, 1956. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent, American Telephone & Telegraph Co., which owns 4,612,578 shares (99.32%) the Illinois company's stock. **Underwriter**—None.

● Industrial Limerock, Inc., Miami, Fla. (8/27)
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.

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.

★ International Shipbuilding Corp., Miami, Fla. (8/24)
Aug. 9 (letter of notification) 100,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Business**—Manufactures outboard cruisers. **Office**—Miami, Fla. **Underwriter**—Atwill & Co., Miami Beach, Fla.

★ Investment Co. of America
Aug. 20 filled (by amendment) 2,000,000 additional shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—Los Angeles, Calif.

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.

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.

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.

Joa Co.
July 27 (letter of notification) 110,000 shares of common stock (par 20 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotions and operating capital. **Office**—411 No. Scenic Highway, Lake Wales, Fla. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of nonassessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 326 West Montezuma St., Cortez Colo. **Underwriter** — Bay Securities Corp., New York New York.

Kerr Income Fund, Inc., Los Angeles, Calif.
July 30 filed 100,000 shares of capital stock (par $1), of which 9,300 shares will be initially sold at $10.93 per share. Additional shares will be offered at a price equal to the net asset value of the Fund, plus a sales load of 8½% of such price. **Proceeds**—For investment. **Investment Manager** — California Fund Investment Co., of which John Kerr is also President.

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 bank 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.

★Laundrimation, Inc.
Aug. 10 (letter of notification) 1,540,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For working capital. **Business**—Sales and distribution of washing machines and other laundry equipment. **Office**—Morris Plains, N. J.

Leadville Lead & Uranium Corp.
July 17 (letter of notification) 150,000 shares of common stock (par $1) to be offered to stockholders; the balance to go to certain persons in certain jurisdictions to be decided upon. **Price**—$2 per share. **Proceeds**—For exploration and development and to purchase additional stock of its subsidiary, Leadville Explorations, Inc. **Office**—308 Colorado Bldg., Denver, Colo. **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 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.

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**—59 West Imperial Highway, Los Angeles 49, Calif. **Underwriter**—Dean Witter & Co., Los Angeles, Calif.

Lost Canyon Uranium & Oil Co.
Oct. 6 (letter of notification) 3,000,000 shares of nonassessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

Lumberman's Investment & Mortgage Co.
May 2 filed 50,000 shares of common stock (par $1). **Price**—$12 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — Denver, Colo. **Underwriter**—None.

★ Lynch Carrier Systems, Inc.
Aug. 20 filed $225,000 of 6% sinking fund debentures series B (with capital stock purchase warrants attached) due Sept. 1, 1971, and 52,500 shares of capital stock (par $1), of which 12,500 shares are to be sold for the account of the company and 40,000 shares for the account of Frank W. Lynch, former President. (Each $500 of debentures will have attached thereto warrants to purchase 40 shares of stock initially at $7 per share). **Price**—

be supplied by amendment. **Proceeds**—For research and development expenses and working capital. **Office**—San Francisco, Calif. **Underwriter**—P. W. Brooks & Co., Inc., New York.

Macimiento Uranium Mining Corp.
July 31 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For current liabilities, exploration, administrative expenses and working capital. **Office** — Kimo Bldg., Albuquerque, N. M. **Underwriter**—Carroll & Co., Denver, Colo.

Macinar, Inc.
July 23 (letter of notification) 400,000 shares of common stock (par 50 cents). **Price**—75 cents per share. **Proceeds**—For general corporate purposes. **Business**—Manufactures steel and aluminum specialty products. **Underwriter**—C. J. Montague, Inc., 15 William Street, New York 17, N. Y.

Mack Trucks, Inc.
July 27 filed $19,109,000 of sinking fund subordinated debentures due Sept. 1, 1968 (with warrants to purchase 191,090 shares of common stock) being offered for subscription by common stockholders of record as of Aug. 15, 1956, in the ratio of $500 of debentures to each 50 shares of stock held (with an oversubscription privilege); rights to expire on Aug. 30. **Price**—100% (flat). **Proceeds**—For working capital. **Underwriter**—Dominick & Dominick, New York.

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.

Marquardt Aircraft Co., Van Nuys, Calif.
June 25 filed 42,442 shares of capital stock (par $1) being offered for subscription by stockholders of record Aug. 3, 1956, on the basis of one new share for each five shares held (with an oversubscription privilege); rights to expire on Aug. 24. **Price** — $36 per share. **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.

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.

★ **McIntosh Laboratory, Inc.**
Aug. 20 (letter of notification) 900 shares of common stock (par $10). **Price**—$50 per share. **Proceeds**—For expansion, etc. **Office**—320 Water St., Binghamton, N. Y. **Underwriter**—None.

Mica & Minerals Corp. of America (8/27)
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.
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.; Blyth & Co., Inc. **Bids**—Three bids were received on Aug. 1, all for 4¾s, but were turned down. No new date for bids has been set.

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.

★ **Mid-Way Recreation, Inc.**
Aug. 16 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $10) and 15,000 shares of common stock (no par). **Price**—$10 per share. **Proceeds**—To build bowling alley. **Office**—c/o Merton W. Litts, President, Doris Ave., Vestal, N. Y. **Underwriter**—None.

Minerals, Inc., New York (9/10)
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 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 (F. C.) & Co., Pasadena, Calif.**
Aug. 10 (letter of notification) 40,000 shares of common stock (par $5) to be offered for subscription by stockholders of record on or about Aug. 27 on the basis of one new share for each 4¼ shares held. **Price**—$5 per share. **Proceeds**—For working capital. **Underwriters**—Pasadena Corp. and Jones, Cosgrove & Miller, both of Pasadena, Calif.

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 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 Musitime Corp.
Aug. 7 (letter of notification) 393,000 shares of common stock (par one cent). **Price**—75 cents per share. **Proceeds**—To repay loan and for general corporate purposes. **Office**—730 Fifth Avenue, New York. **Business**—Background music business. **Underwriters**—M. J. Reiter Co., New York; Shelley Roberts & Co., Denver, Colo.; and General Investing Corp., New York.

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.

Nekoosa-Edwards Paper Co.
Aug. 7 (letter of notification) 5,504 shares of common stock (par $10) to be offered to certain employees under stock option plan. **Price**—At market (aggregate to amount to not more than $300,000). **Office** — Port Edwards, Wis. **Underwriter**—None.

New England Telephone & Telegraph Co. (8/29)
Aug. 3 filed 613,010 shares of capital stock to be offered for subscription by stockholders at the rate of one new share for each five shares held as of Aug. 29; with rights to expire on Sept. 28. American Telephone & Telegraph Co. owns 69.26% (2,122,842 shares) of outstanding stock. **Price**—At par ($100 per share). **Proceeds**—To repay temporary borrowings. **Underwriter**—None.

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 Aviation, Inc. (9/10)**
Aug. 6 filed 1,145,011 shares of capital stock (par $1) to be offered for subscription by stockholders of record Sept. 7, 1956 at the rate of one new share for each six shares held; rights to expire on Sept. 24. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Stanley & Co., New York.

North American Finance Co., Phoenix, Ariz.
July 9 filed 500,000 shares of class B non-voting common stock (par $1). **Price**—$3 per share. **Proceeds**—To expand business operations. **Underwriter**—None, sales are to be made by Eugene M. Rosenson, President, of Phoenix, and Marcus T. Baumann, Vice-President and Treasurer, of Tucson, Ariz.

● **North Carolina Telephone Co. (8/27-31)**
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; rights to expire 15 days following effective date of registration. **Price** — To be supplied by amendment. **Proceeds** — To acquire physical properties and franchises of the Norwood and Marshville (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., Ashville, N. C.

Northern States Power Co. (Minn.) (9/12)
July 26 filed $15,000,000 of first mortgage bonds due 1986. **Proceeds**—For repayment of bank loans and for additions and improvements to property. **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 up to 10 a.m. (CDT) on Sept. 12 at Room 1100, 231 So. La Salle St., Chicago 4, Ill.

★ **Norwood Gas Co., Norwood, Mass.**
Aug. 20 it was announced company plans to offer to its stockholders 1,405 additional shares of common stock on a 1-for-2 basis. New England Electric System owns 2,791 shares out of the 2,810 shares outstanding. **Price**—At par ($100 per share). **Proceeds**—To reduce indebtedness to parent. **Underwriter**—None.

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.

Ocean Drilling & Exploration Co. (8/29)
Aug. 8 filed a maximum of 211,238 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each six shares held as of Aug. 28, 1956; rights to expire on Sept. 11. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office** — New Orleans, La. **Underwriters**—Morgan, Stanley & Co., New York, and Reinholdt & Gardner, St. Louis, Mo.

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 Telephone & Telegraph Co. (8/30)**
July 27 filed 1,562,267 shares of common stock to be offered for subscription by common and preferred stockholders of record Aug. 29, 1956 in the ratio of one share for each six shares (common and/or preferred stock) held; rights to expire on Sept. 28. American Telephone & Telegraph Co., the parent, owns 90.70% of the outstanding common stock and 78.17% of the preferred stock, and intends to purchase 1,399,824 shares of the new stock which represents its pro rata portion of the offering. **Price**—At par ($100 per share). **Proceeds**—To repay temporary borrowings and for new construction. **Underwriter**—None.

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.

Perfect-Line Manufacturing Corp.
Aug. 6 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—$2.25 per share. **Proceeds**—For working capital. **Office** — Hicksville, L. I., N. Y. **Underwriter**—P. J. Gruber & Co., Inc., New York.

★ **Poly-Seal Corp.**
Aug. 17 (letter of notification) 45,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For inventory purchase and other corporate purposes. **Office**—405 Lexington Ave., New York, N. Y. **Underwriter**—None.

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.

★ **Procter & Gamble Co. (9/13)**
Aug. 22 filed $70,000,000 of debentures due Sept. 1, 1981. **Price**—To be supplied by amendment. **Proceeds**—For expansion program and for retirement of short-term borrowings. **Underwriter**—Goldman, Sachs & Co., New York.

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.

Puerto Rico Jai Alai, Inc. (8/29-30)
July 27 filed $1,100,000 of 12-year 6% first mortgage bonds due July 1, 1968, and 220,000 shares of common stock (par $1). **Price**—100% of principal amount for debentures and $1.75 per share for the stock. **Pro-**

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ceeds—For construction of fronton and related activities. Office—San Juan, Porto Rico. Underwriters—Crerie & Co., Houston, Texas; and Dixon Bretscher Noonan, Inc., Springfield, Ill.

★ Pyramid Development Corp., Washington, D. C.
July 27 (letter of notification) 300,000 shares of common stock (par 10 cents), of which 25,000 shares are to be reserved for issuance upon exercise of options. **Price**—$1 per share. **Proceeds**—To purchase real property and mortgage notes. **Underwriter**—Coombs & Co. of Washington, D. C.

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.

Rand McNally & Co.
July 27 (letter of notification) not to exceed 1,999 shares of common stock (par $10) to be offered to shareholders on the basis of one new share for each 125 shares held. **Price**—$22 per share. **Proceeds**—For working capital. **Office**—8255 Central Park Ave., Skokie, Ill. **Underwriter**—None.

★ Red Fish Boat Co., Clarksville, Texas
July 30 (letter of notification) 100,000 shares of 6% cumulative preferred stock (par $2) and 100,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$2.25 per unit. **Proceeds**—To retire debt and for working capital. **Underwriter**—Franklin Securities Co., Dallas, Texas.

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.

★ Republic Cement Corp., Prescott, Ariz. (8/28)
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.

★ Rochester Gas & Electric Corp. (9/6)
Aug. 17 filed 60,000 shares of cumulative preferred stock, series K (par $100). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—The First Boston Corp., New York.

Samson Uranium, Inc., Denver, Colo.
Aug. 21 (letter of notification) 25,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For core drilling, including geological research and core assays; for mining shaft; to exercise purchase of option agreement on additional properties; for working capital and other corporate purposes. **Underwriter** — Indiana State Securities Corp. of Indianapolis, Ind., for offering to residents of Indiana.

★ Scripto, Inc., Atlanta, Ga.
Aug. 15 filed 360,000 shares of class A common stock (par 50 cents). **Price**—$7 per share. **Proceeds**—To reduce bank loans, and for expansion and working capital. **Underwriter**—Johnson, Lane, Space & Co., Inc., Savannah, Ga.

Security Loan & Finance Co.
July 17 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For expansion program. **Office**—323 So. State St., Salt Lake City, Utah. **Underwriter**—Whitney & Co., also of Salt Lake City.

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.

Shoni Uranium Corp.
July 13 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For expenses and working capital. **Address**—Box 489, Riverton, Wyo. **Underwriter** — Carroll & Co., Denver, Colo.

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.

★ Southern California Edison Co. (9/11)
Aug. 21 filed 500,000 shares of common stock (par $25). **Price** — To be supplied by amendment. **Proceeds** — To finance construction program. **Underwriters**—The First Boston Corp., New York and Dean Witter & Co., San Francisco, Calif.

Southern Nevada Power Co. (9/18)
Aug. 10 filed $4,000,000 of first mortgage bonds, series C, due 1986. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; William R. Staats & Co. and Hornblower & Weeks (jointly); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Tentatively expected to be received up to noon (EDT) on Sept. 18 at First National City Bank of New York, 2 Wall St., 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.

★ Star Plywood Cooperative, Estacada, Ore.
Aug. 20 filed 323 memberships in the cooperative. **Price**—$6,500 per membership. **Proceeds**—For construction and operation of a plywood plant. **Underwriter**—None.

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**—Indefinitely postponed.

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.

Tampa Electric Co. (8/29)
Aug. 1 filed $10,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and 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, at 90 Broad St., New York, N. Y.

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.

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.

★ Ulrich Manufacturing Co., Roanoke, Ill.
Aug. 20 filed 50,000 shares of common stock (par $1). **Price**—$6.50 per share. **Proceeds**—To reduce bank loans and for working capital. **Business**—Earthmoving equipment, etc. **Underwriter**—White & Co., St. Louis, 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**—Postponed indefinitely.

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 States Mining & Milling Corp.
July 16 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and drilling costs and for working capital. **Underwriter**—N. R. Real & Co., Jersey City, N. J.

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-Rundle Corp., New Castle, Pa.
July 27 filed 50,000 shares of common stock (par $10) to be offered for subscription by certain employees of company. **Price**—$18.50 per share. **Proceeds**—To Sears, Roebuck & Co., the selling stockholder. **Underwriter**—None.

● Vanadium Corp. of America (9/5)
Aug. 14 filed $10,000,000 of convertible debentures due Sept. 1, 1976, to be offered for subscription by common stockholders of record Sept. 5 at the rate of $100 of debentures for each 13 shares of stock held; rights to expire on Sept. 19. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Kidder, Peabody & Co., New York.

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.

★ Virginia Electric & Power Co. (9/25)
Aug. 17 filed $20,000,000 of first and refunding mortgage bonds, series M, due Oct. 1, 1986. **Proceeds**—For construction program. **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.

★ Vital Earth Corp.
Aug. 16 (letter of notification) 149,900 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For raw materials, working capital and general corporate purposes. **Office**—1 East 35th Street, New York 16, N. Y. **Underwriter**—None.

★ Voltar Electronics, Inc.
Aug. 16 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For equipment, working capital and general corporate purposes. **Office** — 321 Atlantic Avenue, Brooklyn 1, N. Y. **Underwriter**—None.

West Ohio Gas Co.
July 16 (letter of notification) 17,959 shares of common stock (par $5) to be offered for subscription by common stockholders of record July 23, 1956, on a 1-for-20 basis (with an oversubscription); rights to expire on Aug. 21. **Price**—$12.50 per share. **Office**—319 W. Market St., Lima, Ohio. **Underwriter**—None.

Western Securities Corp. of New Mexico
Feb. 13 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To start a dealer or brokerage business. **Office**—921 Sims Bldg., Albuquerque, N. M. **Underwriter**—None.

Wheland Co., Chattanooga, Tenn.
May 23 filed $2,000,000 of convertible subordinated debentures due June 1, 1976, and 136,000 shares of common the company's account and 61,000 shares for a selling stockholder. **Price** — To be supplied by amendment. **Proceeds**—Together with proceeds from private sale of $1,500,000 4¾% first mortgage bonds and $900,000 of 3-year unsecured 4½% notes to a group of banks, will be used to retire outstanding series A and series B 5% first mortgage bonds, and for expansion program. **Underwriters**—Hemphill, Noyes & Co., New York; Courts & Co., Atlanta, Ga.; and Equitable Securities Corp., Nashville, Tenn. **Offering** — Temporarily postponed. Not expected until sometime in September or October.

White Sage Uranium Corp.
Feb. 13 (letter of notification) 15,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—547 East 21st South St., Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., Salt Lake City, Utah.

Wildcat Mountain Corp., Boston, Mass.
Aug. 13 filed $800,000 of 6% subordinated cumulative debentures due Dec. 1, 1976, and 6,000 shares of common stock (no par) to be offered in units of a $400 debenture and three shares of stock. **Price** — $500 per unit. **Proceeds**—For construction and working capital. **Business**—Mountain recreation center. **Underwriter**—None; offering to be made by officers and agents of company.

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.

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.

Prospective Offerings

● **Acme Steel Co. (9/18)**
July 31 it was announced stockholders on Sept. 12 will vote on approving an amendment to the company's charter whereby the stockholders will waive their preemptive rights to a pro rata share of an issue of 400,000 additional shares of common stock (par $10). **Proceeds** — For expansion program. **Underwriters** — Probably Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

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 Insurance Co., Newark, N. J.
Aug. 2 it was announced that a registration statement would be filed in August covering a proposed issue of 1,750,000 shares of capital stock (par $2.50) to be offered in exchange on a share-for-share basis for a like number of shares of capital stock of American Automobile Insurance Co. of St. Louis, Mo. The exchange offer will be conditioned on acceptance by the holders of not less than 80% of the outstanding shares of the latter company. The offering will be made sometime during September.

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. **Offering**—Expected in October.

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.

★ **Bank of the Southwest National Association**
Aug. 20 it was reported Bank plans to offer to its stockholders the right to subscribe for 75,000 additional shares of capital stock (par $20) on the basis of three new shares for each 20 shares presently held. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Office**—Houston, Texas.

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 Public Service Co. (10/23)
Aug. 13 it was reported company plans to issue and sell 170,000 shares of common stock. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: 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. **Bids**—Expected to be received on Oct. 23. **Registration**—Planned for Oct. 1.

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.

Chicago & Illinois Midland Ry.
Aug. 14 it was announced company plans to issue and sell through negotiated channels an issue of up to $9,000,000 first mortgage bonds (probably privately). **Proceeds**—To retire outstanding 4¾% notes and for purchase of leased equipment.

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. (10/3)**
Aug. 7 it was announced company may issue and sell $25,000,000 of debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on Oct. 3. **Registration**—Planned for Sept. 7.

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 Power & Light Co.
Aug. 13 it was reported company plans to raise about $8,000,000 through the sale of preferred stock. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: White, Weld & Co. and Shields & Co. (jointly); Kidder, Peabody & Co. and Harriman Ripley & Co., Inc. (jointly); Kuhn, Loeb & Co. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; W. C. Langley & Co. and Union Securities Corp. (jointly); Blyth & Co., Inc., and The First Boston Corp. (Jointly). **Offering**—Expected before end of 1956.

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.

★ **Fansteel Metallurgical Corp.**
Aug. 15 company announced stockholders will vote Oct. 3 on proposed issue and sale of $3,000,000 subordinated convertible debentures. **Proceeds**—For expansion program. **Underwriter**—Hallgarten & Co., New York.

Flair Records Co.
Aug. 13 it was reported company plans to issue and sell to residents of New York State 50,000 shares of common stock. **Price**—$2 per share. **Underwriter**—Foster-Mann, Inc., New York.

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.

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.

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.

Hawaiian Telephone Co.
July 30 it was announced that company plans to acquire a 15% participation with American Telephone & Telegraph Co. in a proposed $36,700,000 California-to-Hawaii cable and, if approved by the directors on Aug. 16, will be probably be financed by a debenture issue. Hawaiian Telephone Co.'s investment will be approximately $5,500,000. **Underwriter**—Probably Kidder, Peabody & Co., New York.

Herold Radio & Television Corp.
July 25 it was announced stockholders on Aug. 10 will vote on increasing the authorized common stock from 400,000 shares to 1,000,000 shares, in order to provide options (to officers and employees), and for future financing. **Underwriters**—Weill, Blauner & Co., New York, and Hallowell, Sulzberger & Co., Philadelphia, Pa.

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.

Indiana National Bank, Indianapolis, Ind. (8/24)
Aug. 9 it was announced that Bank plans to offer to stockholders of record Aug. 24, 1956, the right to subscribe on or before Sept. 13 for 125,000 shares of capital stock (par $20) on a 1-for-4 basis. **Prices**—About $62 per share. **Underwriter**—Blyth & Co., Inc., 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).

Kay Jewelry Stores, Inc., Washington, D. C.
Aug. 6 it was reported company plans early registration of an issue of common stock for public offering in September. **Underwriter**—Lazard Freres & Co., New York.

★ **Lee Offshore Drilling Co., Tulsa, Okla.**
Aug. 20 it was reported company plans registration in September of $2,500,000 of convertible class A stock. **Underwriter**—Rauscher, Pierce & Co., Dallas, Texas.

Liebernecht (Karl), Inc.
Aug. 6 it was reported the Office of Alien Property plans to offer at competitive sale its holdings of 63% of the common stock of this company, which owns the Quaker State Metal Products Corp., of Lancaster, Pa., an aluminum fabricator.

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.

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 bid-

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ders: 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.

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.

★ National Sugar Refining Co.
Aug. 20 it was announced that stockholders will vote Sept. 5 on increasing the authorized capital stock from 600,000 shares to 1,000,000 shares. It is planned to offer to stockholders in September 94,803 additional shares of capital stock in the ratio of one new share for each six shares held. **Price**—To be announced later. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Morgan Stanley & Co., New York.

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)

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.

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 Corp., Oklahoma City, Okla.
July 26 it was announced company has been authorized by the Oklahoma Securities Commission to issue and sell in the State of Oklahoma $20,000,000 of its capital stock ($10,000,000 within organization and $10,000,000 publicly). **Proceeds**—To organize or acquire seven subsidiaries. **Business**—A holding company. **Underwriter**—None.

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 Northwest Power Co.
Aug. 13 it was reported company plans to sell about $32,000,000 of common stock to the organizing companies and that arrangements are expected to be made to borrow up to $60,000,000 on a revolving bank loan which will be reduced through the sale of bonds to institutional investors as well as the general public. **Proceeds**—To pay, in part, for cost of new power project to cost an estimated $217,400,000.

★ Palisades Amusement Park, Fort Lee, N. J.
Aug. 21, Irving Rosenthal, President, announced that company plans to purchase another amusement park and merge the two and then sell stock to public.

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.

Pocahontas Fuel Co., Inc.
July 27 it was announced that following 100% stock distribution to stockholders of record Aug. 28, 1956, a public offering of approximately 200,000 shares of capital stock, consisting of shares held in the treasury and by certain stockholders. **Underwriters**—Morgan Stanley & Co. and F. S. Smithers & Co., both of New York. **Offering**—Expected in September.

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.

Public Service Co. of Indiana, Inc. (10/16)
July 30 it was reported company may issue and sell about $30,000,000 first mortgage bonds. **Proceeds** — To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly). **Bids**—Expected to be received on or about Oct. 16.

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. **Offering**—Expected in Sept.

St. Louis-San Francisco Ry. (9/5)
July 20 the Interstate Commerce Commission authorized the railroad to issue not exceeding $61,600,000 of 50-year income 5% debentures, series A, due Jan. 1, 2006, and not exceeding 154,000 shares of common stock (no par) in exchange for not exceeding 616,000 shares of 5% preferred stock, series A (par $100) on the basis of $100 of debentures and one-quarter of a share of common stock for each share of preferred stock. The exchange will begin early in September and expire at 3 p.m.(EDT) on Oct. 1, 1956. The Chase Manhattan Bank, of New York City, has been designated as exchange agent. **Dealer-Manager**—Union Securities Corp., New York.

Sears, Roebuck & Co.
Aug. 13 it was reported that company may be considering new financing. **Proceeds**—To repay $200,000,000 bank loans. **Underwriter**—Goldman, Sachs & Co., 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 Counties Gas Co. of California
Jan. 30 it was reported company may in the Fall offer $15,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

Southern Electric Generating Co.
May 18, it was announced that this company, 50% owned by Alabama Power Co. and 50% by Georgia Power Co., subsidiaries of Southern Co., plans to issue debt securities. **Proceeds**—Together with other funds, to construct and operate a $150,000,000 steam electric generating plant on the Coosa River in Alabama. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.

● Southern Pacific RR. Co. (9/19)
Aug. 8 it was reported company may issue and sell $35,000,000 of first mortgage bonds, series H, due 1983. **Proceeds**—For capital expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. **Bids**—Expected to be received Sept. 19.

Southern Union Gas Co.
April 19 it was announced company is considering issuance and sale to stockholders later this year of some additional common stock on a pro rata basis (with an oversubscription privilege). **Underwriter**—None.

Southwestern Public Service Co.
Aug. 7 it was announced company plans to issue and sell in February or March, 1957, $5,000,000 of first mortgage bonds and $5,000,000 additional common stock first to stockholders on a 1-for-20 basis. **Proceeds**—For construction program. **Underwriter**—Dillon, Read & Co., New York.

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.

Transcontinental Gas Pipe Line Corp.
Aug. 13 it was reported company may offer to its stockholders about $7,000,000 additional common stock later this year. **Underwriters**—White, Weld & Co.; Stone & Webster Securities Corp.

Underwood Corp.
Aug. 13 it was reported that company may offer publicly this fall an issue of convertible debentures. **Underwriter**—Lehman Brothers, New York.

United States Rubber Co.
June 29, H. E. Humphreys, Jr., Chairman, stated tha[t] issuance of convertible debentures is one of severa[l] possible methods the company has been considering fo[r] raising $50,000,000 to $60,000,000 which may be neede[d] for plant expansion and working capital. He added that, i[f] convertible debentures are issued, they will be offere[d] pro rata to common stockholders. **Underwriter**—Kuhn, Loeb & Co., New York.

University Life Insurance Co., Norman, Okla.
June 21, Wayne Wallace, President, announced compan[y] plans in near future to offer to its 200 stockholders 500,000 additional shares of common voting stock at ra[te] of not more than 2,500 shares to each stockholder. Righ[ts] will expire on Aug. 1. Unsubscribed stock will be o[f]fered to residents of Oklahoma only. **Price**—$2 per shar[e]. **Underwriter**—None.

★ Virginian Ry. (10/4)
Aug. 20 it was reported the company has applied to th[e] ICC for authority to issue and sell $3,600,000 equipme[nt] trust certificates, which will mature in 15 equal annu[al] installments. Probable bidders: Halsey, Stuart & Co. In[c.]; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Bla[ir] & Co. Incorporated. **Bids**—Expected on or about Oct. [4].

Washington Gas Light Co.
June 7 it was announced company proposes to finan[ce] proposed new construction of pipeline in Virginia [to] cost about $3,380,000 from funds generated by operation[s], sale of common stock and temporary bank borrowing[s]. **Underwriter** — The First Boston Corp., New York; a[nd] Johnston, Lemon & Co., Washington, D. C.

ow to Split Productivity Gains With Labor, Owners and Consumers

First National Bank of Boston believes a system of sharing productivity gains equitably between labor and management, and at the same time insuring against dollar devaluation, could be devised providing the shortcomings of the concept and limited accurate data of productivity are improved considerably so that its unquestioned meaningfulness would make a significant contribution to cost accounting and operational records.

In exploring the problems, pit-alls and misuse of productivity easurement, as obtained and sed today, the July 31st monthly sue of the "New England Let-er," published by the First Na-onal Bank of Boston, asserts more and better information can ake a significant contribution to ability and to our further eco-omic progress . . . collective bar-aining . . . capital investment . . . ockholder adequate and just re-ards . . . (and wage policy) ithout fueling inflation."

In relating productivity and rogress, the Letter points out Productivity is the magic key-one of the miraculous economic rogress which has brought Amer-a the world's highest living andards and attracted teams of oreign businessmen here to study ur methods. Yet it is far from ear that all users of this term ave the same meaning in mind. roductivity may be associated ith the utilization of natural re-ources, or manpower, or capital, r any combination of these. Yet is probably most often consid-red as the ratio of goods and ervices produced to the labor in-ut, or, in short, output per man-our.

"With a long-term contract at sue in the recent steel industry trike, one of the provisions of hich was annual wage increases, he question of productivity was resent at the bargaining table, at east by proxy. It is certain that anagement and labor must dis-uss in such negotiations changes output and who or what factor s responsible for them. Similar ontracts, in effect in other im-ortant industries, are cloaked ith a vital public interest, for if he higher wages and other ben-fits demanded and granted out-ace productivity, as they have iven some evidence of doing in 955 and so far in 1956, this will orce prices ever higher, providing nother turn to the inflationary piral.

Measurement Difficulties

"Increasing real output per an-hour is essential for real ages and standards of living to ise. Yet the process by which e measure such changes is an ncertain and confusing one. ome of the evidence points to the act that the annual rounds of age increases in recent years ave produced about as much gain real money wages as could be ccounted for by greater produc-ivity. Average straight time ourly earnings of production orkers in manufacturing from 947 to 1956 rose by 57%, but ris-ng prices diluted the dollar by 7%. Thus the gain in real hourly ages of 30% almost exactly atched the estimated increase in roductivity. On the other hand, ost of these measurements fail o include the cost of fringe ben-fits, which probably exceeds 20% f payrolls, depending upon what enefits are included. To add hese costs, which after all must e met from sales revenue the ame as weekly paychecks, would many cases put the total gains f workers far ahead of the pro-uctivity increase, thus requiring rice boosts that tend to be infla-ionary.

"Also, attempts to preempt for abor all, or most, of productivity ains fail to give due considera-ion to technological changes, to he rapid expansion in capital investment both on an aggregate and a per worker basis, the broadening of education, the expanded use of energy, and improved management techniques, which in total have certainly contributed most to our notable progress. Much more needs to be learned about this complex process if we are to make the wisest use of productivity data.

Improper Projection

"Over the first half of this century there was an average annual increase in output per man-hour of slightly more than 2%, according to reliable estimates. During this period an increase in the labor force of roughly three fourths and in aggregate man-hours of about one third was magnified into a four times greater output of goods and services.

"Yet we can too easily accept this tiny figure of a 2% annual gain in productivity as easy of achievement and too confidently project it ahead, compounded, in long-term estimates of future growth. Leaving aside the uncertainties in the concept and the statistics, which should warn us to treat these estimates with great caution, we can be certain that there have been conisderable variations from the long-term rate of growth over short periods of time. There is evidence that the range may well have been from a fraction of 1% to as much as 6%.

"It is also demonstrable that there have been considerable variations as between manufacturing and non-manufacturing, and within these categories there have appeared further differences by industries. Communications and public utilities have shown a long-term gain about double the average, while that for agriculture and trade has been only about three-fourths as great. Manufacturing has shown a performance close to the average, but this has concealed wide variations between specific groups. Industries such as coal, petroleum, tobacco, rubber, and transportaion equipment have been able to achieve long-term gains of 4% to 5% per year, while leather, furniture, and lumber have averaged only about 1%.

Variations in Rate of Change

"It is abundantly clear from studies by the U. S. Bureau of Labor Statistics that there are many variations in the rate of change, not only between industries but also for the same industry over periods of time. Within industries, the individual firms obviously vary widely. Yet we have in many cases set wage patterns through industry-wide collective bargaining which cannot help being unrealistic for some companies. Management has been committed to successive wage increases without any assurance that greater production will be forthcoming which can be sold at a price the market will pay. Commitments to increase wages even though only partially based upon such an unprecise measurement as productivity gains are likely to prove troublesome in the long run.

"While it is not suggested that measurements of productivity are generally applied in such a narrow manner, their use is frequently implicated in the reasoning of the labor union policy setters. Although the increase in output per man-hour has apparently been above average during the postwar years when industry has experienced round after round of wage demands, this has also been the period when added benefits have been multiplied. We appear to have introduced rigidities into the whole wage structure which may well cause trouble if business activity should slacken. And it should not be forgotten that in pricing goods for a competitive world market, which we increasingly face, if our unit costs outrun those of our competitors, it will be more difficult to expand our role in international trade.

Making Labor, Management and Consumer

"What course of procedure does this suggest? In spite of all the study on the broad topic of productivity, the sum total of knowledge useful to management is small. Government and economic research agencies should be encouraged to expand studies of productivity. More and better information can make a significant contribution to stability and to our further economic progress by helping to keep wage demands and wage increases within sensible limits, not beyond our capacity to meet without fueling inflation.

"While there are many problems involved in measuring changes in output and allocating the results to the proper factors, it would seem that such information would be valuable to management when added to the cost accounting and operational records presently available. A detailed knowledge of changes in output per unit of labor input and the source of changes could be used in forging better wage, incentive, and bonus programs, and should contribute to more effective collective bargaining. Management could also make use of such information in decisions on capital investment and in securing to the stockholder adequate and just rewards. With greater knowledge of productivity we might look forward to devising a system of sharing gains which by its inherent fairness could secure the support of labor and management, and insure the public against further devaluation of the dollar."

Form Olympic Securities

Olympic Securities, Inc. has been formed with offices at 177 Broadway, New York City, to engage in a securities business.

Opens Inv. Business

BUFFALO, N. Y. — Chalice Owen is conducting a securities business from offices at 577 West Ferry Street.

Joins Ellis Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Joseph F. McGlinn has become affiliated with Ellis & Company, Dixie Terminal Building.

Two With E. H. Hansen

(Special to The Financial Chronicle)

WHITTIER, Calif.—Cheslev E. Fritts and Edwin A. Seitz have become associated with E. H. Hansen & Co., 124 North Bright Avenue.

King Merritt Adds

(Special to The Financial Chronicle)

DENVER, Colo. — David H. Brown has been added to the staff of King Merritt & Co., Inc., 817 Seventeenth Street.

With Penington, Colket

PHILADELPHIA, Pa.—Penington, Colket & Co., 123 South Broad Street, members of New York and other leading stock exchanges, announce that Ralph R. Umsted is now associated with them as a registered representative.

Associates Investment Debentures Offered

Public offering of $30,000,000 Associates Investment Co. 4½% debentures due Aug. 1, 1976 is being made today (Aug. 23) by a group of underwriters headed jointly by Salomon Bros. & Hutzler and Lehman Brothers. The debentures are priced at 100% and accrued interest.

Net proceeds from the offering will be used by Associates Investment to reduce outstanding short term notes due within one year.

The company, which on June 30 had consolidated total assets of $879,052,562, is the fourth largest automobile sales finance company in the United States. Associates Investment and its subsidiaries engage primarily in automobile sales financing, and insurance incident to such financing, principally in territories east of the Rocky Mountains. The financing business of the company may be divided into four types: purchase of retail installment obligations, wholesale financing to dealers with loans secured by a lien on inventories, direct and personal loans, and industrial and commercial loans. The business of the retail and wholesale division, the principal business of the company, is conducted through 163 offices located in 30 states, the District of Columbia and Canada. Associates Investment was incorporated in Indiana in 1918. Its principal officers are in South Bend, Ind.

The debentures are non-callable prior to April 1, 1961 after which they will be redeemable at an initial redemption price of 105% and accrued interest.

Total consolidated income during 1955 amounted to $105,632,000 and net income to $19,004,000.

With Nolting, Nichol

(Special to The Financial Chronicle)

PENSACOLA, Fla. — James P. Dougherty is now with Nolting, Nichol & Company, West Garden Building.

Joins Hamilton Managemt.

(Special to The Financial Chronicle)

BAINBRIDGE, Ga.—William J. Johnson is now affiliated with Hamilton Management Corporation.

Hess Inv. Co. Adds

(Special to The Financial Chronicle)

QUINCY, Ill.—James K. Shinn is now connected with Hess Investment Company, 721 Maine St.

With Walter Desser Co.

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla. — Marvin L. Atkins is now with Walter Desser & Company, Broward National Bank Building.

Continued from page 2

The Security I Like Best

vantage of some $13 per ton over U. S. Steel at Geneva to the Los Angeles area. Nearest other operations are two plants, one in Texas and one in Colorado.

Thus, Kaiser Steel enjoys a somewhat sheltered market for its products. Because of the peculiarities of this market, as well as the difficulty of assembling the necessary coal, iron ore and limestone in a near enough relationship both to each other and the market, it appears that the two West Coast producers, if they can expand sufficiently to service it, will dominate this West Coast market for quite a few years in the future.

Any temporary setback in need for steel in Kaiser's area should first be felt by farther east mills who currently ship in about 50% of the steel used in the area at very high freight cost. In addition, any slackness in demand would soon be ended by additional steel needs caused by a rapid increase in population in the area, forecast to increase about *900,000 persons annually for the next 20 years.* Steel men say that it takes roughly one-half ton of steel per year for each person in the population in a given area.

The common stock of Kaiser Steel had at June 30, 1955 almost $3 in debt and preferred stock for each $1 of book value (about $21 per share). With recent increase of $100,000,000 in new debt and preferred added for expansion, this ratio is now to $4 instead of $3. This is about $269,000,000 total, or $84 per share of debt and preferred for each share of common stock outstanding.

The planned expansion of Kaiser is for an increase in capacity of between 40 and 45% over present levels. Cash flow generated from operations available for debt reduction, plant expenditures and other corporate purposes has totaled approximately $25 million annually during 1954 and 1955, equal to *$7.10* per common share after allowing for preferred dividends.

For the three months ended June 30, 1956, Kaiser Steel showed earnings of $2.20 per share or more than the amount earned during the previous nine months. It will probably take through 1958 for Kaiser Steel to complete its just-announced $100,000,000 expansion program. Added costs, because of construction, should be more than offset by income tax credits from Kaiser Industries. Our earnings estimate of in excess of $5 per share during this construction period could jump to $8 to $10 per share in 1956 and 1960, if the Kaiser Industries tax credits should still be available. Sales could exceed $200,000,000 annually.

In a short article it is impossible to name all the men in the Kaiser management team that have been responsible for the success of Kaiser Steel. It is sufficient to say that their record speaks for itself and parallels to that of other Kaiser management teams in the aluminum and cement industries.

I recommend the purchase of Kaiser Steel Corporation common stock for those who wish to participate in (1) a long-term growth of the United States, and (2) a long-term growth of the *western area* of the United States. These persons should, of course, realize that there is a risk involved because of the heavy debt and preferred ahead of the common capitalization. However, this risk, in my opinion, is minimized by the growth in population and industry forecast for the Kaiser Steel area.

	Estimated Population in 1955	Estimated Population in 1975	20-Year Population Gain	20-Year Percentage Gain
Arizona	1,000,000	2,000,000	1,000,000	100.0%
California	13,000,000	26,000,000	13,000,000	100.0
Nevada	225,000	450,000	225,000	100.0
New Mexico	800,000	1,200,000	400,000	50.0
Oregon	1,700,000	2,900,000	1,200,000	70.6
Utah	775,000	1,162,000	387,000	50.0
Washington	2,575,000	4,120,000	1,545,000	60.0
Total	20,075,000	37,832,000	17,757,000	88.5%

With A. C. Allyn & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John P. Coffin has joined the staff of A. C. Allyn and Company, Incorporated, 30 Federal Street.

Form Franklin Allen Co.

Franklin Allen Company, Incorporated has been formed with offices at 42 Broadway, New York City, to engage in a securities business.

Diversified Inv.

BROOKLYN, N. Y.—Samuel I. Miller is engaging in a securities business under the firm name of Diversified Investors Service from offices at 1010 President Street.

Harry Schwartz Opens

Harry Schwartz is engaging in a securities business from offices at 421 West 57th Street, New York City.

With Rockwell-Gould Co.

ELMIRA, N. Y.—Leo H. Brennan has become associated with Rockwell-Gould Co., Inc., 159-167 Lake Street.

Mutual Funds

By ROBERT R. RICH

Mutual Funds Cross $9 Billion

Assets of the nation's mutual funds passed the $9 billion mark in July, according to Edward B. Burr, Executive Director of the National Association of Investment Companies.

Reporting today on the Association's 126 open-end member companies, Mr. Burr announced that on July 31, net assets amounted to $9,077,896,000, as against $8,611,973,000 at the end of June, and $7,203,660,000 a year earlier.

Investor purchases of new shares totaled $123,829,000 in July, compared with $107,972,000 in June and $96,756,000 in July of 1955. Share redemptions amounted to $36,629,000 in July, as against $36,804,000 the month before, and $32,750,000 a year earlier.

During July, investors opened 14,080 new accumulation plans for monthly or quarterly purchases of shares in open-end companies. In June, investors had opened 13,388 new accumulation plans.

Cash, U. S. Government securities and short term obligations held by the 126 mutual funds totalled $426,732,000 at the end of July, compared with $417,827,000 held at the end of June.

Affiliated Fund Sets New High At $377 Million

Affiliated Fund reached a new high of $377,732,337 in net assets on July 31, 1956. On that date, the company's quarterly report also shows a new high in shares outstanding at 59,619,842 and in net asset value per share at $6.34.

In the nine months since the end of the company's last fiscal year on Oct. 31, 1955, the net asset value of Affiliated Fund, adjusted for the capital gain dividend paid in December, shows an increase of 66 cents a share.

In his report to stockholders, H. I. Prankard, 2nd, President, points out that the company's largest common stock investments are in companies supplying services and those producing non-durable goods, fuel and raw materials. Mr. Prankard stated that the management believes that these stocks offer much better values at current market prices than stocks of many of the well-known companies producing capital goods or durable goods.

In the last three months, the common stock of Westinghouse Electric Corporation was added to the company's investments and the company's holdings of American Cyanamid Company, Chesapeake & Ohio Railway Company, Filtrol Corporation, and Eli Lilly & Co. were sold.

T. Rowe Price Growth Stock Fund total assets increased to $7,516,806 from $5,435,729 the year previously. Net asset value per share increased to $32.45 from $30.02 on June 30, 1955. If the $1.50 which was paid from realized profits in 1955 is added back, net asset value per share increased 13%. The total number of stockholders increased from 935 to 1,409 during the year. The payment of a 30c dividend on June 29, 1956 represented an increase of 15.4% above the 26c dividend paid in June, 1955.

Templeton & Liddell Fund, Inc., in its fiscal half year ended July 31, last, increased its common stock holdings in Delta Air Lines, Admiral Homes and Western Air Lines. The balanced open-end mutual fund reported other common stock shifts included a new investment in Falconbridge Nickel and the elimination from the portfolio of Brunswick-Balke-Collander, E. W. Bliss and San Diego Corp. After these changes 45% of assets was in commons; 39% in bonds; 10% in preferreds; and the remainder in cash.

American Fund Assets Double

Total net assets of American Mutual Fund, Inc. reached $60,362,614 at July 31 this year, up 122% since the beginning of the current fiscal year nine months previous, Jonathan B. Lovelace, President, reported to shareholders. Net investment income during the period also more than doubled.

Mr. Lovelace attributed the record increase in net assets to three factors: (1) the acquisition of almost $20 million in net assets through the merger with Pacific-American Investors, Inc. last February, (2) the increase in the market value of the securities owned, and (3) purchases of new shares in the fund by both old and new shareholders.

The total net assets at quoted market prices on July 31, 1956, of $60,362,614 were equal to $9.89 a share on the 6,102,355 shares then outstanding. At the beginning of the current fiscal year, Oct. 31, 1955, total net assets stood at $27,181,662, equal to $8.10 a share on the 3,354,201 shares outstanding at that time.

Mr. Lovelace said the fund has recently taken a more conservative position "in view of the various uncertainties in the near-term outlook and the advance in stock prices which has taken place." Cash and government securities currently represent a greater portion of assets than at the end of the previous quarter and holdings of industrial and transportation stocks have been reduced from 81.9% of total net assets to 73.6%. During the same period, utility stock holdings have been increased from 7.2% to 8.8%.

Templeton Growth Fund of Canada, Ltd., in its first fiscal quarter ended July 31, 1956, made the following shifts in its common stock holdings: Lafarge Cement was added to the portfolio; Consolidated Denison Mines was increased; Powell River Company and Canadian Pacific Ry. were reduced; Power Corp. of Canada was eliminated. After these changes the closed end investment company's largest common stock investments included 11,000 shares British American Oil Company, 3,400 shares Aluminium, 10,000 shares Falconbridge Nickel Mines, 9,000 shares Abitibi Power & Paper Company, 3,000 shares Ford Motor Co. of Canada A, and 18,000 shares Loblaw Companies, B.

Investors Syndicate

Investors Syndicate of America, Inc., wholly-owned subsidiary of Investors Diversified Services, Inc., had total assets of $398,892,983 as of June 30, 1956, Joseph M. Fitzsimmons, President of the company, announced. This is an increase of $50,380,338 over assets of $348,512,645 as of June 30, 1955, and is up $22,034,655 from the 1955 year-end figure of $376,858,328. At the end of the first quarter this year, assets were $388,876,899. Net income for the first half amounted to $1,934,538, an increase of 41% over the net income for the comparable period of 1955, which was $1,376,468.

Delaware Portfolio Changes Made On Suez Crisis

Oil continues to represent Delaware Fund's largest single industry investment, despite recent reduction in holdings prompted by Middle East tensions, W. Linton Nelson, President, said in his latest semi-monthly Directors' Letter. He reported approximately 14% of Delaware's total net assets invested in oils on Aug. 13 as compared with about 16% on June 30, last.

Mr. Nelson told his board that the fund has withdrawn from its large investment position in Gulf Oil and reduced some of its other holdings in oil companies with assets in the Middle East. "In a way," he said, "I regret having to report that we sold our Gulf Oil because in the light of pure economics we still see Gulf as one of the cheapest major oil stocks."

However, he pointed out, the stock was regarded by the fund as trading at a particularly vulnerable market level, since it had reached "this rather high point" just prior to the Suez crisis, "a level which anticipated, in our view, relatively stable conditions in the Middle East for many years to come. The extreme gyration in the price of this stock since that time," he continued, "indicates that many others share our apprehension."

The mutual fund executive observed that worsening conditions in the Suez Canal Zone could be expected to enhance, rather than harm, the total value of Delaware's oil holdings which now consist mostly of Western Hemisphere producers. Mr. Nelson also reported that the fund has taken a major new investment position in the stock of the First National City Bank of New York.

J. M. Dain Branch

CASPER, Wyo.—J. M. Dain & Company, Inc. has opened a branch office in the Midwest Building under the management of Thomas R. Felt.

Carmichael Opens

FREDERICKSBURG, Va.—Charles A. Carmichael is engaging in a securities business from offices at 802 Princess Anne Street.

Now Douglas Enterprises

BROOKLYN, N. Y. — Regina Dlugash is now conducting her investment business under the name of Douglas Enterprises, from offices at 8856 18th Avenue.

Now F. T. Cretors Co.

INDIANAPOLIS, Ind. — The firm name of State National Securities Corporation, 136 East Market Street, has been changed to Frederick T. Cretors and Company.

With Federated Plans

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Leonard R. Friedman, Rufus G. Jordan, Edwin F. Perko, Robert G. Spillman and James A. Wood are now with Federated Plans, Inc.

Distributors Group Announces Promotions

The election of Ronald A. Beaton, John B. Cornell, Jr., Walter J. Murphy and Reginald L. Walsh as Resident Vice-Presidents and of William F. Doscher and Walter E. Schneider as Vice-Presidents and Assistant Directors of Research is announced by Herbert R.


Ronald A. Beaton


John B. Cornell, Jr.


Walter J. Murphy


Reginald L. Walsh


William F. Doscher


Walter E. Schneider

Anderson, President of Distributors Group, Inc., 63 Wall Street, New York, national sponsor and investment manager of Group Securities, Inc., $100,000,000 mutual fund.

Mr. Beaton has been transferred to the middle western territory and will make his headquarters in Chicago. Messrs. Cornell and Murphy will continue to supervise sales in the southwest and in the metropolitan New York area respectively, with Mr. Walsh covering upper New York State, central and eastern Pennsylvania, and the Washington, D. C. area in the same capacity. Messrs. Doscher and Schneider have served in the investment research department for several years.

Chemical Industry In Upward Trend

The chemical industry has been and is in a strong upward trend according to a special interim report of Distributors Group, Incorporated, investment advisors to Group Securities, Inc., $100,000,000 mutual fund.

Citing research as a dominant factor in the industry's growth, the report points out that about 50% of current revenues are derived from products introduced within the last 15 years.

The report looks behind the industry's tremendous expansion to see if profits were favorably affected. Noting that average profit margins have consistently improved as volume increased, the report concludes that the expansion was more than justified.

The report goes a step further to determine how common stockholders have fared during this period of increasing volume and profits, and finds that since only 6% of the $5 billion put into expansion from 1946-1953 came from the sale of new common stock, the dilution of per-share earnings was held to a minimum. The report highlights for purposes of comparison, the 1946-1955 experience of A. T. & T. which despite a 184.5% gain in total net income showed a per-share increase of only 8.4% because so many new shares were issued.

A point is made that, although industry prospects may appear favorable, each company within the industry may not share to the same degree in the collective experience—over-capacity or obsolescence of any particular product might severely penalize one company while benefiting another.

TV Fund Assets At $135 Million

Total net assets of Television-Electronics Fund, sponsored and managed by Television Shares Management Corporation of Chicago, reached an all-time high of $135,300,000 on July 31, 1956, an increase of 35.4% over the $99,900,000 on Oct. 31, 1955, the close of the fund's last fiscal year, it was announced.

Net asset value per share on July 31 last, was $12.57, also a new peak, and an increase of 20.4% over the fiscal year-end level of $10.44 on Oct. 31, 1955.

Gross sales of the fund's shares for the nine months ended July 31, 1956 aggregated $22,900,000, compared with $42,700,000 in the corresponding period of 1955. July sales amounted to $2,000,000, against $2,900,000 in the like month last year.

Wisconsin Fund reported net assets at June 30, 1956 of $11,284,654 as compared with $9,548,827 a year earlier, and $10,644,941 at the 1955 year-end. Net asset value per share of $5.48 (adjusted for capital gains distribution of 44c a share on Jan. 31, 1956) was higher than at the year-end, although down slightly from March 31 when the general market was higher.

Axe-Houghton Fund B rose more than 34½% in the first nine months of the 1955-56 fiscal year, according to preliminary figures released by the management.

On July 31, the figures show, assets of the fund climbed to $65,947,746 or $8.81 a share compared with $49,015,396 or $7.92 a share on Oct. 31, 1955—as adjusted to reflect a three-for-one stock split last February. They were $48,966,124 on July 31, 1955, and only $20,397,442 five years ago on July 31, 1951.

Cosgrove, Miller Branch

POMPANO BEACH, Fla.—Cosgrove, Miller & Whitehead have opened a branch office at 2729 Northeast 22nd Street, Hillsboro Isle, with Michael J. Brand as representative.

William M. Thomas

William Minot Thomas, partner in Hayden, Stone & Co., passed away on Aug. 10.

Railroad Securities

By GERALD D. McKEEVER

Union Pacific

It is a rather popular notion that relative price stability is one of the marks of high investment quality. Without relinquishing any of its fundamentally high quality, Union Pacific common has been most disillusioning in this respect this year, although those who stake all on quality will probably be right eventually in this and other instances. In the meantime, however, Union Pacific common at the current price of about 32 represents a net decline of almost 20% from this year's high, or just about twice the corresponding decline of the Dow-Jones Rail Stock Average.

What has happened may be only temporary, as may be gathered as this story progresses, but the present more cautious appraisal of the Union Pacific situation reflects disappointment in the results of rail operations in the first half of this year on top of the continuation of the decline in net income from the road's oil workings that began in 1954, but took on important proportions last year. Profits from its oil operations represented about 48% of the road's net income in the 1951-54 period, without adjusting for the apportionment of Federal taxes between the two income sources, viz., railroad and oil. In 1955, however, the net income from oil sources dropped to 35% of total net, but this was due only partly to the $5.7 million decline in the oil income itself. The sharp increase in the road's net from rail operations last year not only accentuated the decline in the proportion represented by oil income but also tended to conceal the decline in the latter. The decline this year in both components together has been what has "rocked the boat."

Because of its well-established growth character, the sub-average increase of gross revenues of the Union Pacific in the first half of this year has been a little disturbing. The Union had outstripped both Class I and the Western District as to trend of both revenues and freight traffic in all recent years. Equally disconcerting, if not more so, is that, despite a $5 million increase in gross revenue for the first half of this year, the Union Pacific showed a decline of some $900,000 in net railway income and a $2 million drop in total net income.

However, due allowance must be made for the fact that this disappointing result is not peculiar to the Union Pacific, but is fairly typical of most railroad results thus far in 1956. Because of a disproportionate increase in expenses, a few roads have been able to carry through to net very much of the increase in gross revenues that has arisen from the alrate increases earlier this year and from the generally higher level of traffic. Some will suffer more than others, but it seems to be a safe assumption that the Union Pacific, which is historically a banner rail operation, will regain mastery of its circumstances in due time. Three favoring factors which have been the basis of the outstanding success of the Union Pacific are its long average haul, its heavy density of operation, and the strong growth trends of its territory. The 620-mile average haul of the Union Pacific in 1955 is unmatched among among Class I roads and the traffic density of the Union Pacific is the highest in the Western District.

One of the brightest aspects of the Union Pacific situation is that despite its excellent record there is considerable opportunity for improvement. The Union Pacific has been one of the roads which have been taking their time in dieselizing. Although 62 diesel units were installed last year, permitting the retirement of 113 steam locomotives, ownership of the latter nevertheless stood at 422 at the 1955 year-end as against 1,069 diesel units. Less than 80% of freight gross ton-mileage and 73.3% of passenger train-mileage was diesel powered in 1954. Corresponding 1955 figures are not available but are probably considerably higher. The Union Pacific also owns 25 gas turbine units, 15 of which are scheduled to go into operation this year, augmenting the 10 already in service.

Another avenue toward economy lies in the possibility of further reduction of the loss on passenger operations. The passenger operating ratio of the Union Pacific increased from the profitable 95.7% in 1946 to an unwieldy 175% in 1954 when the loss on this service was $52,957,000 according to the ICC accounting formula. However, a 21.6% reduction in passenger train mileage in 1955 brought the passenger deficit for that year down to $46,223,000. The latter is still a rather frightening figure, being some $8 million more than the 1955 "formula" loss of the New York Central on its passenger business and within almost $4 million of the corresponding loss of the Pennsylvania RR. The Union Pacific deficit looms even larger in view of the fact that the 6%-7% ratio of passenger revenues to total revenues of the Union Pacific is less than half that of the two great eastern roads.

Otherwise, the Union Pacific is a highly efficient operation. In spite of the drag of its passenger business, the road's transportation ratio in 1955 was only 34.1%, and in the face of difficulties from higher costs and under-average revenue gain in the first six months of this year, the transportation ratio for this period was only 34.4% as against 33.8% for the corresponding 1955 period. This good showing is made possible by the outstanding efficiency of its freight operations. Although it is considerably short of complete dieselization, as pointed out earlier, the Union Pacific in 1955 stood close to the top in gross ton-miles moved per freight train-hour while the 63% increase in this over-all efficiency factor since 1946 is likewise in the forefront. As a result, the road's 1955 freight service operating ratio only 60.5% as against last year's over-all operating ratio of 72.7%.

The steep rise in the oil income of the Union Pacific has come mostly from its own operations in the Wilmington field in California. Production here began to taper off in 1954 and has since declined steeply despite water injection to stimulate flow. While stabilization around the present lower level appears possible, it is to be remembered that the Union Pacific has seven other oil and gas fields as well as a huge iron ore deposit. The seven other oil and gas fields, six of which are in Wyoming and Colorado, are worked under pool arrangement with established oil concerns. The iron ore deposit, also bearing 8% titanium, lies in some 4,500 square miles of the road's land in Wyoming and is said to contain 230 million tons of ore. This and the other oil sources could in time make up for the waning productivity of the Wilmington field. The way was cleared for the road as to its title to the Wyoming mineral lands by the U. S. Supreme Court decision of last Feb. 26 which reaffirmed a lower court decision rejecting the claim of the Federal Government to oil, gas and mineral rights under the road's right-of-way in Wyoming. A similar action in respect to the rights of the State of Colorado in lands within that State is pending in the State Appeals Court.

Also still pending is the question of control by the Union Pacific of the Spokane International. The stockholders of the latter have voted overwhelmingly to accept the offer of the Union Pacific, originally to exchange one of its "pre-split" shares for 5½ shares of the Spokane. Giving effect to the recent 5-for-1 split of the Union Pacific shares this exchange would now be one share of UP for 1.1 share of Spokane. This deal is pending before the ICC and is being stoutly contested by the Great Northern and by the Canadian Pacific and its Soo Line subsidiary since it would give the Union Pacific, presumably on a preferential basis, access to the rapidly developing oil-rich territory in western Canada.

Meantime, it is estimated that, despite a poor start this year, earnings of the Union Pacific for the full year 1956 should approximate the $3.39 per share of 1955, as adjusted for the 5-for-1 split. This, it seems, should support a common dividend payment equal to the 1955 disbursement which, with the extra, would be equivalent to $1.80 per share on the new stock. On this assumption, the indicated yield of over 5.6% at the present price of 32 is most attractive in view of the high quality of "UP" which is now available at a "popular price."

Fontaine With Reynolds

(Special to THE FINANCIAL CHRONICLE)

WALNUT CREEK, Calif. — Bernard S. Fontaine is now with Reynolds & Co., 425 Montgomery Street, San Francisco. Mr. Fontaine was formerly local manager for Hooker & Fay. In the past he was an officer of First Oakland Corporation and Stephenson, Leydecker & Co.

LEGAL NOTICE

UNCLAIMED ACCOUNTS

Notice of Names of Persons Appearing as Owners of Certain Unclaimed Property Held by

EMPIRE CITY SAVINGS BANK

2 Park Ave. 231 W. 125th St.
New York, N. Y.

(Members Federal Deposit Insurance Corporation)

The persons whose names and last known addresses are set forth below appear from the records of the above-named banking organization to be entitled to unclaimed property in amounts of twenty-five dollars or more.

Amounts Due on Deposits

(All addresses below are believed to be in New York City unless otherwise designated.)

Bryan, Jr., James
400 West 128th Street, New York, N. Y.
Earket, Anna
18 St. Nicholas Place, New York, N. Y.
Gallagher, Thomas
Spadina Court, Winnipeg, Canada
Gibbs, Earl
98 Morningside Avenue, New York 26, N. Y.
Goretzki, Robert
437 West 125th St., c/o Baldus New York 27, N. Y.
Johnson, Rose itf, Johnson, Gertrude A.
2 St. Nicholas Terrace, New York 31, N. Y.
Littles, John and/or Littles, Frances
26 St. Nicholas Place, New York 31, N. Y.
Mason, Evangeline itf, Mason, Gary S.
815 East 167th Street, Bronx, N. Y.
Mason, Evangeline itf, Mason, Yvonne
815 East 167th Street, Bronx, N. Y.
Meehan, Catherine itf, Meehan, Peter Paul
517 West 135th Street, New York 31, N. Y.
Nichols, Almetter
70 West 142nd Street, New York 30, N. Y.
Schorr, Sarah
325 East 120th Street, New York, N. Y.
Stephenson, Ella
1919 7th Avenue, New York, N. Y.
Sullivan, Margaret
88 Edgewater Place, Edgewater, New Jersey
Tracy, Mary T.
520 West 123rd Street, New York, N. Y.

A report of unclaimed property has been made to the State Comptroller pursuant to Section 301 of the Abandoned Property Law. A list of the names of persons appearing from the records to be entitled thereto is on file and open to public inspection at the principal office of the bank, located at 2 Park Avenue, New York 16, N. Y., where such abandoned property is payable.

Such abandoned property will be paid on or before October 31st next to persons establishing to its satisfaction their right to receive the same.

On or before the succeeding November 10th, such unclaimed property will be paid to the State Comptroller and it shall thereupon cease to be liable therefor.

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)	Aug. 26	§95.1	*87.5	17.0	90.6
Equivalent to— Steel ingots and castings (net tons)	Aug. 26	$2,340,000	*2,154,000	419,000	2,186,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 10	7,085,850	7,065,450	7,083,900	6,635,400
Crude runs to stills—daily average (bbls.)	Aug. 10	¶8,042,000	7,964,000	8,028,000	7,670,000
Gasoline output (bbls.)	Aug. 10	27,531,000	27,045,000	27,196,000	26,546,000
Kerosene output (bbls.)	Aug. 10	2,411,000	1,654,000	2,265,000	2,067,000
Distillate fuel oil output (bbls.)	Aug. 10	12,321,000	12,841,000	12,606,000	11,363,000
Residual fuel oil output (bbls.)	Aug. 10	7,859,000	7,551,000	7,893,000	7,990,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 10	177,557,000	177,561,000	178,366,000	154,983,000
Kerosene (bbls.) at	Aug. 10	29,632,000	*29,415,000	27,415,000	32,811,000
Distillate fuel oil (bbls.) at	Aug. 10	124,173,000	119,289,000	104,521,000	122,214,000
Residual fuel oil (bbls.) at	Aug. 10	45,541,000	44,598,000	40,926,000	45,705,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 11	715,236	660,287	619,988	770,251
Revenue freight received from connections (no. of cars)	Aug. 11	602,248	593,319	488,600	631,344
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 16	$258,080,000	$322,829,000	$391,347,000	$322,205,000
Private construction	Aug. 16	147,461,000	189,264,000	234,279,000	188,081,000
Public construction	Aug. 16	110,619,000	133,565,000	157,068,000	134,124,000
State and municipal	Aug. 16	100,654,000	118,302,000	121,059,000	116,446,000
Federal	Aug. 16	9,965,000	15,263,000	36,009,000	17,678,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 11	9,530,000	9,240,000	7,250,000	9,233,000
Pennsylvania anthracite (tons)	Aug. 11	583,000	579,000	441,000	465,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 11	107	104	99	100
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 18	11,794,000	11,530,000	11,125,000	10,812,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 16	289	229	223	216
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 14	5.597c	*5.374c	5.179c	5.174c
Pig iron (per gross ton)	Aug. 14	$63.15	$62.95	$60.61	$59.09
Scrap steel (per gross ton)	Aug. 14	$56.83	$55.50	$46.50	$43.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 15	39.675c	39.650c	39.450c	35.700c
Export refinery at	Aug. 15	37.475c	38.275c	35.300c	39.225c
Straits tin (New York) at	Aug. 15	98.625c	99.000c	95.625c	96.375c
Lead (New York) at	Aug. 15	16.000c	16.000c	16.000c	15.000c
Lead (St. Louis) at	Aug. 15	15.800c	15.800c	15.800c	14.800c
Zinc (East St. Louis) at	Aug. 15	13.500c	13.500c	13.500c	12.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 21	91.07	92.23	93.78	94.56
Average corporate	Aug. 21	101.66	102.30	104.14	107.62
Aaa	Aug. 21	104.66	105.86	107.80	110.88
Aa	Aug. 21	103.64	104.66	106.04	109.24
A	Aug. 21	101.64	101.97	103.80	107.80
Baa	Aug. 21	96.69	97.16	99.20	102.96
Railroad Group	Aug. 21	100.00	100.81	102.46	106.39
Public Utilities Group	Aug. 21	102.13	102.46	104.31	108.16
Industrials Group	Aug. 21	102.46	103.64	105.34	108.34
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 21	3.21	3.12	2.99	2.90
Average corporate	Aug. 21	3.65	3.61	3.50	3.30
Aaa	Aug. 21	3.47	3.40	3.29	3.12
Aa	Aug. 21	3.53	3.47	3.39	3.21
A	Aug. 21	3.65	3.63	3.52	3.29
Baa	Aug. 21	3.96	3.93	3.80	3.57
Railroad Group	Aug. 21	3.75	3.70	3.60	3.37
Public Utilities Group	Aug. 21	3.62	3.60	3.49	3.27
Industrials Group	Aug. 21	2.60	3.53	3.43	3.26
MOODY'S COMMODITY INDEX	Aug. 21	424.4	422.9	409.1	404.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 11	271,685	341,759	220,607	259,523
Production (tons)	Aug. 11	273,441	280,659	202,972	274,078
Percentage of activity	Aug. 11	95	95	70	98
Unfilled orders (tons) at end of period	Aug. 11	519,034	524,084	528,096	671,986
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Aug. 17	108.97	108.99	108.97	106.72
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	July 28	1,297,777	1,327,688	971,034	1,215,755
Dollar value	July 28	$73,670,605	$74,679,772	$50,851,492	$68,976,036
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 28	1,038,124	1,140,773	875,500	983,511
Customers' short sales	July 28	8,002	5,065	5,513	8,875
Customers' other sales	July 28	1,030,122	1,135,708	869,987	974,636
Dollar value	July 28	$53,447,057	$58,411,850	$43,198,565	$51,589,752
Round-lot sales by dealers—					
Number of shares—Total sales	July 28	276,180	296,950	253,030	268,990
Short sales	July 28	------	------	------	------
Other sales	July 28	276,180	296,950	253,030	268,990
Round-lot purchases by dealers—					
Number of shares	July 28	522,500	470,370	349,540	460,770
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	July 28	524,710	480,570	349,860	497,970
Other sales	July 28	10,465,620	11,796,380	9,194,310	12,306,020
Total sales	July 28	10,990,330	12,276,950	9,544,170	12,803,990
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	July 28	1,427,210	1,464,850	1,220,570	1,395,580
Short sales	July 28	303,670	270,210	186,110	255,790
Other sales	July 28	1,160,070	1,197,420	1,044,810	1,189,580
Total sales	July 28	1,463,740	1,467,630	1,230,920	1,445,370
Other transactions initiated on the floor—					
Total purchases	July 28	221,400	270,670	228,850	258,040
Short sales	July 28	21,700	17,700	12,000	29,700
Other sales	July 28	275,280	342,400	221,550	285,700
Total sales	July 28	296,980	360,100	233,550	315,400
Other transactions initiated off the floor—					
Total purchases	July 28	521,955	616,395	465,644	482,432
Short sales	July 28	101,410	105,070	80,650	80,800
Other sales	July 28	625,620	631,048	483,273	612,854
Total sales	July 28	727,030	736,118	563,923	693,654
Total round-lot transactions for account of members—					
Total purchases	July 28	2,170,565	2,351,915	1,915,064	2,136,052
Short sales	July 28	426,780	392,980	278,760	366,290
Other sales	July 28	2,060,970	2,170,868	1,749,633	2,088,134
Total sales	July 28	2,487,750	2,563,848	2,028,393	2,454,424
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 14	114.5	114.2	114.0	110.3
Farm products	Aug. 14	89.0	*89.1	90.3	87.9
Processed foods	Aug. 14	102.5	*102.4	102.4	101.5
Meats	Aug. 14	83.2	82.4	81.2	83.4
All commodities other than farm and foods	Aug. 14	122.3	*121.9	121.3	116.8

*Revised figure. ¶Includes 980,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,000 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,319 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of July (in millions):			
Total new construction	$4,207	$4,008	$4,085
Private construction	2,815	2,730	2,862
Residential building (nonfarm)	1,396	1,362	1,590
New dwelling units	1,210	1,180	1,430
Additions and alterations	142	142	127
Nonhousekeeping	44	40	33
Nonresidential building (nonfarm)	786	759	668
Industrial	268	261	199
Commercial	301	290	277
Office buildings and warehouses	115	106	95
Stores, restaurants, garages	186	184	182
Other nonresidential building	217	208	192
Religious	66	62	66
Educational	48	46	41
Hospital and institutional	26	25	31
Social and recreational	26	23	23
Miscellaneous	51	52	31
Farm construction	159	150	169
Public utility	462	448	419
Railroad	39	38	34
Telephone and telegraph	85	85	74
Other public utility	338	325	311
All other private	12	11	16
Public construction	1,392	1,278	1,223
Residential building	23	23	20
Nonresidential building	380	357	384
Industrial	38	37	61
Educational	230	220	220
Hospital and institutional	30	27	32
Other nonresidential building	82	73	71
Military facilities	137	127	123
Highway	600	535	491
Sewer and water	123	115	104
Public service enterprises	48	44	31
Conservation and development	64	61	56
All other public	17	16	14
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of July (000's omitted):			
Total U. S. construction	$1,835,418	$1,621,580	$1,664,163
Private construction	1,103,598	895,828	1,026,477
Public construction	731,820	725,752	657,686
State and municipal	525,396	597,135	445,667
Federal	206,424	128,617	212,019
COTTON GINNING (DEPT. OF COMMERCE)— As of Aug. 1 (running bales)	410,048	------	313,958
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—1955 Crop as of July 1: Production 500-lb. gross bales	13,552,000	------	14,542,040
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE— Crop as of August 1 (in thousands):			
Corn, all (bushels)	3,143,779	3,266,688	3,241,536
Wheat, all (bushels)	938,988	922,262	936,761
Winter (bushels)	721,946	717,086	703,047
All spring (bushels)	217,042	205,176	233,714
Durum (bushels)	34,798	30,991	20,070
Other spring (bushels)	182,244	174,185	213,644
Oats (bushels)	1,139,727	1,143,929	1,499,282
Barley (bushels)	361,472	347,696	400,295
Rye (bushels)	21,961	21,986	29,678
Flaxseed (bushels)	44,250	42,124	41,258
Rice (100 pound bags)	46,457	46,315	53,532
Sorghum grain (bushels)	189,676	------	241,100
Cotton (bale)	13,552	------	14,721
Hay, all (tons)	107,707	107,111	112,782
Hay, wild (tons)	8,537	8,763	9,097
Hay, alfalfa (tons)	59,312	59,343	59,195
Hay, clover and timothy (tons)	20,624	20,566	24,174
Hay, lespedeza (tons)	4,749	4,488	4,708
Beans, dry edible (cleaned) (100 lb. bags)	16,002	16,074	16,968
Peas, dry field (bags)	5,134	4,802	2,525
Soybeans for beans (bushels)	442,557	------	371,106
Peanuts (pounds)	1,479,170	------	1,564,530
Potatoes—			
Winter (bushels)	6,022	6,022	5,175
Early spring (bushels)	3,923	3,923	3,800
Late spring (bushels)	24,069	24,069	26,948
Early summer (bushels)	9,350	9,286	11,058
Late summer (bushels)	33,391	33,917	31,682
Fall (bushels)	153,522	------	148,383
Total (bushels)	230,277	------	227,046
Sweetpotatoes (bushels)	16,032	15,684	20,946
Tobacco (pounds)	1,997,637	1,890,888	2,195,783
Sugarcane for sugar and seed (tons)	6,617	6,555	7,251
Sugar beets (tons)	12,936	12,755	12,222
Broomcorn (tons)	26	------	4
Hops (pounds)	37,723	38,839	36,874
Apples, commercial crop (bushels)	90,453	89,263	106.23
Peaches (bushels)	65,686	64,412	51,82
Pears (bushels)	30,475	30,377	29.62
Grapes (tons)	3,008	2,974	3,23
Cherries (12 States) (tons)	171	178	26
Apricots (3 States) (tons)	193	195	28
Pecans (pounds)	169,880	------	146,86
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of July:			
Weekly Earnings—			
All manufacturing	$78.60	*$79.00	$76.3
Durable goods	84.46	*85.27	82.2
Nondurable goods	71.13	*70.95	68.0
Hours—			
All manufacturing	40.1	40.1	40.
Durable goods	40.8	*40.8	40.
Nondurable goods	39.3	*39.2	39.
Hourly Earnings—			
All manufacturing	$1.96	*$1.97	$1.8
Durable goods	2.07	2.09	2.0
Nondurable goods	1.81	1.81	1.7
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of July:			
Seasonally adjusted	136	141	13
Unadjusted	129	141	13
NEW CAPITAL ISSUES IN GREAT BRITAIN-MIDLAND BANK LTD.—Month of July	£13,912,000	£19,606,000	£134,814,00
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of July:			
Net sales	------	------	------
Net purchase	$49,212,500	$239,762,900	$74,776,30
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of June (000's omitted):			
Exports	$1,720,000	$1,697,800	$1,318,60
Imports	1,032,400	1,090,000	936,10

Mortenson Joins Investors Diversified

LOS ANGELES, Calif.—Merth E. Mortenson, former Vice-President of the Marquette National Bank, Minneapolis, has been appointed representative in the Los Angeles Division of Investors Diversified Services, Inc., sales organization, it is announced. The appointment will become effective Aug. 24, 1956, Paul Dobson and Don Christopher, co-managers of the divisional office at 4282 Wilshire Boulevard, Los Angeles, affirmed. Mr. Mortenson leaves the Union Bank and Trust Company of Los Angeles, to become associated with the sales force of Investors Diversified.

Harold Ignatoff Opens

BROOKLYN, N. Y. — Harold Ignatoff is conducting a securities business from offices at 846 Troy Avenue.

DIVIDEND NOTICES

Isadore Blau Opens

BROOKLYN, N. Y. — Isadore Blau is engaging in a securities business from offices at 1213 41st Street.

Correction

In the Financial Chronicle of Aug. 16 in reporting that Cornelius Cole had become associated with Hemphill, Noyes & Co. in Los Angeles, in the caption it was incorrectly indicated that Mr. Cole and others had joined Francis I. du Pont & Co. This heading should have read Hemphill, Noyes & Co.; the text of the item was correct.

DIVIDEND NOTICES

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—In the manner of the Book of Genesis, Congress has written a flood insurance bill. Congress said, in effect, "let there be a system of flood insurance." Whether there will be one, and how it comes out, however, remains to be seen.

This particular piece of legislation is quite a curiosity. Within very narrow limits, Congress said nothing about what flood insurance would be like or how it would work. That little detail was left to the Housing and Home Finance Agency to work out.

When flood insurance was made the subject of hearings, Congress was told the simple problem with which it is confronted. Persons owning property obviously exposed to the hazard of flood cannot buy insurance commercially except, if at all, at prohibitive prices.

On the other hand, persons whose property is not lying on low land and where there is only the rare and freakish possibility of a flood, cannot become interested in paying flood insurance no matter how cheap it is.

With the possibility of a few ardent Senators whose citizens had been hit hard by floods in 1955, there was almost no interest in a flood insurance law. Furthermore, the overwhelming majority knew that they did not know how to write a program. However, they were confronted with the fact that that Great Person whose heart beats for the troubles of all, namely Dwight D. Eisenhower, had asked for a flood insurance program.

So what if we just skip the thing and then this summer and fall there comes a nice crop of hurricanes to get a lot of people sore because the government won't help them? That was the problem which confronted the Congress.

So they wrote flood insurance, even if its immediate practical effect is only political insurance for the Hon. gentlemen.

Dumps Problem on HHFA

In effect, the Congress simply waived the whole problem of writing an insurance program. It authorized the use of large globs of money — and money, it is well known, can solve any problem. All that is needed to make it possible to solve the engineeringly insoluble problem of building roads to the North Pole is a Congressional appropriation.

HHFA, said the Congress, should just study the whole little scheme and come up with the answers. It could figure out how much of a risk it might be to insure a house on top of a hill and how much on one next to a river bottom, and set up schedules of rates adjusted to cover the cost, and just write them, except everybody should be carefully not discriminated against.

In a delicious understatment announcing the intentions of HHFA to torture itself into trying to make sense out of this thing, Frank J. Meistreal, Deputy Administrator, explained that "the program is experimental and involves many complicated and difficult problems."

Details Written

Congress provided for three forms of aid for flood victims.

The first of these is direct government flood insurance itself. After studying and studying how much it would cost to insure small businesses and homes (including personal property) and establishing such classifications of risks as are indicated, Uncle Sammy will write an insurance policy and collect the premium.

All the help Congress gave on details that the maximum insurable per dwelling and personal property shall be $10,000, and the maximum per business, $250,000. Also $100 plus 5% of additional losses are not insurable.

However, the unlimited United States Treasury, between now and June 30, 1959, shall pay 40% of the estimated risk; the person insured, only 60%. After June 30, 1959, the law says that no policy can be written for flood insurance in any state which does not divvy up 50-50 with the unlimited Treasury of the United States. In other words, believe it or not, it is supposed to be that in three years the cost of insurance, as computed by the statistician, shall be borne 60% by the insured, 20% by the insurer, meaning the government, and 20% by the state government.

Propose Re-Insurance

Furthermore, Congress provided that where the Federal government can drum up any business along that line, it shall re-insure the risks of private companies which may in the meantime attempt to get into the business of insuring against flood losses. This is another one of these believe it or not deals. When Uncle Sam has agreed in advance to provide as manna from Heaven, two-fifths of the estimated true premium cost of carrying the risk, private, taxpaying insurance companies are supposed to be able some way to figure out how they can do it for less.

It is a cinch that should private insurance find that the government's estimated cost of carrying risks was too high—a condition in which private insurance might competitively be able to operate—it would take only until Congress could act to force HHFA computed premium rates downward and drive private insurance out of the business.

Provide Loans

The third aid for flood victims is a system of loans and "insurance" of loans.

Limited by a liability of $250,000 per individual business and $10,000, the same as under direct flood insurance, the Federal government can lend money to repair or restore property damaged by floods. With respect to this program, the first $500 of loss is not included in the sum for which a loan may be obtained.

These loans under the law would be made only to those persons whose property was destroyed by flood, who had in advance of the catastrophe, contracted with the government for the loans, "under such conditions and terms as the (HHFA) Administrator" shall determine. However, although long term loans, they should cost the borrower no more than 4% on the unpaid balance.

Financial Magnitude

For the insurance program, the government is initially limited to assuming a liability of $3 billion, except that the President can by a stroke of the pen increase this total liability to $5 billion.

Under the loan program, the maximum liability under this contractual arrangement is initially $2 billion, except that the President, again by a stroke of the pen, can add $500 million thereto.

Thus the theoretical total liability under this flood insurance and loan program enacted by Congress is $7,250 million.

The Joke (?)

If any even informed citizen should inquire about this thing around the government, he probably would be told that using any such language as even "the $5 billion flood insurance program" is just a joke. That represents only a total theoretical liability, and it will be many years, if ever, before the thing costs any real money. (Incidentally, administrative expenses under the law must expressly be excluded from the computed costs of Federal flood insurance).

Persons who have been around this capital city for a number of years have learned that no matter how farcical a Federal undertaking may appear on its face, once the government by statute is committed to a responsibility for the suffering people, that responsibility becomes inescapable.

Let there be a flood and Congress in nothing flat would do some such thing as "constructively assume" that people who had not entered into loan contracts or insurance were entitled to the same, and the money would go out.

One of the biggest "jokes" was the Full Employment Act of 1946. Under the original bill, which set up a council of economic advisers to advise the President on means to maintain "stability with full employment," there was a proposed "employment budget." If the Federal government budgeted "underemployment," it was to undertake works which would restore employment.

In 1946 Congress cut out the "public works budget" or the "employment budget" and left what in effect was about the preamble to the act, only setting up the CEA. Now not only the Democrats, but the Republicans, and the White House, acknowledge as statutory a liability to maintain "full employment."

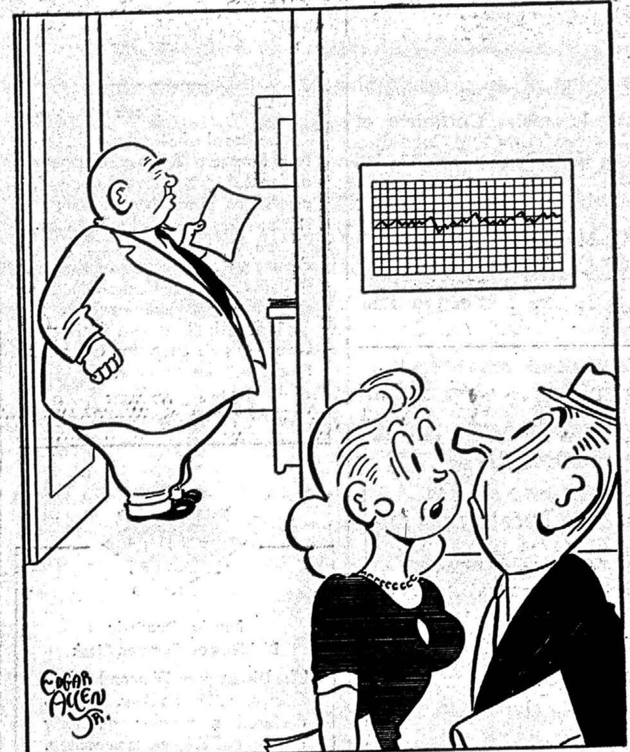
U. S. Gets Down Into Local Planning

How deeply and in detail the Federal government gets itself involved in local governmental affairs was demonstrated by two press releases of the Housing and Home Finance Agency, which were distributed the same day.

In one the HHFA announced that it was paying $18,600 or one-half the cost of a planning survey on how to meet "the rapidly-growing needs" of the Pulaski County, Ark., area for school development. Earlier HHFA granted the Metropolitan Planning Commission of Pulaski County, Ark., which includes the city of Little Rock, $21,775 "for broad planning in the metropolitan area, including a preliminary land-use plan."

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"Your chances for a sale will be better if you don't remark on his resemblance to Khrushchev!"

With Loewi & Co.

MILWAUKEE, Wis. — Loewi & Co. Incorporated, 225 East Mason Street, announced that Donald T. Risk has joined its Investment Research Department.

Mr. Risk has been associated with the Chicago law firm of Hopkins, Sutter, Halls, De Wolfe and Owen. Mr. Risk graduated from Princeton University with an engineering degree and from Yale University with a law degree.