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EDITORIAL

## As We See It

Commodity prices, both wholesale and retail, have been showing an observable and persistent tendency to move upward. This is what is commonly called inflation, and the politicians of the Democratic party are said to be hopeful that this trend may furnish them with an effective campaign weapon. The fact that they are already on record with sharp criticism of what they term the hard money policy of the Administration would probably be no bar to the active use of such a weapon should it prove available. The roots of current price increases — and any that occur in the foreseeable future—obviously extend into the years long before President Eisenhower came into office. Presidents Roosevelt and Truman are at least as much, in fact much more, responsible for them than is President Eisenhower although the present incumbent certainly can not escape all responsibility in the matter.

It is a serious mistake, although very often made, to suppose that inflation starts if and when the usual price indexes begin to rise. The truth of the matter is that the current wave of inflation started in 1933 and has been continuing without important interruption or cessation ever since. The abandonment of the gold standard, the devaluation of the dollar, and various changes in the banking laws and credit policy poured into the economy credit supplies far in excess of the increase in the production of goods and services (measured in real terms). They resulted, moreover, in a large accumulation of potential supplies of credit.

So astronomical are the funds thus made available or potentially available that more than a

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## Investing for Trust Funds Under Prevailing Conditions

By RICHARD P. CHAPMAN*
President, Merchants National Bank of Boston
President, Trust Division, American Bankers Association

**ABA's Trust Division head expresses disquietness about complacency regarding debt, uninterrupted economic progress, and governmental prevention of serious depressions. Notes a much better case can be made for municipal bonds today than in 1949, and, in starting a new cash trust, would invest 50% or 55% in equities as against the present-day problem of what to do with older trusts with common stocks proportion of 70% to 85%. Comments on: (1) rigid diversification application; (2) standard dollar investment unit; and (3) over-emphasis on yields, current and potential.**

It is a humbling experience to be obliged to re-read the forgotten manuscript of a past speech, and particularly one venturing, however timidly, into the realm of advice and forecast. This time I found myself pleasantly surprised, for while I may not have quite scored a bullseye, still I need offer no alibi now for having advocated heavier purchases of common stocks in trust funds at a time when the Dow-Jones industrial average was 180 against the current 515. In our bank we have followed such a policy, and while it has obviously worked out very well to date, in the end it too can produce its own set of problems.

Richard P. Chapman

The burden of my remarks in 1949 was that opportunities were conspicuously lacking in all forms of fixed income investment, and that common stocks might well be allowed to reach 65% of total investments in trust accounts. In the hindsight glow of these more optimistic times this advice

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*An address by Mr. Chapman before Western Regional Trust Conference, Salt Lake City, Utah, Aug. 23, 1956.

## Foreign Short-Term Claims And Cure for Gold Gap

By DR. G. C. WIEGAND
University of Mississippi
Guest Professor, University of Illinois

**In examining the question whether we can afford a further increase in foreign short-term claims against us, International Economics Professor recommends restoring dollar confidence by redeeming the dollar at its mint price, so as to forestall any possible run by making it perfectly clear we do not plan to devalue the dollar, and by pursuing a course to reduce our not too well known adverse balance of payments of the past six years. Professor Wiegand critically examines the claimed charges of inadequate U. S. gold reserves; refers to large earmarked gold deposits and how a sound dollar might result in an increase in our monetary gold stock; agrees we should recognize that a gold run implies economic-political weakness; deplores gold price increase pressures and possibility of Treasury gold embargo.**

### "Dollar Gap" or "Gold Gap"

The question whether the world's gold production is adequate for monetary requirements is undoubtedly important from a long-range point of view. Far more interesting, however, at the present time is another question, namely, whether our present gold bullion standard is intrinsically sound, considering our foreign aid and our domestic price policies. Surprisingly, many Americans, including some economists, still think in terms of a "dollar gap": the inability of the world to obtain enough dollars to purchase needed American goods. This was the situation during the first five postwar years, but the "dollar gap" disappeared six years ago, and since then the United States has had an adverse balance of payments most of the

Dr. Carl Wiegand

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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.)**

ANDREW L. CHILDS
Vice-President, A. W. Benkert & Co., Inc., New York City

**Pittston Co.**

Pittston Co. is a well managed company in a growing industry and has huge unused natural reserves. Also the common stock can be purchased at a reasonable ratio to earnings forecasted for the next two or three years.

A. L. Childs

There have been many years when soft coal mining (Pittston's chief activity through the controlled Clinchfield Coal Corp.) was not a growth industry. During the exceedingly competitive years of the 30s, enormous capital values had been swept away in the coal industry and many companies failed to survive.

The relative prosperity in coal during the 40s brought many labor demands and a period of strikes and government interventions. In spite of the labor difficulties, the industry made tremendous strides in efficiency through this period, as earnings hitherto practically unknown to coal appeared and were available to be poured underground into new machinery. So today coal stands as perhaps the only basic industry in this country which has been able to increase its productivity as rapidly as its wages during the last seven or eight years in which rates have been increasing so tremendously.

Only a few years ago, surface or strip mining was found to be the cheapest method of producing coal, and Pittston invested in huge earth-digging shovels with 22 cubic yard buckets standing as high as a four-story building. Then the use of mechanical steel roof bolts in place of wooden props was perfected, and Pittston was able, with the aid of new and more efficient continuous miners, to produce coal by the original method of deep mining at lower cost. Pittston then sold its largest stripping machine to the National Coal Board of England, at a substantial profit over depreciated value. It has one new machine in one mine that produces 45 tons per man per day, which compares with the average of nine tons per man per day in this country and with about one and a half tons in the rest of the world. The comparison is even more impressive against the six ton average in this country in the middle 40s and when it is realized that further tremendous strides are now being made in the development of new machinery and automation.

Coal in 1954 was at its lowest ebb, but I am confident that the bituminous coal industry has turned the corner. It has absorbed the tremendous loss of tonnage due to the dieselization of the railroads and the increasing use of gas and oil for household use. Five years ago, these two markets alone accounted for close to 35% of the total coal consumption, so it was a severe loss. However, this loss has been counteracted by the increased demands of the steel industry and the utility industry, plus a three-fold increase in exports due to a world-wide shortage of coal. Practically all European experts agree that America has permanently replaced England as the great coal export country of the world. The export market is approximating 50 million tons now and, with continued expansion in the free countries of Europe and South America, it should increase in future years. The greater part of coal for export will be shipped through the ports of Hampton Roads and Baltimore, and will come from Virginia, West Virginia, and eastern Kentucky, in which district all Pittston's mines are located.

Metallurgical coal is as necessary for making steel as iron ore; in fact it takes approximately a ton of metallurgical coal to make a ton of steel. In 1955, the steel production in this country and the free countries of Europe reached 225 million tons, and it is expanding all over the world at a rapid rate. It is a fair premise to say that in the next ten years approximately two and a half billion tons of metallurgical coal will be consumed, and perhaps in 20 years, close to six billion tons.

Unlike iron ore, which has been found in great quantities all over the world, metallurgical coal is found in very few places. In fact, the greatest reserves are concentrated in three states in this country; namely Virginia, West Virginia and east Kentucky. There is some metallurgical coal in England and in Germany, but not enough for their own expanding steel industries; so that today all of Europe, including Germany, is making long-term contracts for American metallurgical coal. (There also are said to be quantities of metallurgical coal in Manchuria, which of course is behind the Iron Curtain, and there undoubtedly is some in Russia.)

In the 300,000 acres of coal lands owned and controlled by Clinchfield Coal Corporation, with an estimated billion tons of all kinds of coal, there are over 300 million tons of high grade metallurgical coal. This I believe to be one of the largest reserves of very low sulphur, low ash, thick seam metallurgical coal left in commercial hands and not yet committed to the steel industry. I am confident it will be extremely and increasingly valuable as the years go by.

In addition, trucking is a most excellent and stable contributor to Pittston profits through its wholly-owned United States Trucking Corporation and its partly owned Brinks, of which it is now proposing to acquire control if ICC permission can be obtained. Distribution of petroleum products also contributes regularly and substantially to net income.

Finally, the stock sells less than ten times expected 1956 earnings.

Last year Pittston's eight million tons of bituminous production resulted in earnings of $3.60 per share. This year's production should be close to 11 million and earnings between $5.50 and $6 per share are expected. Three new mines are being opened this year so that 1957 production should reach 12 or 13 million tons—more than 50% above the 1955 level. Next year additional mines are scheduled for production of two to four million more tons, so that by the end of 1957, production should be about double the 1955 rate. By 1960 production would be some 20 million tons—or about double the current rate.

Assuming profit margins somewhere around current levels, such volume should result in gradually improving earnings — perhaps $7 or $8 per share in 1957 and $10 in 1958.

Meanwhile this expansion is costly but is being handled in the cheapest way from the stockholder point of view, namely privately placed subordinated notes plus retained earnings.

The disadvantage to the stockholder of retaining a large part of cash earnings, is completely offset, to my mind, and even turned into an advantage, through the regular annual payment of 5% in stock. This raises the indicated yield to 7% and permits holders in a high tax bracket a far more liberal return after taxes than would be possible if the equivalent were paid in cash. Pittston common is listed on the New York Stock Exchange and, at this writing, is quoted at a price of 54.

**This Week's Forum Participants and Their Selections**

**Pittston Company** — Andrew L. Childs, Vice-President, A. W. Benkert & Co., Inc., New York City. (Page 2)

**Canadian Devonian Petroleums, Ltd.**—John J. O'Rourke, Jr., J. P. O'Rourke & Co., Chicago, Ill. (Page 2)

JOHN J. O'ROURKE, JR.
J. P. O'Rourke & Company
Chicago, Ill.

**Canadian Devonian Petroleums, Ltd.**

Canadian Devonian Petroleums has been the leader in the Oil Stock Boom on the Toronto Stock Exchange, having risen from a 1955 low of $1.76 to a recent high of $9.35. Whereas the buyers of Canadian Devonian at the lower prices were buying with the hope of oil discovery successes, the buyers at today's prices are acquiring an interest in a company with large undervalued reserves of the highest grade oil found in Canada to date and fabulous potential reserves in the Steelman-Lampman-Frobisher area in Southeastern Saskatchewan.

John J. O'Rourke, Jr.

This interest is in an oilfield with the highest discovery ratio ever experienced anywhere in the world. The 1955 drilling program in the Southeast corner of Saskatchewan resulted in 19 discoveries out of 35 wildcats drilled. In the first five months of 1956 there were six completed discoveries out of 14 wildcats drilled.

CDP and Canadian Gulf (now British American Oil and CDP's partner on most of their ventures) brought in the discovery well in the Frobisher Field a little more than two years ago. Since then it has been ascertained that the Frobisher, Lampman & Steelman areas are all part of one gigantic oilfield, possibly the largest in Canada, with CDP having a 50% interest in 52,000 acres besides leases and wells sprinkled throughout other sections of Canada.

Allowing for the necessary caution with which reserves can be counted, it would not be the least bit surprising to find one-half billion barrels of reserves in the fields so far discovered, without trying to guess what might be under ground that has not been drilled. The relative scarcity of wildcat drilling even in the present phase of development, when

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# Today's Real Economic Condition And the Outlook for the Future

By RAYMOND RODGERS*
Professor of Banking, Graduate School of Business Administration
New York University

**An optimistic fourth quarter prospect and a rosy longer-term outlook, providing price inflation and over-investment do not materialize, and despite third quarter expectations being lower than the second quarter, are offered by N. Y. U. Banking Professor in analyzing several warning areas included within our continuing "rolling readjustments" at a very high level. Professor Rodgers indicates the possibility that by the middle of 1957, or the first half of 1958, as a result of increased savings, postponed purchases, increased production, and price inflation, we man find production exceeding effective demand which could "cause serious trouble." Calls attention to: average 20% increase in consumer debt, in past decade, compared to 6% average increase in Disposable Income; one-half of 1955 mortgage debt increase were for old houses, not new housing; and GNP increase of 60% since 1947-49, yet business bank loans grew by more than 86%.**

The "Rolling Readjustments" continues to roll—and, at a very high level. Unprecedented confidence, and record-breaking employment at ever - higher wages have boosted the Gross National Product from the $387 billion of the second quarter of 1955 to an amazing $408 billion in the second quarter of this year. This enormous increase of $21 billion is indeed a tribute to the flexibility and basic vitality of our economy as it was accomplished despite a drop of 27% in automobile production and 18.4% in housing starts, and continuation of the credit restraint by money authorities.


Raymond Rodgers

### The Steel Strike

Of course, it must not be overlooked that a sizable part of second quarter business activity came from the efforts to accumulate steel inventories and otherwise anticipate the steel strike. To the extent that this was done, the economic impact of the strike was cushioned; but, nonetheless, the stoppage of nearly six weeks caused a loss in steel production of some 10 million tons and a sizable adverse effect on the indexes of business activity and the Gross National Product for the months of July and August.

As it had been clear for several months that a stiff price increase in steel was a *certainty*, and a strike, a *probability*, there had been a substantial accumulation of steel inventories. But, this accumulation of inventories was not well-balanced as some forms of steel were still in short supply and thus not available for stockpiling. This unbalanced situation was further aggravated by the strike, which, naturally, reduced inventories. As a result, the big question today from an economic standpoint is whether inventories were reduced to the point where there will be a new scramble for steel, causing operation at capacity, or near-capacity, for the remainder of the year, or whether the strike merely reduced some of the excess inventories and there will be a more normal demand for steel in the months immediately ahead.

### Impact of the Strike on Business Activity

As on all such matters, there are two points of view as to the impact of the steel strike on business activity. There are those who feel that a sharp upswing in business in general, and steel in particular, will be an inevitable outcome of the strike.

The other point of view, which I share, is that the steel strike will not materially alter the pace of business activity. While it is true that the resumption of steel production will result in a higher index of industrial activity than prevailed in July and August, it is indeed doubtful that it will go above the level of the months immediately before the strike. This belief is based on many factors, some of which are directly connected with the strike and some are not.

In particular, the steel strike was one of the most thoroughly anticipated strikes in our history. With the exception of the few types of steel which were in short supply before the strike, industry seems to have been well prepared to withstand the loss in production, as shut-downs were not necessary. Even more important business activity before the strike was tending to decrease, and this trend has continued, as sales of farm equipment have been slow, home starts are down, sales of automobiles and other durable consumer goods have not fully recovered, and money is still tight.

### Impact of the Steel Settlement on Commodity Prices

The impact of the steel settlement on inflation and the move-

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*An address by Prof. Rodgers at the 30th Western Regional Trust Conference, Salt Lake City, Aug. 24, 1956.

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# Struggling for a Free Economy

By A. WILFRED MAY

**Interviewing Argentina's President and Finance Minister, Mr. May finds another situation of sincere aim for free economy blocked by political considerations. Describes such conflict with inflation in areas of budget, nationalization of industry and banking, wages and prices, government bureaucracy, the army, and all-important petroleum.**

*BUENOS AIRES*—In discussing the possibilities of curtailing Welfare State-ism, Uruguay's Finance Minister Arroyo Torres remarked to me "the countries that want free economies are those that can't afford it."

A. Wilfred May

While this holds true of some of the South American republics, here in Argentina, as elsewhere, the amendment must be made that the "affording" is predominantly *political* and that it is questionable whether the political price will be paid.

Thus, Dr. Eugenio A. Blanco, Minister of Finance and Argentina's "economic boss," during an extended interview with this writer again and again affirmed his commitment to the furtherance of the free economy. "I know that most of my fellow countrymen today believe in free enterprise, even if in transition. We must dismantle our government interventions, to provide free enterprise. This I believe from the core of my heart. After all, you must remember that I was despatched to the penitenitary by the Peronist regime for those principles." And he reminded me of his former pro-free economy writings and teaching as dean of the faculty of the Institute of Economic Science.

And with a similar ideological background is the Ministry's Under Secretary and economics "Brains Truster" (an all-over opposite number of Treasury Under Secretary W. Randolph Burgess in the present Washington Administration), extending back over the years to a period of study at Columbia University under that unreconstructible foe number one of planning, H. Parker Willis.

In another interview with President of the Republic, Senor Arumburu, your reporter was similarly convinced of the sincerity of the chief of the Republic's intentions of pressing to the utmost for the free economy.

### Implementation

But along with these sincere professions of the right intentions, major qualifications promptly and repeatedly developed during our discussion of the problems. The Finance Minister's above-cited reference to "transition" was an important recurrent proviso. "Yes, we will dismantle the subsidies, but it must be done gradually," he said. "You must bear in mind that the recent increase of inflationary means of payments by 9,000 million pesos makes the problem difficult. And the wage situation, in its impact on the inflation spiral, in the face of the great working population's interests and democratic will, constitutes a Gordian knot for us."

Along with wholehearted professions that "we must and will balance the budget promptly" and that intervention such as price control would be curtailed and removed, Dr. Blanco frankly admitted "we are quite sensible to the existence of the political difficulties; and we will be conforming to the political exigencies. After all, you must remember that real free enterprise today doesn't exist anywhere in the world."

### Politics and the Budget

Foremost among the key points of the impact of considerations of politics, in the sense of obeisance to the popular will even by a provisional military government presumably not bent on winning elections or fearing the opposition of the Radical Party, is the budget.

By herculean efforts even the huge budget mess inherited here could probably be cleaned up were it not for the politically-dictated obstacle to taking the indispensable step of turning the deficit-laden, bureaucratically enmeshed and feather-bedded transport systems which now and in the anticipated future account for about 3½ billion of the 25 billion pesos deficit total, over to private hands. While it might take some time to find a private customer to refurbish the broken down railway portion, ready buyers are available for air transport and motor transit.

The Finance Minister further frankly disclosed that in the absence of unshackling himself from the railroads or repairing them, he will during the coming fiscal year have to continue the practice of financing the large deficit by the inflationary device of borrowing from the National Pension Fund system and from the Central Bank. The 8,113 million peso deficit in 1955 was financed through borrowing from the pension funds to the extent of 77% of the budgetary needs; by the use of other government funds for 11%; and by temporary borrowing from the Central Bank for the remaining 12%. This financing by poaching on social security funds, in "hocking" the future with the people's savings is certainly inflationary, and in using savings for current expenses, in lieu of capital investment, is bad economically.

Underlying the need for curtailment is the rise in the outstanding amount of means of payment to 60 billion pesos at the end of 1955, with the 1955 increase of 9 billion continuing. The internal debt, funded and floating, amounts to 57½ billion, which together with the foreign trade debt aggregates a grand total debt of 100 billion pesos.

The country's gold and exchange reserves aggregate only $400 million, sufficient to cover import requirement for 4 months.

### The Public Payroll

A major politically cemented and reinforced road block in the way of budget balancers is constituted by the vast bureaucratic army of government-paid public employees, to the present number of 500,000 individuals—this total representing a doubling during the past decade.

In the light of their dubious ready absorbability by private business, with the threat to full employment, the absence of the courage to engage in the required drastic pruning can be appreciated. Along with pointing out to me his administration's move toward curtailment through nonreplacement of vacancies, the Finance Minister was careful to add the precautionary remark. "But you must remember that a real deflation would push us into an economic and political situation leading to the abolition of the democracy that we want."

### The Deficit Parades in Uniform

The army constitutes another difficult problem for budget balancers. In line with most South American countries, the military in Argentina is a sacred cow, plus the fact that this particular regime is a militarily established government, particularly beholden to the marines. In the concrete terms of the budget, no less than 80% of the expenditure total is devoted to the two armies—military and civilian!

### Government-Induced Wage Spiral

But the most important and nettlesome problem, both economically and politically, is wage policy; and here the government has really knuckled down before the "popular will's" boosting of the inflation spiral. Last February, by government decree, wages and salaries of everyone were increased by 10%, along with elevation of women to the men's level; this latter provision in some industries (clothing for example) constituting a wage hike of 40%. Currently, although President Arumburu is stumping about the country giving lip service to the need for wage restraint and productivity, actually his government is aiding and abetting the workers' protracted demands for increases ranging up to 110%. Recently, under government dictation, bank employees won a 60% salary increase.

The February rise was strongly opposed by Dr. Raoul Prebisch, who, as Executive Secretary of the United Nations Economic Commission for Latin America, has been functioning as Argentina's widely acclaimed "money doctor." Minister Blanco's defense is that the wage increases must and can come out of business profits (Pittsburgh and Detroit newspapers please note).

### Socialized Banking

Nationalized bank deposits are another socialistic shackle which the popular will renders difficult to unloose. Continuing the practice initiated by the Peron dictatorship, every discount operation is under supervision of the Central Bank; which thus controls every lending operation. While Dr. Blanco insists he will soon move toward deposit de-nationalization, some educational ground must still be covered in convincing the public that no loss of essential government control will be entailed.

### Political Poison

But it is in the key resource of oil that de-nationalization would really constitute political poison (as it actually did for former Finance Minister Garcia, whose stand for oil de-nationalization resulted in his loss of office). Despite the fact that Argentina developed oil successfully for 30 years prior to the Peron regime; disintegration under the latter's intervening aegis leaves no doubt of the comparative *economic* advantage that would ensue from concessions to private development by the world's great know-how-ers. But, as admitted by the Finance Minister, this situation is the really sacred political cow. Realistically and under the existing popular prejudice, in view of the stirring-up of antipathy toward all foreign capital investment that would ensue, it may be better long-term strategy to leave oil nationalized as it is. Mexico's harmonious attitude toward overall private foreign capitalists after her nationalization of the petroleum sector must be borne in mind. But even if it is impossible to follow the successful Venezuelan pattern of sharing the optimum in proceeds with foreign companies via taxation, there is no logical reason, other than the political, why at least oil concessions for special services via management contracts, under control by the state, could not be entered into.

Also integral in this socialist-interventionist economy is nationalized power, private power companies being regarded as "racketeers"); and price controls. There are now three concurrent price systems: (1) Frozen maximum prices, exercised on 30 consumer articles; (2) "Controlled" prices—flexible with salaries; and (3) Free prices, mostly on luxury goods. Dr. Blanco explains that his present aim is to move from (2) to (3); professing his assent to the sound principle that the only way to get to a permanent reduction of prices is through the establishment of a free competitive system. But with his recognition of the unpopularity of drastic effective action, he again falls back on a time-table of gradualism.

* * *

So we see in Argentina a situation, not at all a-typical, of a state socialized in nearly all areas, industrially weak, living off of the capital, where the government recognizes the right steps, but inhibits itself from taking them with any degree of promptness, mainly because of the exigencies of popular opinion. No doubt the charge is unwarranted that even a military government wants to win elections; and the "interests of long-term democracy" do give some justification for "gradualism" in reform toward the free market. But it would appear that the breadth of the economy could be sharply curtailed with some decisiveness and confidence.

In another area, namely the choice of expert advice for the setting of economic policy, is this government, as in other locales, unwittingly influenced by political consciousness. Thus, when confronted by contradictory expert advice, it would appear that at least in some instances the more palatable politically popular course has been followed. Analogous on the other side of the Equator was the economically inexpert President Truman's switch from his initial Chairman of the Council of Economic Advisers, the sound but politically insensitive Edwin G. Nourse, to the wholly palatable pronouncements of Leon Keyserling.

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# The Security I Like Best

nearly 50 rigs are working in the area, leaves large blank spaces to be explored. There is no reason to doubt that the discovery rate will remain at a high level and that much more oil remains to be found than has been located up to this time.

Much of this area is multi-pay (two zone) oil country so that the chances of a miss are relatively remote. Oil being found is not only considered to be the best in Canada but also enjoys a 500 mile market advantage over Alberta crude. Thus it could command a top price, when the new Westspur Pipeline (6¼% owned by CDP) goes into operation this summer. Last year's production in Southeastern Saskatchewan averaged only 14 barrels per day per well due to lack of pipeline facilities. Well head prices for crude should rise with the completion of the new system.

CDP has been the prime favorite of the leading Canadian Investment Services and came into some U. S. investment trust buying this Spring. One trust bought 62,000 shares and another 37,000 shares. This type of buying is very unusual in a low-priced, non-dividend paying Canadian oil stock.

CDP has been compared with the Merrill Pete of a few years back which went from a low of $2 to a high of 23 this year on the strength of their holdings in the Pembina Area. The widespread opinion that Southeastern Saskatchewan could prove to be a bigger field than Pembina lends credence to this comparison.

## Cottingham With Blyth

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harry A. Cottingham has become associated with Blyth & Co., Inc., 215 West Sixth Street. Mr. Cottingham was formerly with Kerr & Bell. In the past he conducted his own investment business in Pasadena.

# Puerto Rico—Attractive to Tourist, Industry and Investor

By IRA U. COBLEIGH
*Enterprise Economist*

**Writer outlines the dynamic elements of progress in Puerto Rico, which achieved within a single decade greater per capita rate of improvement "than any country we can think of," and the desirable features attractive to the investor, industry and the tourist.**

The zealous and eager participation of the delegates from Puerto Rico, in our major political party conventions this August, was witnessed over TV, and admired, by some 50 million Americans. With equal ardor is Puerto Rico bustlingly at work improving its standard of living, attracting new industries to its shores, and moving ahead as both the Island Workshop, and Holiday Haven of the Caribbean.

Ira U. Cobleigh

In five swift airplane hours from New York, you can reach the Isla Verde Airport of San Juan. This is no crude hayfield for itinerant crates, but a $22 million air transport terminal, ranking among the most modern and functional anywhere. If you're allergic to air travel, you can reach this verdant isle, at the Crossroads of the Caribbean, by a number of steamship lines. In any event your trip should prove rewarding, and probably exciting.

Here you find a compact semi-tropical island, 100 miles long and 35 wide, with a marvellously mild climate averaging 75 to 85 degrees the year 'round. The main city, San Juan, is a bustling modern metropolis of 550,000 souls which spark-plugs an unrivalled industrial development. In a little over 10 years, Puerto Rico has achieved the second largest per capita annual income in Latin America. It was not always thus.

Puerto Rico was, for years, handicapped with a seethingly dense population (670 to the square mile today). During the depression this population kept growing but employment didn't; so migration to the States set in, and many of those who remained faced unemployment, low wages, and substandard housing and living conditions. Something had to be done—and it was! First there was created the Economic Development Administration (in 1942) to encourage industrialization and, in 1948, the famous Operation Bootstrap was inaugurated. This was an over-all master program to induce industry to locate in Puerto Rico, and to expand the industrial employment of its people. The Economic Development Administration was empowered to attract business, if necessary, by building and renting plant facilities, supplying the requisite labor force, and offering, as a special attraction, a 10-year exemption from U. S. income taxes.

The attractiveness of Operation Bootstrap, plus the zeal with which it has been implemented, under the guidance of Governor Luis Munoz Marin, has paid off handsomely. Puerto Rico's net income expanded from $230 million in 1940 to over a billion in 1955; 400 new plants have been located on the island, including divisions of such distinguished American companies as General Electric, St. Regis Paper, Sylvania, Remington Rand, Gulf Oil, Paper Mate; and American Can has started a new plant that will turn out 150 million cans a year. All this new industry in addition to expanded native production in rum, cement, glass, sugar and tobacco. Assessed property valuations in Puerto Rico are now above $1 billion. Puerto Rico will, this year, buy $600 million in U. S. produced goods. Quite a customer!

Three hundred thousand tourists will spend over $75 million in Puerto Rico in 1956. They will find many attractions, comforts and diversions. The 300 room Caribe Hilton has been virtually 100% occupied; and two other 300 room hostelries are abuilding; plus a plush 72 room hotel with an 18 hole golf course, adjoining. The Caribe Hilton, completed in 1949 at a cost of $7,200,000, has already paid back over $5,000,000.

Pleasure seeking visitors have a wonderful choice of divertissements. Baseball is popular, and there are excellent parks where major league teams play in the winter season. Boxing is a steady attraction; cock fighting, under Government supervision, is a unique spectacle offered at many "galleras"; horse racing is provided at two major tracks; there are splendid bathing beaches, exciting off-shore game fishing, night clubs and gambling casinos.

In recent months considerable interest has been aroused over the new Puerto Rican Jai Alai fronton to be built just outside San Juan. This modern streamlined sports arena will seat 3,500, and bring to Puerto Rico the exciting game of Jai Alai, virtually the national sport of Spain, and highly popular in all Latin America. This game, somewhat like handball, is the fastest ball game on earth. It is played with a ball called a pelota (smaller and harder than a baseball) which is rocketed around a three wall playing arena by skilled pros who catch it and hurl it against the front wall, using a curved basket (caller a cesta) strapped to their wrists. Not only is this game terrifically exciting to watch, but the new "fronton" will provide pari mutuel betting. Latin peoples are not only fanatic Jai Alai fans but among the most avid and excited bettors in the world.

This new Puerto Rico Jai Alai arena, complete with bars and restaurant, will also serve as a sort of Caribbean Madison Square Garden (for convention, exhibits, concerts, pro basketball, etc.) and will shortly be financed by public offering of 6% debenture units, carrying common stock. This issue may present an unusual opportunity to invest in a unique Puerto Rican sporting and entertainment enterprise.

For American investors there is a wide assortment of fare in Puerto Rico. First of all, obligations of the Commonwealth, and its major political subdivisions, are completely exempt from U. S. Federal and States taxes. Thus people in the upper brackets are attracted by such issues as Puerto Rico Water Resources Authority, Electric Revenue Bonds recently offered to yield (long maturities) 3.75%. They are a legal investment for Savings Banks in New York State; and the Authority now operates an electric generating system with 19 hydro electric, and three steam, plants which can deliver a billion kilowatt hours per year.

In oil, there's the Caribbean Refining Company handling 13,000 barrels of crude daily, and Commonwealth Oil Refining which is expanding its capacity to 55,000 barrels a day. To do this, Commonwealth recently did $19,500,000 in financing, $6 million of it in publicly offered bonds ($1,000 units) carrying 30 shares of common.

About oil supply, a Texas group was recently reported to have secured an exploration concession covering 6,400 acres in the Southern part of the island. Extensive geophysical work already done in this area indicates the probable existence of favorable petroleum structures. The search for oil in hitherto unexplored or unproductive areas has always fascinated speculators, and in the past three years we have witnessed drillings in Australia, Israel, and most recently in Cuba. Puerto Rico may be the next to bring up oil.

Other Puerto Rican enterprises of interest to investors would include Porto Rico Telephone Co. (common listed American Stock Exchange) with over 56,000 telephones in service; and South Porto Rico Sugar (listed NYSE) and TMT Trailer Ferry providing a truck-trailer water transport service from the mainland.

The First National City Bank of New York is most active on the island having made over $75 million in industrial loans there in the past decades. Many American life insurance companies do large scale Puerto Rican business; and only recently the incorporation of International Life Insurance Company of the Americas (San Juan) was announced. This company may offer its shares publicly and plans to have $2 million paid in capital. Its directors will include such distinguished Puerto Ricans as Alfonso Valdes, Luis A. Ferre, well known Puerto Rican industrialist, and Dr. Juan B. Soto, former Chancellor of the University of Puerto Rico. The company is expected to write all standard life contracts and to develop a substantial business among Puerto Ricans who may well favor a life company, native to their burgeoning island.

It would, of course, be difficult, in so short a space, to outline and describe all those elements of progress — industrial, commercial and educational — the modern highways and housing which are giving Puerto Rico today a new look.

We salute this Caribbean Commonwealth and honor its political and economic vitality. By the effective encouragement of private enterprise via Operation Bootstrap, it has, within a single decade, done more to improve the status of its citizens than any country we can think of. Like General Electric, it may say that progress is its most important product.

## Robert Strauss Now On the Mend

Robert Strauss

CHICAGO, Ill.—Robert Strauss of Daniel F. Rice & Co. is recuperating at home (9037 Paxton, Chicago 17, Ill.), following surgery at the Michael Reese Hospital.

## Firm Name To Be Carl W. Stern Co.

SAN FRANCISCO, Cal.—Stern, Douglass & Co., Inc., 465 California Street, members of the New York and San Francisco Stock Exchanges, announce that on Sept. 1 the company name will be changed to Carl W. Stern & Co., Inc.

### Four With Creger

(Special to THE FINANCIAL CHRONICLE)

WHITTIER, Calif. — Thomas M. Anaya, Gertrude A. Contonwine, Irving Fleischman and J. S. Harley have become associated with J. D. Creger & Co., 124 North Bright Avenue. Mr. Harley was formerly with Samuel B. Franklin & Company.

### Joins Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—William R. Stanford and James L. Stowers have joined the staff of Hamilton Management Corporation.

# Outlook for Food Industry And the General Economy

By HARRY A. BULLIS*
Chairman of the Board, General Mills, Inc.

**In commenting abcut confidence of business in the future of America remaining unshaken, and the excellent outlook for the food industry, Chairman Bullis predicts: (1) active busi-ness period and continued economic progress in the months ahead; (2) Federal budget surplus and some debt retirement; and (3) need of increased savings for capital formation, and, in view of little easing in the demand for funds, restraints on business to weed out the less desirable and the less profitable projects.**

The progress which we have made in General Mills is, to some extent, a reflection of the economic progress of the country. Adjustments have taken place in some industries, but the declines in certain sections of the economy have been offset by increases in others. The economy as a whole does not show a decline, although the rate of gain has slowed up.

Harry A. Bullis

We had a $40 billion economic advance from early 1954 to the end of 1955. In the final quarter of 1955, our Gross National Product, which is the total value of all goods and services, was running at an annual rate of nearly $402 billion, according to revised data. In the second quarter of 1956, the rate was $408 billion. Thus we have actually had an economic gain of $6 billion during the first half of 1956. That gain has been achieved over and above the "soft spots" such as automobiles and other consumer durables, residential construction and farm implements.

The greatest single driving force this year has been the remarkable advance in planned and actual expenditures of business for new plants and equipment. Last year such expenditures totaled over $28 billion. It is expected that the outlay this year will be about $36 billion. Also, the new road-building program will assist to expand the economy. The confidence of business in the future of America continues unshaken.

High wages, together with high employment, have given our people the highest disposable personal income on record. It reached an annual rate of nearly $285 billion in the second quarter—$16 billion higher than a year earlier. This increased income supported consumer expenditures at a rate of $12 billion above a year ago—and permitted savings at a rate of $4 billion higher.

*From report by Mr. Bullis at the annual meeting of common stockholders, Wilmington, Aug. 21, 1956.

### Outlook for the Future

What is the outlook for the remainder of the year? First, the new automobile models will be introduced soon. They are already in production. This is expected to relieve one soft spot, and there are optimistic predictions that the 1957 automobile year may rival that of 1955.

Next we have a national objective of building at least 1,100,000 new family dwelling units per year. Although mortgage funds available for housing have been restricted, credit for housing has recently been somewhat eased through liberalization of the operations of the Federal National Mortgage Association.

High steel output is assured in the months ahead in order to replenish inventories depleted during the strike.

Finally there is a somewhat brighter hue in the farm sector and in the area of farm machinery production. The index of prices received by farmers has increased steadily from the low point of last December. In May it stood at the year-ago level. The increase continued in June.

### Affect of Increased Employment

During the past year, we have added about 2,500,000 to the rolls of those gainfully employed. The high wages and high level of employment have reinforced the demands of our growing population for more products and services. This creates the need for more and more capital to construct new plants and to modernize equipment. The effect is to advance economic progress and to increase productivity, which is the basic justification for wage increases.

The months ahead should see an active period for business and continued progress in the national economy. This should keep the Federal budget in a surplus position and allow some debt retirement. We shall need increased savings to enable us to finance all the plant additions which industry will want. Part of the needed money will come from depreciation charges and retained earnings of business, and it will require a rise in personal savings to supply the remainder of the funds. Undoubtedly it will be necessary for business enterprise to forego the less desirable and the less profitable projects. Such restraints will help restore a good balance between new capital projects and the total resources our country has for bringing them into being.

The general outlook is so good that there will probably be no easing in the demands for funds.

While we face the future with the greatest confidence and enthusiasm, we are obliged to add that our progress is predicated on peace prevailing, and that world conditions inevitably play their part in our destiny.

### Outlook for Foods

The outlook for the food industry is excellent. Population is increasing at a tremendous rate and the youngsters born in the postpar period are getting to the age of big eaters. Rising family incomes permit the large expenditures for food which the growing families need.



## COMING EVENTS
In Investment Field

**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.

## Changes Firm Name

The name of FIF Sales Company, 270 Park Avenue, New York City, eastern distributor of Financial Industrial Fund, has been changed to FIF Investment Associates, Charles E. Bacon, President of the organization, has announced.

# The State of Trade and Industry

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

In summarizing the events in the industrial world up to Aug. 24, the country's national credit agency, Dun & Bradstreet, states that there were moderate increases in the production of steel, electric power, and coal this week; total industrial output was moderately higher than that of the comparable week last year. Initial claims for unemployment insurance declined for the fifth consecutive week, and were at the lowest level so far this year. The decrease was attributed to further reductions in unpaid vacation layoffs and a seasonal rise in employment in the food processing and tobacco industries. However, claims were 12% higher than those of the similar 1955 period.

Steel output rose 9% this week, and exceeded that of a year ago by 7%. Steel mills set operations at 95.1% of rated capacity. The composite price on finished steel continued to rise, and was 7% above the pre-strike level. Although warehouse inventories of cold-rolled sheets, strips, and bars were sufficient for current needs, supplies of structural steel, plates, and piping were limited.

Several automotive producers completed the 1956 model output this week, and began to model change-over process. The production of cars and trucks fell 2% and was 9% below that of a year ago. Total output of passenger cars from Jan. 1 to Aug. 18 of this year was 27% below the similar 1955 level. There was a 13% increase in truck production this week, and it exceeded that of a year ago by 4%.

Although petroleum output remained at the level of the previous week, it was 5% higher than that of last year. Electric power production was 9% over that of the comparable 1955 period, with the most noticeable gains in the South Central and Rocky Mountain regions.

Awards for heavy civil engineering construction contracts jumped 25% this week, and were 22% over the year ago level. The cumulative total of contracts for highway construction for the first 34 weeks of this year were 12% higher than those of the similar 1955 period.

### Federal Reserve Bank Increases Discount Rate

On Aug. 24, the Federal Reserve Board raised the discount rate on bank loans to 3% at New York and three other regional banks of the Federal Reserve System (Chicago, Philadelphia and Richmond). This is the highest rate since the bank holiday of 1934. Last week, Tuesday, New York City's leading banks raised the minimum rate charged on loans to the biggest borrowers with A1 credit status from 3¾% to 4%, the highest rate in more than 23 years. The smaller borrower will pay from the lower level reserved for the biggest borrowers up to as much as 6%. This 6% ceiling has been fairly well held over the last year, but in some cases it has run higher. The increase by the Federal Reserve Bank is the sixth advance in discount rate that the Board has indorsed in the last 16 months. The Federal Reserve Banks at Minneapolis and San Francisco increased their rates from 2½ to 3% April 13. The six Federal Reserve Banks which haven't increased their rates to date include Boston, Cleveland, Atlanta, St. Louis, Kansas City and Dallas, but it is expected that more will follow soon. The Federal Reserve Board has increased the discount rate as a move to curb inflationary borrowing by businessmen and consumers.

### Record Breaking Dividends on U. S. A. and Foreign Investments

The Commerce Department reported on Aug. 23, that profit returns on private foreign investments held by Americans, were 20% more than in 1954 reaching a new high level of $3,100,000,000. The Commerce Department also reported that cash dividends of American Corporations were up 15% in the first seven months of this year, setting a new high for the July month. American companies abroad earned $475,000,000 more in 1955 than in 1954, reaching $2,800,000,000. This includes $870,000,000 of earnings retained abroad by foreign subsidiaries, an increase of $65,000,000 over 1954. In U. S. A., dividend payments totaled $6,100,000,000 for the first seven months of 1956. July earnings dividends were $732,000,000 comparing with $669,000,000 in July 1955, previous record monthly high. This 6% ceiling has been fairly well held over the last year, but in some cases it has run higher.

The metalworking weekly "Steel" in its commentary on the steel situation makes this interesting observation for the week ending Aug. 27: Sharp and unexpected increases in steelmaking costs already are causing a pinch in steelmaking profits.

The recent $8.50 a ton increase in steel prices was designed to offset the higher steel wages. It is considered insufficient to absorb the higher costs now resulting from soaring prices of ferrous scrap and the possibility of higher transportation costs through all-rail shipment of iron ore this winter.

The situation, the magazine said, may either reduce steel industry earnings or possibly force a further readjustment in steel prices.

It said steel producers ordinarily vary their usage of scrap and iron ore—the two basic sources of metallics—in accordance with the price of scrap: A high price of scrap forces a reduction in the usage of scrap and an increase in the proportion of pig iron (made from ore). But ore could be in short supply before the lake boats sail next spring, so a strong demand for steel would require a heavy dependence on scrap.

### A Record 6 Months' Can Production Exceeds 18 Billion

According to the American Can Co. can production in the United States hit an all-time record of 18.7 billion containers for

Continued on page 26

# Federal Socialization of Power Threatens All Industry

By JOHN JIRGAL*

Chairman of the Task Group on Power,
Hoover Commission Task Force
Utility, Economics and Finance Consultant
Chicago, Ill.

**Mr. Jirgal probes the unequal relations between privately and public-owned power; suggests the same reasoning applied to holding companies be used against Federal power; queries the justification for public steam plants; points out 1953 Federal investment was $2.3 billion and will be $10 billion when present construction is completed; presents the recommendations of the Task Group; and shows that in an area with Federal power available, transmission arranged substantial Federal tax and other aid advantages, a local public body can readily take over the system of a private company whose transmission facilities are being utilized.**

I speak as an individual rather than as Chairman of the Task Group on Power Generation and Distribution of the Second Hoover Commission. Much of the information which I shall present, however, is the result of the studies and the investigations made by that Task Group.

John Jirgal

My talk deals with the role which the Federal Government has played and is presently playing in the socialization of electric power. I find that few people understand what has happened in this power field in recent years, and still fewer all the implications of these actions.

The assumption of control over the electric power sources of an industrial nation is first of the steps by which control can be asserted over all industry. This phase of the situation is especially important with the advent of atomic energy. It is essential that we understand the problem so that we will be better able to cope with it.

### Position of Public Power in Country's Supply

In 1933, 94% of the power generation in this country was by privately-owned plants, about 5½% was from plants of non-Federal public bodies and only about ½% from Federal Government sources.

In 1953, only 20 years later, privately-owned utilities generated 80% of the power of the country (a decline of 14 percentage points); non-Federal bodies such as municipalities, rural cooperatives and power districts generated 7%, and the Federal Government 13%. (By 1960 it will be 16%.) On a relative basis government bodies — Federal and non-Federal — increased their power activities over three-fold during this 20-year period.

While in 1953, non-Federal public bodies generated only 7% of the country's total power, they sold 13% of the amount taken by ultimate consumers. The Federal Government, on the other hand, generated 13% but sold only 5½% to those consumers. Private companies, at the same time, sold only slightly more, relatively, than they generated. It is thus apparent that the Federal Government, on balance, has been furnishing a large portion of the generating requirements of the non-Federal public bodies.

Let me highlight the power situation of the country for you so that the Federal role in the public power controversy may be more readily apparent.

### Unequal Distribution of Hydro-electric Power With Reference to Markets

Over three-quarters of the power generated in this country is from fuel-burning plants—either coal, oil or gas; the remaining one-quarter is from hydro-electric plants. Over 50% of the developed hydroelectric power is in the hands of the Federal Government and local public bodies; over 40% is in the hands of the Federal Government alone.

Hydroelectric power is unequally distributed throughout the country whether considered from the viewpoint of area, population, existing power market, or Federal revenue sources. Nearly 60% of the developed and undeveloped hydroelectric power is located in the mountain and Pacific states which have only 13% of the population and 17% of the existing power market; only 15% of the available hydroelectric power is in the highly industrialized New England, Middle Atlantic and East North Central states which have between 45 and 50% of the population and present power market, and pay 62.5% of Federal income taxes.

If all the generation from the presently undeveloped hydroelectric power of this area were made available, it would supply less than one-quarter of the already existing power demands. Over 80% of the power sold in this country is to consumers in sections east of the Rocky Mountains. Most of the power in this area is generated by fuel-burning plants. Hydroelectric power potential, therefore, is not sufficient to supply even a small part of the market in the eastern section of the country, and it is in ample supply in a great part of the western section.

### Position of Federal Government In Country's Total Power Supply

The Federal Government presently has hydroelectric power plants in practically all important sections of the country except the New England and the Middle Atlantic areas. Under its flood control program it could build hydro plants in practically every state in the Union. Its largest present power developments, however, are in the Columbia, Colorado Sacramento-San Joaquin, Missouri and Tennessee river basins which, when presently authorized projects are completed, will represent 90% of Federal power capacity and generation. The Federal power investment at the 1953 year end was $2.3 billion; upon completion of plants presently under construction and authorized this investment will become $10 billion. This does not include $2.7 billion of loans already approved, and mostly spent, for the construction of rural electric cooperative systems which have secured over 90% of their capital funds from the Federal Government.

### Justification for Building Federal Power Plants

Initially, Federal power activities, hydroelectric in nature, were associated with navigation, flood control and irrigation and were justified under the Commerce Clause of the Constitution which embraces control over navigable streams. But hydroelectric power is unreliable as a constant source of power because it depends upon the amount of water passing a given point at a given time—which often does not coincide with the time power is needed. Therefore, it is necessary to supplement hydroelectric power with steam power. Steam power, however, does not aid navigation, prevent floods or provide irrigation and has little to do with interstate commerce. Therefore, if the Federal Government is to build steam generating plants — which it has—they must be justified on other grounds. The justifying grounds usually asserted are the needs of defense and the general welfare.

If the latter are held to furnish sufficient grounds for power development, then the Federal Government can build hydroelectric and steam power plants — or a combination of the two—in any part of the United States. Once it builds steam plants it is difficult to place a limit on the power generating capacity which it will undertake to construct. And if the Federal Government is to be sole developer of atomic energy, as many public power advocates contend, then all power can conceivably be generated eventually by the Federal Government.

### The Local Character of Power Generation and Distribution

Power generation and distribution is, and always has been, a local undertaking. It is true that the distance of economical transmission has been extended from time to time so that wider areas have been served from the points of generation, but this fact has not changed the local character of the business.

The strictly local character of the power business is indicated by the fact that there are in the United States about 1,000 privately-owned companies, about 2,000 municipalities, about 50 power districts or public authorities, and about 1,000 rural co-operatives engaged in power generation and/or distribution. Of the private companies 287 do over 98% of the total business of all companies, and of the municipalities and power districts 266 do about 70% of the total done by these government units. The balance of these distributors, and practically all of the rural systems are small and widely scattered. In recent years, the public power district, because it serves a larger area and hence can generate and transmit power more cheaply, has tended to supplant the smaller municipalities as a public power unit. These power districts, still local in character, have been sanctioned by state legislation, often in those regions where Federal power is available.

The right of a private company to operate in its territory is exercised through franchise, indeterminate permits, or like contracts granted by a local authority and the granting authority in many cases has the specific right to acquire the property if it is dissatisfied with the company operations. The right to institute condemnation proceedings is also available in this connection. Many of these local franchises are non-exclusive, i.e., the municipality can build a competing system of its own, or it can grant a franchise to another company in competition with the existing system.

The rates of private companies, and in many cases many of their other activities, are regulated at the local level by state commissions in most cases and where not, by the lesser subdivisions of government. The rates of the power systems of local public bodies are not regulated in most states and in none of the states wherein are located the principal Federal power projects.

From what has just been said it is obvious that the operations of power systems are decidedly local in character, their right to continue in business is determined at the local level, and their rates, service, and many other activities are regulated primarily by local commissions.

### Tax and Financing Advantages of Public Power

The private companies are subject to local and Federal taxes of all kinds as is also, to a substantial extent, the income from the securities which they must sell in order to finance the construction of their facilities. The power operations of the local public bodies are not subject to Federal taxes of any kind and the income from the securities which they sell to finance their construction is also tax-exempt. The revenue bond form of financing which these public bodies customarily employ, results in their power operations being charged with very little in the way of local taxes.

The tax differences are reflected directly in the cost of financing. The private utilities, by and large, must earn an over-all return of 5½ to 6% on their total investment while, for a local public body, a return of 2½%, or less than one-half as much, will suffice. The rural cooperatives pay only 2% on the money loaned to them by the Federal Government, through the REA, which furnishes over 90% of their capital requirements. These Federal and local tax and financing advantages are of such magnitude that the larger local public bodies, if they choose to do so, can undersell the larger private companies in the same market by 25 to 40%. This obviously is a substantial competitive advantage. It may be somewhat less in the immediate future than in the past because of accelerated amortization and depreciation which is permitted the private companies under the Defense Act

Continued on page 18

*An address by Mr. Jirgal before the 18th Annual Meeting of the American Power Conference, Chicago, Ill.

# Dealer-Broker Investment Recommendations & Literature

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

**Atomic Letter (No. 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.

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

**High Yielding Good Grade Common Stocks**—List of 40 selected issues—Francis I. du Pont & Co., 1 Wall Street, New York 5, New York.

**Income Bond Comparisons** — Analysis — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

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

* * *

**Aircraft Radio Corporation** — Report — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

**American Brake Shoe Company** — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Resort Airlines, Inc.**

**American Investment Company of Illinois**—Semi-annual report for 1956—American Investment Company of Illinois, 8251 Maryland Avenue, St. Louis 24, Mo.

**Atlas Consolidated Mining & Development Corporation**—Analysis—William E. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

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

**Barker Bros. Corp.**—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is suggested investment policy for summer 1956.

**Bigelow Sanford**—Data—Abraham & Co., 120 Broadway, New York 5, N. Y. Also available in the same bulletin are data on **Briggs & Stratton, Johnson & Johnson,** and **Western Maryland Railway.**

**Buffalo Eclipse Corporation**—Report—H. E. Herrman & Cohen, 52 Wall Street, New York 5, N. Y.

**Butler's Inc.** — Memorandum — R. S. Dickson & Co., Wilder Building, Charlotte 1, N. C.

**Canadian Delhi Petroleum Limited** — Report — Wisener and Company Limited, 73 King Street, West, Toronto 1, Ont., Canada. Also available is a report on **Westcoast Transmission Company.**

**Corn Products Refining**—Report—Bache & Co., 36 Wall Street, New York 5, N. Y.

**Gabriel Company**—Report—DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a report on **American Laundry Machinery Company,** and **Eastern Industries, Inc.**

**Gulf Interstate Gas Company** — Analysis — Eppler, Guerin & Turner, Fidelity Union Life Building, Dallas 1, Texas.

**Jack & Heintz Inc.**—Analysis—Holton, Hull & Co., 210 West Seventh Street, Los Angeles 14, Calif.

**Kansas Nebraska Natural Gas Co.**—Memorandum—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

**Kawecki Chemical Co.**—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

**Leece Neville Company**—Analysis—B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

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

**Monmouth County National Bank** — Memorandum — I. George Weston & Sons, 210 Broadway, Long Branch, N. J.

**National Cylinder Gas Co.**—Memorandum—F. S. Moseley & Co., 14 Wall Street, New York 5, N. Y.

**National Fuel Gas**—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

**Northeast Metals Industries, Inc.**—Analysis—Pearson, Murphy & Co., Inc., 50 Broad Street, New York 4, N. Y.

**Northeastern Turnpike**—Progress report—De Leuw, Cather & Co., Farm Bureau Building, Oklahoma City 5, Okla.

**Rockland Light & Power Co.**—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available are memoranda on **Scholz Homes, Inc., Vendo Co. and Warner & Swasey Co.**

**Savannah Sugar Refining Corporation** — Analysis — Johnson, Lane, Space and Co., Inc., Bay & Drayton Streets, Savannah, Ga.

**Smith Corona, Inc.**—Analysis—Mellott, Thomson, Pitney & Co., 29 Broadway, New York 6, N. Y.

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

**Title Guarantee & Trust Co.**—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

**Tri Continental Corp.** — Memorandum — Dreyfus & Co., 50 Broadway, New York 4, N. Y.

**U. S. Borax & Chemical Corp.**—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

**Victor Products Corporation** — Analysis — Elder & Company, James Building, Chattanooga, Tenn.

**Wisconsin Central Railroad Co.**—Exhaustive analysis—S. Weinberg & Co., 60 Wall Street, New York 5, N. Y.



## Shelton Fisher, Publisher of "Power" Interviews Malenkov, Former Soviet Premier

The new exchange of cultural and engineering knowledge between Russia and the U. S., as manifested by recent visits of artists and businessmen between the two countries, is more than a factor for world peace; it is also a long-range pay-off for the American businessman.

This new look regarding Soviet-U. S. relations is advanced by Shelton Fisher, publisher of "Power," a McGraw-Hill publication, who recently completed a two-week intensive inspection of Russian power installations, including a three-hour private talk with Georgi Malenkov, minister of electric power and former premier. Mr. Fisher feels that while the Russians "know exactly what they are doing in electric power generation, they still lag the U. S. in technical performance." He estimates that Russian power generation now amounts to about as much as the U. S. had in 1937, and says it is probably a decade still further behind if figured on a per-capita basis.

Traveling alone, he received what he described as a most cordial and "wide open" reception. He met with Malenkov twice, and said the former premier of the Soviets relied on neither notes nor subordinate personnel, and answered all questions, including some of a complex and technical nature, with knowledge and complete candor. Mr. Fisher was taken on a 1300-mile automobile tour of Russian power generating stations never seen before by an American.

### Long-Range Advantage Seen

Mr. Fisher feels that a general U. S. policy of welcoming the exchange of the people with Russia can work for the long-range advantage of American business, because the "exposure" of Russians to the American standard of living is bound to plant desires for similar standards within the minds of the Soviet people.

The day is not too far distant, thinks Mr. Fisher, when Russia may be able to put heavy industrial products on the world market, in competition with equipment sold internationally by American and other free-world manufacturers. "Suppose they are able to sell a big boiler for a million dollars while we Americans have to charge a good deal more for a comparable boiler," Mr. Fisher pointed out. "Their ability to undersell us will rest entirely on the fact that their boiler is designed and built by people who have a vastly lower standard of living than ours.

"On the other hand, if the Soviet people begin to see with their own eyes that a better life is possible, and if pressures develop in Russia for higher living standards, then the Soviets' apparent price advantage will largely disappear. And that would cut off any chance they might have to advance Communism by economic penetration."

### Exchange of Power Specialists Suggested

Last spring our State Department announced that the Soviet Government had proposed an exchange of power specialists with the U. S. It was explained that the Russians wanted to exchange large groups of 20 to 30 people, whereas the U. S. favored much smaller delegations, and no agreement was reached on the proposal. In Moscow, however, Soviet officials told Mr. Fisher that they now would agree to an exchange of six specialists, or to 12 with the understanding that they be divided into two groups for touring. The Soviets indicated they would be pleased if Mr. Fisher headed such a delegation and offered to show the new and huge hydro stations of Siberia if such an exchange could be arranged.



## Lee Ostrander Is In Sick Bay

CHICAGO, Ill. — Lee H. Ostrander of William Blair & Co., is in the Highland Park Hospital. He would undoubtedly be glad to hear from his many friends throughout the country.

### With K. L. Provost

(Special to THE FINANCIAL CHRONICLE)

SANTA ANA, Calif. — Lyle D. Davis is now with Kenneth L. Provost, 325 North Broadway.

### With FIF Management

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — James L. Bailey is now connected with FIF Management Corporation.

### R. A. Gorrell Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Warren E. Milligan has become associated with R. A. Gorrell Corporation, 111 Northeast Second Avenue.

### Joins Barrios Inv.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Romeo J. Audette has joined the staff of Barrios Investments, Times Building.

### Curtis Merkel Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — William T. Higgins has been added to the staff of Curtis Merkel Company, Inc., 601 First Ave. North.

### With West Fla. Secs.

(Special to THE FINANCIAL CHRONICLE)

TALLAHASSEE, Fla. — John S. Newbern is now with West Florida Securities Co., Inc.

# The Bankers' Crucial Role In Broadening Shareownership

By R. C. LAWRENCE*
Vice-President, New York Stock Exchange

**N. Y. Stock Exchange official describes the rapidly expanding burden confronting both banking and securities industries, regarding more and more people seeking advice and guidance on equities, and offers recommendations as to how they should perform their key role in broadening shareownership. Points out: (1) there is one bank per 8,000 people and one Member Firm per 79,000 persons; (2) nation's stockholders now number 8,630,000, and four million non-shareowning households actually considered stock purchases in past 12 months; (3) high regard with which banks are held by the public, and growing institutional volume of business handled by banks; and (4) banks "can properly direct serious inquiries about stocks . . . to reputable brokers . . .," in warning bankers that "if you don't discuss investments with him—your competition will!"**

In America during the last few years we have indeed come a great distance—and without benefit of pall bearers. U. S. capitalism is going through what is probably the least-heralded revolution in history. Today, the major tools of production—represented by our publicly-held companies — are actually owned directly by one out of every 12 adults, and indirectly, by about 100 million people through their investments in insurance companies, pension funds, common trusts, mutual savings banks and other institutions.


Ruddick C. Lawrence

### Bankers and Broader Share-Holder Base

The banking and securities industries which we represent have played significant parts in the changes of the last decade. As bankers, you have an increasingly important role to carry in this economic revolution — to broaden the base of shareownership on a sound basis.

And the most obvious fact that we have to deal with today and in the foreseeable future is the enormous quantity of money that a Gross National Product of $408 billion a year is making available to all our people—and particularly to those in the middle income ranges. We simply have had no previous experience with a population that includes, for example, 12½ million consumer spending units which early last year had a cash or equivalent income of $7,000 or more before taxes—a rise of 210% since 1941. Moreover, we must prepare for the day in 1965 when—assuming constant dollars—these families will jump another 50% to 19 million.

### Protect Capital from Inflation

The nub of our burden—if it can properly be called a burden —is that America's families are looking to our industries—banking and investment—for an increasingly wide range of services. In learning to plan for a secure, long-range financial future, people are demanding an adequate return for their money. They may be unable to understand the complexities of industrial growth or the wonders of automation, as indeed few people can. But the public is learning, nevertheless, that one of the costs of our progress and prosperity has been inflation, and people have set out, accordingly, not only to invest, but to protect their capital from eroding in the face of rising prices.

At the Stock Exchange during the past several years we have devoted a bulk of our educational effort to creating an awareness of the enormous investment opportunities that are open to a people grown suddenly prosperous.

We have met with marked success and I should like to tell you briefly what we have done, and how we have gone about it. But since only a wild optimist would claim that we have more than scratched the surface . . . since banking executives will be a determing factor in any future success we have . . . and since a boyhood spent here in Washington has left me with some idea of the misunderstanding that frequently exists when some people look east, I would first like to mention three critical factors that helped shape the Exchange's program.

### Industry's Capital Requirements

The first is that U. S. corporations need staggering amounts of equity money to create the jobs, plants and products required for the future. In the face of progressively higher income taxes, and the capital gains tax, and an expanding middle-income population the "big rich" are no longer able to supply the bulk of what is needed. In the past decade, for example, industry raised about $20 billion in new growth money by selling stocks. But three times that amount—$60 billion of new equity money—will be needed to meet 1965's goals on a sound basis —that is, without piling up corporate debt to what could become burdensome levels. That kind of money—$60 billion in the next 10 years—can only come from a mass of people who are able to undertake the specific risks of shareownership. Institutions, of course, will provide a substantial portion of the new equity money required. Nevertheless, achieving our goals means nothing less than adding the concept of "mass investment" to the American fabric, along with the twin "M's" that have shaped the U. S. economy—mass production and mass distribution.

### Liquid Market for Investments

The second element that helped frame the Exchange's program can be found in the needs of our own Exchange Community. If the Stock Exchange is to remain alert to the immediate needs of a dynamic economy it must provide a liquid market able to meet a man's investment needs quickly, conveniently and openly. It also must provide a market broad enough to encourage an annual industrial growth measured in billions of dollars. This, obviously, can best be achieved as more millions of people make sound use of their investment opportunities, and sensible use of our facilities. The Stock Exchange is, in short, much more than a trading mechanism enclosed in a large hall. It lies at the heart of an economic system that must always be responsive, bold and free—and of service to all the American people.

### Sound Investment Planning

The final factor influencing our program is the deeply-held conviction that the brightest chapters of America's economic story are yet to be written. In a venturesome nation it is logical and necessary for people who are informed and who can afford the risks to stake some of their funds —in their own self-interest—on an expanding future. There is ample historical evidence that over the years sound common stocks have a way of appreciating in value, of protecting purchasing power and of contributing to a steadily higher standard of living. Moreover, apart from dollar considerations it is an axiom of democracy that freedom is not to be limited but to be shared. The Exchange's education program, built around the theme, "Own Your Share of American Business," is thus an extension of the idea of freedom from the political sphere to the economic. Our economic structure can, in fact, become as broadly-based and as vigorous as our political democracy.

With these factors in the background — industry's need for growth money, the necessity of providing a broad, liquid securities market, and the conviction that people everywhere should be given a chance to share directly in future growth — the Exchange mapped its education program.

When we began we knew alarmingly little about the size of the job we had to do, or about our customers, or where they lived, or what motivated their investments. Extensive and painstaking research supplied us with many of the answers—and they were not always comforting. Particularly when we discovered that less than 25% of the adult population knew what a common stock is, or understood the work of the Stock Exchange.

There were many people, we found, who believed cattle are traded on the Stock Exchange. There were others who said that the shares bought and sold daily on the floor are owned by the Exchange and its officers. As an officer I am almost moved to say "amen."

But against an obvious lack of knowledge we found an impressive desire to know more about investments, and a healthy feeling that capitalism ought to be shared by more people. A nationwide survey we conducted showed, for example, that forty million Americans felt it would be a fine thing for more people to own stocks; 20 million people expressed interest in a type of regular stock purchase plan similar to the Exchange's Monthly Investment Plan. Four million non-shareowning households had actually considered stock investments within the year of the survey.

### Use of Advertising and Other Techniques

To meet the needs of this wide audience the Exchange Community moved to broaden its services, open new offices, recruit more people and streamline its facilities. Simultaneously, the Exchange itself mapped an extensive information program that makes effective use of all the modern media of communications. Weighed against the budgets and programs of some of the nation's major industries it is a painfully modest effort. And it is made more difficult by the obvious necessity of telling the shareownership story in its most elementary form. Nevertheless, the work we began several years ago represented a marked departure from the past.

We began an advertiseing program in leading newspapers and magazines designed to take the mystery and fear out of stock investments, and we put our messages not on the financial pages, but in the news sections where more potential investors would be likely to see them. This advertising, incidentally, has been vigorously backed to a greater and greater extent by our Member Firms. Simultaneously, merchandising programs were prepared for our Member Firms to help them bring the investment story closer to home.

A grass-roots Investor's Information Program and speaker's bureau—spearheaded by Member Firms—has been set up in over 60 leading cities across the country, including San Francisco, Los Angeles, Portland, Spokane and Seattle here on the Coast. Already many of these groups, working with Chambers of Commerce, civic associations and educational organizations have been notably successful in explaining and strengthening the link between Main Street and Wall Street. Over the years, we plan to broaden the Investor's Information Program to include about 200 cities.

### Meetings with Institutional Functions

Similarly, specific information programs have been developed for schools and universities, and for our listed companies so that the shareownership story can be carried directly to students, employes, stockholders and the general public. We have also begun to work closely with institutional investors like banks and insurance companies to explain the Exchange's operations in terms of their specific needs and problems. During the late fall and winter we plan to schedule additional weekly meetings at the Exchange with institutional investors. Should any of you be in New York later this year we would very much enjoy having you spend the day with us at one of our Friday meetings for institutional investors. If you can possibly join us I certainly hope you will let me know.

In the area of public relations and public information we have greatly expanded the flow of material for newspapers, magazines, radio and television stations. Entertaining and educational films have been produced and are reaching millions of people each year through television and local civic and business meetings. Our monthly "Exchange" Magazine has been redesigned and its features expanded. The Magazine now boasts a paid circulation of about 115,000. It is one of the most-widely quoted publications in the country.

### Legislative Efforts

Our efforts, as you can see, have taken us far afield from the job of simply running a market place. And we have, of course, also concerned ourselves with problems of taxation—specifically the capital gains tax and the double tax on corporate dividends which are inhibiting the public's equity investments at a time when such investments must be encouraged. One development with which we are particularly pleased is an Exchange-drafted model state law which makes it possible to give gifts of stock to minors without the maze of red tape usually encountered. Thus far, 13 states, including California and Colorado, have written this measure

*Continued on page 24*

*An address by Mr. Lawrence before the Pacific Coast Banking School, University of Washington, Aug. 22, 1956.

# New Dimensions in Management Compared to Yesterday's Boss

By ROGER M. KYES*
Vice-President of General Motors

**General Motors Institute graduates are told the requisites of good managers, as compared with the "old boss," include: (1) attitude of the "inquiring" mind; (2) making "informed" decisions; (3) being public minded and in step with currents of thought; (4) being leaders of thought as well as action; and (5) setting the record straight regarding the progressiveness of business and its mutuality, not conflict, with the goals of the good society. Vice-President Kyes refers to deficiencies to be overcome in mastering higher temperatures for chemically-operated engines and nuclear reactors, and the problems of cooling, to illustrate the tasks awaiting future leaders in management.**

The definition of management has changed radically within my lifetime. Not so long ago there was only the boss. And he was just the show. He ran the show. He tolerated no interference—and indeed he was offered little, not even from his government.

Roger M. Kyes

The boss felt secure in his conviction that he knew everything there was to know about his business, and anything that could possibly affect it. The physical world around him held little that seemed likely to turn out to be an unknown quantity, either then or in the future.

As an example of a boss supremely sure of himself I give you a leading automobile manufacturer of 1912. This man advertised the car he was bringing to market in that year as "My farewell Car." He shouted to the world that his 1912 model represented the ultimate that would ever be achieved in automotive engineering and design; that no one would succeed at any time in building a better automobile.

The boss of yesterday was confident that things as they stood and as he saw them were as they should be and always would be.

### Today We Welcome Change

The manager of today can be certain of only one thing: that the process of change is inevitable and unending. He can influence and direct it for good or otherwise according to the thought and effort he brings to bear upon it.

The boss was afraid of change. The manager not only accepts it, but he sees in the process of change his greatest opportunity—indeed, the very reason for his function. For it is his job and his responsibility to work for the progress of the business—and of course progress is nothing more than change for the better.

You students are most fortunate to be starting your careers at a time in our country's history when this process of change is accelerating at a pace never before equalled. We are in the midst—or more likely at the beginning—of a revolution in technology. Horizons in all branches of knowledge are being pushed outward farther and farther. All types of human endeavor, all aspects of our lives are taking on new dimensions. This means that in your time the art and science of management likewise will have to expand if the promises for future progress now clearly discernible are to be realized.

Just to get a perspective of the possibilities of the future let me cite an example of recent progress in a field with which I became connected at that stage of my career where you stand today.

### A Small Aircraft Company

Not long after having been graduated from college I joined a company in the aircraft manufacturing industry. It was a small operation even by contemporary standards. Indeed the entire industry was of little importance as a factor in our economy. Aviation itself, particularly the commercial phase of it, was in its earliest infancy. Colonel Lindbergh's unbelievable feat in crossing the Atlantic from west to east in 33½ hours non-stop had just set the world agog. In that same year, incidentally, an airline started passenger service out of Detroit—all the way to Buffalo.

When Lindbergh flew the Atlantic 30 years ago he was alone in the skies above that vast expanse of ocean. On today's trans-Atlantic airways a hundred planes or more may be underway at the same instant, carrying thousands of passengers to their destinations. From Detroit you can take flight to every major city in the free world. The unbelievable feat of yesterday has become the commonplace of today. Aircraft manufacturing and commercial aviation represent the outstanding industrial and transportation development of the recent past.

But we do not stop here. Aircraft that will cut today's flight schedules in half are beyond the drawing board stage. Soon it will be possible to have breakfast in New York and arrive on the West Coast in time for a second breakfast. Flying to distant parts or abroad for a vacation will become a common experience for Americans. And already the scientists are assulting outer space.

### Incomes, Suburbanites and Highways

Vast new horizons beckon in every field and every industry. Potent forces are currently at work to push the automobile industry to new high levels of achievement. I refer to the combination of rising incomes; the swelling movement toward suburban living; our ability to offer the customer ever better values for his dollar; and the tremendous highway building program just now developing. I am quite certain you will see the day when it will be the usual thing for a family to own two, or even three cars; when a production level of 10 million cars a year will not be at all unusual. The opportunities ahead for the progressive manufacturer and dealer in our industry stagger the imagination.

### Revolutionary Demands

Our people will demand, and get, better homes. New concepts that are beyond the dream stage include year-'round, healthful comfort inside the home regardless of outside climatic conditions. They include devices and servo-systems for doing effortlessly the many chores that still burden the days of the American homemaker. I am certain that a generation hence your wives will no more understand how their mothers got along with all the drudgery they had to endure, than we today understand how our grandmothers managed with a woodburning stove and a washboard.

As potential men of management you have an outstanding opportunity to take part in and contribute to the revolutionary developments that are certain to come during your working lives. You are in a position to help create new and better patterns of living for our people.

More fundamentally, both as future managers and as citizens you have, by reason of your background, training and demonstrated native ability, a far-above-average capacity for assuming leadership responsibility in maintaining and strengthening our free society. It is your responsibility to make use of your God-given talents in its service.

The tasks that await future leaders in management will be more complex and demanding than they are even today. The opening of new fields of knowledge invariably brings with it vast new problems. For example, turning to physical things first, we could design vastly more powerful and efficient chemically-operated engines—had we the materials that would stand up in continuous operation at temperatures in the range of 2,500 to 5,000 degrees Fahrenheit.

### Higher Temperatures and Cooling

I am told that for really efficient use of nuclear reactors in producing energy we need materials that will operate in the range from 5,000 to 10,000 degrees. The upper temperature limit in current operating practice is in the vicinity of 1,700 degrees.

If in these instances we need to find ways to push up temperatures, we are confronted with problems of cooling in others. For example, at flight speeds now visualized as being attainable, friction will heat the wing surfaces of the aircraft to bake-oven temperatures. This would of course be intolerable to both pilot and electronic control gear. Refrigeration will be necessary and will require as much power as propelling the aircraft or even more.

I cite these examples merely to illustrate an important point concerning the manager of the future; namely, that he must be research-minded as never before. He must cultivate what our President, Mr. Harlow H. Curtice, has called the attitude of the "inquiring mind."

### Developing Inquiring Mind

The inquiring mind seeks an approach to problems based on the recognition that anything can be done better. The inquiring mind is never satisfied with things as they are. It is constantly seeking out new knowledge. When analysis of the facts points to trails leading into new and unfamiliar territory the manager with the inquiring mind approach has the courage to follow them.

Our great new Technical Center, recently dedicated as you know, is an outstanding symbol of the inquiring mind as we understand the term in General Motors. It signifies our dedication to the concept that the world is not finished, that change is eternal, that we have it in our power to translate it into progress.

While the illustrations I cited a moment ago related to problems in the physical areas, I did not mean to limit my point to this narrow field. It has application in all phases of the business, from business administration to personnel policies and practices; from procurement to retail selling and servicing.

And so I say to you, if you would meet your responsibilities and realize your opportunities as future men of management, start the first day on the job to cultivate the attitude of the inquiring mind.

The inquiring mind is a prerequisite for a second attribute which will be crucially important for you to have as future managers. It is a capacity for making informed decisions. I emphasize the word *"informed"*.

### Informed Decisions

Your old-time boss was under little necessity to heed anyone or anything but himself and his own operation. He had no government agencies peering over his shoulder watching his every move. The customer was not in the driver's seat to the extent that he is today, because many businesses were local in character with little or no competition. Within the laws applying to all citizens, the boss could very largely do as he pleased.

Today the picture has completely changed.

First of all, we realize that whatever success we achieve will be in direct proportion to the kind of job we do for the customer, and we seek to operate our business on this basis. No matter to which phase of the business it relates, no decision can be an informed decision unless its impact on the interests of the customer has been determined and taken into account.

But today there are additional considerations. Locally, in the communities where the plants are located, and on the national scene as well, a business of the scope of General Motors operates in a gold-fish bowl. Whether they be good or bad, the policies and practices of such a business sooner or later become public knowledge—and subject to public commendation or condemnation.

Hence the manager of today, unlike the boss of yesterday, needs to be public minded. That is another new dimension of his job. He must inform himself as to the probable impact upon the good standing of his company of a given policy decision. This is not to say that the way a decision falls will depend primarily on this public factor. Obviously the health and progress of the business must always be overriding considerations. But in our society today, with instantaneous communication a universal aspect of our way of life, no manager can afford to isolate his thinking within the narrow confines of his own direct business interests.

We recognized this long ago in General Motors. In 1947 this broader view of the role of the manager in his community became the subject of a policy resolution formally adopted by the top policy committee concerned with operations. This resolution states in part, and I quote:

". . . apart from any personal responsibility as a citizen of the community in which he resides, every Corporation and divisional executive has an obligation to help maintain the position of General Motors as a good responsible citizen of the community."

Here is a clear definition of this new dimension in the management function, one that did not exist—or at least was not widely recognized—as recently as a generation ago.

### Wondrous Electronic Equipment

I am sure you have all heard of the new electronic equipment now available for the rapid processing of large masses of data. We now have such an installation in the General Motors Building in Detroit.

This installation is quite a marvelous piece of mechanism. It can do 500,000 additions or subtractions, 33,000 divisions or 75,000 multiplications per minute. It can compute a 3,500-man payroll in 12½ minutes.

This machine can give you facts based on information stored in its Magnetic Core Memory at the rate of one in 154 millionths of a second. It is superhuman in its capacity to store and process data that have been fed into it. It and other devices for collecting and analyzing great masses of data will prove marvellous management aids. Information will become available to us that it would have been impossible to collect and analyze with traditional methods in time to do any good.

But no machine will ever be designed to take the place of the inquiring mind with which the manager must approach his task. Management means leadership, not only in technical and administrative matters but more and more importantly in the areas of human relationships and the development of the social and economic patterns of our society.

Unlike the boss of years ago, the manager of today and tomorrow cannot hold himself aloof from the currents of thought of his times. He cannot afford to tend to his business and let the rest of the world go hang—unless he wishes himself and his kind to be hung in the long run, figuratively speaking.

Let me illustrate what I mean:

### Power of Good and Bad Ideas

In his work, "The General Theory of Employment, Interest and Money," published in 1935, the late British economist John Maynard Keynes wrote:

"The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist.

"Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. . . . Soon or late, it is ideas, not vested interests, which are dangerous for good and evil."

Keynes himself, of course, is the best example of his own analysis. His theory ran completely to government control of economic affairs. Since Keynes wrote those words his own country has demonstrated what happens when such theories are put into practice.

### Muckraker View of Business

The greatest challenge to management of the future is to be leaders of thought as well as action. This is the newest and perhaps most significant dimension of the management job. Our country and its people can continue to grow and prosper only as there is unity of purpose in all our endeavors. There can be no such unity so long as divisive and destructive theories and outright falsehoods are left to go unchallenged.

For example, there is the strange and disturbing fact that in our great industrial nation the muckraker view of business and the businessman persists. We see it in textbooks, in current fiction and moving pictures. As businessmen and managers we might feel inclined to regard these things as minor nuisances; to shrug them off and say that our accomplishments speak for themselves.

### Business Is Progressive

But we cannot afford to do that. As future managers you must school yourselves to best those who would undermine our way of life on the intellectual as well as on the performance level. Above all it is important that you maintain a clear sense of the function that men in business and industry

*An address by Mr. Kyes at the General Motors Institute Graduation Exercises, Flint, Mich., Aug. 10, 1956.

perform in helping to build America's future.

It is broadly assumed, and charged, that industry has set itself against every economic and social advance yet achieved by our people. The facts are that industry's forward strides in technology have underwritten these advances. Conversely, the increasing ability of our people to produce and consume is the fountainhead of industry's own further progress. Here is a mutuality, and not a conflict, of interests.

Industry stands **for** the good life, **for** the social and economic betterment of all, **for** the proposition that to produce more, with the same amount of human effort is a sound social and economic objective. Industry's position in this respect rests squarely upon the ethical and moral concept of the dignity of the individual. To make this position more broadly understood is a major challenge management faces in the years ahead.

I said earlier that you are fortunate in being able to launch your careers at this particular point in time. That statement may have struck you as being trite—the sort of thing that every commencement speaker inflicts upon his audience. However, I could not be more serious about anything than I am about this point.

**Progress Pace Is Accelerating**

Barring a major world catastrophe there is no doubt that over the years of your working lives tremendous developments will take place. It would be idle to speculate now upon all the areas where important changes for the better will occur, or how rapidly. However, we do know that the pace of progress is accelerating. People living 30 years from now may well consider our present conditions and ways of living as archaic and quaint as we today look upon those of the 1890's.

You will help to build this progress. Among you are the engineers and managers and dealers who will bring the 1976 model to the public. Among you are men who will carry to fruition new developments not even in the dream stage now. Among you are future leaders who will contribute significantly to the ability of our society to maintain and strengthen itself, to produce in plenty and to prosper in peace.

## Two With Walter Gorey

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Myron L. Fairchild and Langston J. Goree have become associated with Walter C. Gorey Co., Russ Building. Mr. Fairchild was previously with Hannaford & Talbot.



# *From Washington Ahead of the News*

By CARLISLE BARGERON

Now that Vice-President Nixon has been unanimously renominated for a second term, those who were undying for him all the time, have a new worry. It is that he will be changed.

Already the pinko columnists who had fought him are now hailing his renomination and writing about the new Nixon. He has matured, these fellows are finding out but he will be watched closely to see if he lives up this maturity. There is every reason to believe, these pinko pundits say, that Nixon will conduct a "high level campaign." After all, these fellows have found out after trying to cut his political throat, Nixon has great ability. It is only a question of his making proper use of it and if Nixon will but follow their guidance he will continue to grow in stature.

Carlisle Bargeron

This approach seems so uniform on the part of the Vice-President's former traducers that it smacks of a campaign, having not been able to beat him, to take him over and mould him to their mind; fashion him and use him their own ends.

Those who admired Nixon admired him for what he was. His admirers constituted the great bulk of the Republican organization. They admired Nixon for the fight he made in the Congressional campaigns of 1954; they admired him for his hard hitting tactics. It was because of his hard hitting, his hard campaigning, that he became the symbol of the Taft Republican when the fight to ditch him developed.

Nixon was never a Taft man. He worked hard against Taft in 1952 and just as hard for Eisenhower. There is not the slightest reason to doubt that his attitude on foreign aid isn't the same as Eisenhower's.

I would take more of a psychologist than I am to explain why, when there were efforts to ditch him, it was the old Taft crowd that went to his rescue. The explanation probably lies in the fact that it was those "damned Eastern liberals" who were after him, and indeed, it was on the proposition that if he should succeed to the Presidency, the "old guard isolationists" would be back in power that Stassen sought to make his case. He went to Tom Dewey with it, to those others of the Eastern "liberal" persuasion, the "internationalists," and couldn't arouse them. They would have been aroused had they thought Nixon was the slightest threat to their cause. The fact is there is no reason to believe he is.

Now that he has been renominated there is a studied effort on the part of the pinko writers to neutralize him. Nixon reads their stuff and I am not sure that he will not be influenced and conduct their type of a campaign. Should this be true the pinkoes will have really accomplished something.

The Republicans may not think so but they need a hard hitting campaigner this year. Mr. Eisenhower isn't going to do too much campaigning and if he does it will be on that high plateau which our pinkoes and leftists seem so much to enjoy. He and Governor Stevenson, both, as I take it, are for a better America with peace all over the world.

To the man in the street there is no difference between them and no difference in the two parties. To this man in the street there are no issues. Four years ago it was getting the boys out of Korea. They are out and people are liable to forget how it was that they came out.

The worker knows that employment is at the highest rate in history and that wages are the highest. The labor unions have more members than ever before; they have greater financial strength. But do they give Eisenhower credit for it? No, he has not made buddies of their leaders. With their highly developed "educational" programs they are daily feeding their members raw meat. These members know that their wages won't come down under the Democrats and that under a Democratic Administration their leaders will be dined at the White House and they will bask in the reflected dignity.

It will be difficult, too, to sell small business men that they won't be just as well off under the Democrats as the Republicans. The farmers—you get conflicting reports about how they feel but it is apparent they don't feel too happy.

The Republicans need badly in this campaign a hard-hitting man to remind the country of what took place under the 20 years of New and Fair Dealism, of the two wars, of inflation. They have tried pretty hard but the polls indicate they are not going to get back the Negro vote. In short, the Republicans have plenty of work to do and they need some hard hitting, not high plateau stuff, to do it. Nixon has hitherto been their best man. I hope he and his high Republican counsellors don't listen to his ill meaning friends who want to make him over.

# Private Boards of Directors Without Government Intervention

By EDWIN J. SCHLESINGER

Investment Counsel, New York City

**To forestall governmental intervention, as in the case of utilities and bank security affiliates, and to retain small stockholder interest when economic conditions become rough, Mr. Schlesinger advises boards of directors be comprised of those who serve the competitive position of the firm—rather than creditor-financial institutions and large stockholders.**

With the steady increase of the number of Americans holding stocks, added importance is given to the necessity of seeing that those companies whose stocks are held are capably managed. In order to have capable management, the companies must, in the first instance, have the right boards of directors.

Edwin J. Schlesinger

In privately-held companies, the efficiency of the directors is to a greater or lesser degree a private matter. But where the stocks of companies are widely held by the public, the directors are confronted with the distinct obligation of serving a useful purpose. In other words, unless the directors give strength to the companies they serve, fair play demands that they resign.

It is difficult to outline just what is to be expected of directors, other than the hope that they will have the small stockholders' interest at heart, but not so difficult to say what they should not be. The directors should not, in the first instance, represent financial institutions who are creditors of the corporation, nor should they represent exclusively the large stockholders. The directors should constitute a group which will add strength to the company by their diversified experience and ability, and whose chief interest is to see that the company will steadily improve its competitive position and weather storms. This, doubtless, sounds a bit utopian, but it is a must for a successful company.

During the past few years business has been such as to enable most companies to forge ahead. However, let conditions become a bit rough and the need for the right sort of directors will promptly become apparent. If the small stockholder is not going to be frightened into selling out his holdings the moment dark clouds gather on the business horizon, the proper steps must be planned in advance to be assured of the right sort of directors. Since there is a real need to settle this problem now, it is to be fervently hoped that the customary mistake will not be made to await the action of some governmental body, either presently in existence or to be legislated into being, before the necessary steps are taken. The case of the public utility holding companies and the abolition of the security affiliates of banks may be worth remembering. In brief, it should be clear that it will prove much better to straighten out the situation voluntarily than be compelled to do so by some outside force.

## Andrew C. Reid Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — Chester F. Slicey is with Andrew C. Reid & Company, Ford Building, members of the Detroit Stock Exchange.

## Joins Keenan & Clarey

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Gordon L. Emerson is now with Keenan & Clarey, Inc., McKnight Building.

## With Minneapolis Assoc.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Adolph Stenseth is now connected with Minneapolis Associates, Inc., Rand Tower.

# Nation's Number One Opportunity In Southern Regional Growth

By HONORABLE LeROY COLLINS*
Governor, State of Florida
Chairman, Southern Regional Education Board

**Florida Governor discusses the South as the nation's number one opportunity, and the "Point Clear Plan," a nuclear energy and regional cooperative program to develop the vast potentials of the South's human and material resources, which was adopted by the 1955 Southern Governors' Conference and assigned to the Southern Regional Education Board, a unique interstate compact agency, for study and suggested guidance. Governor Collins asks "why should not the South make such a contribution with our own resources, with our own brain power, and the brain power of others who are eager to come here and help us to do it?"**

In preparing for the 1955 Southern Governors' Conference, held last October at Point Clear, Ala., I was strongly convinced of the vast potentials of the South in its human and material resources, and I was challenged by the thought of how they could be developed to their fullest by all of the States of the South working cooperatively.


Gov. LeRoy Collins

I felt then, as now, that the most effective tool for bringing about that development would be found in the field of nuclear energy.

### Southern Nuclear Energy and Regional Cooperation

I was anxious that we combine the two ingredients—nuclear energy and regional cooperation—and see what we could come up with, and my fellow Southern Governors agreed.

The result was the adoption at the 1955 Southern Governors' Conference of what has since come to be known as the "Point Clear Plan."

I must confess frankly that I had no idea we could enlist such enthusiastic support of Southern governors, Southern educators and Southern industrialists, or that we could bring together such a large and distinguished gathering of top-level representatives from these three fields—government, education and industry.

So, to all of you who have participated in the Point Clear project from its inception or have joined the work as it progressed, let me express my gratitude and warmest commendation. I only wish I could have been with you in all of the planning sessions.

A special word of appreciation is due from all of us to the staff of the Southern Regional Education Board, which—with no advance warning—had the Point Clear project passed to it by the Southern governors.

As Chairman of the SREB, I am proud of the way the staff has carried out this assignment. No other region in the nation has such an organization, and the South is indeed richer because of this interstate compact agency, upon which it relies for so many important services.

And—if you'll indulge me one more point of personal pride—I want you to know how very pleased I am that this final work conference is being held here in Florida.

### Fastest Growing State

This is a frontier State — a pioneer State. We don't have to be boastful and yet we are not introverts either. Percentagewise, we have the fastest growing major State in America, and we're anxiously working to keep our growth in sound balance.

Our people are deeply interested in what we are doing here tonight. Florida, without a doubt, is sold on nuclear energy.

I am not here to try to sell *you* on nuclear energy. That would be a little like trying to sell a geologist on the Grand Canyon.

Our Southland has been characterized as the nation's number one economic problem. That has been true. It remains true if we are static in our thinking; if we feel helpless; if we want to make out a case for appeal to others for aid to dependents.

### South's Economic Picture

Our per-capita income is still the lowest in the nation. Our standard of living is the lowest. Our standards of health and education are also the lowest. We might as well admit these facts, because they are true.

But the South is not the nation's number one economic problem. Actually, our region is the nation's number one opportunity. There is a big difference.

Problems are handicaps. To solve them is a boring, tedious process people like to avoid. Opportunities are exciting and challenging, and people rush to open their doors.

We know we have the resources, human and material, to develop standards here unmatched anywhere. We are moving forward. We feel the surge of new immeasurable strength. Our income, our education, our health are now improving at a more rapid rate than in any other region of the nation. In other words, we are now doing more for self-improvement than our neighbors.

But we are by no means satisfied. We are not content to hold our present momentum.

With our creativeness we want soon to be able to say to the skeptics everywhere, "Come see for yourselves; here is this region which God has so richly blessed, we have banished poverty and ignorance and disease; ruts have given way to rational reform; the last remnants of decadence have been routed by inexorable determination and dedication.

Years ago, Henry Grady heralded the "New South." And we do have a new South now. It is a South with a glorious record of progress. But we are planning a far greater South—a new, new South, a South that isn't whining about bad breaks we've had; a South that isn't rushing to Washington at the drop of every Federal dollar; a South of self-reliant people with an adventuresome spirit, determined to take advantage of their opportunities.

### Seek Opportunities to Benefit the Nation

And we are not altogether selfish in our ambitions either. Instead, we in the South eagerly seek opportunities wherein we can make contributions to the national life.

We know an individual's strength is in proportion to his determination to "give" and is not measured by his desire to "get." So it is with states. So it is with regions. So it is with nations.

As Americans, our leadership in international affairs must be tuned to what we can contribute to the progress and prosperity of the whole world—not simply by the dollars we may give or lend, but by understanding and knowledge which we can share.

Once there were two trees. One was short and scrubby. It reached just above the underbrush. As it looked down at the grass and weeds, it said to itself, "My, how big I am." The other was a tall and majestic tree which reached to the very top of the forest. This tree looked up to the limitless skies above and the stars, and said, "My, how little I am."

America is big. We are indeed the biggest tree in the forest, but we look out at the almost infinite challenge of world leadership, and we must think and react in terms of the world-wide responsibility this entails.

### Develop the "Good Atom"

Nuclear development is of incalculable importance in itself, but transcending that is the importance of the philosophy which accompanies and sparks nuclear development.

The energies of the liberated atom far exceed anything previously imagined by man. We now have in our hands a tool with which we can — literally — move mountains.

But when man split the atom, he released a force far more weighty than the ominous impact of an atomic chain reaction. He cemented forever upon his shoulders an awesome responsibility—the responsibilty for *how* the atom should be used.

Man's first use of nuclear energy—as a hideous new instrument of death—is a poor monument to his stewardship as a responsible inhabitant of the globe. Yet it well could become just that, since in nuclear energy mankind does have the means by which it could destroy itself.

No rational person would now dispute that man must, out of sheer necessity for survival, see to it that the atom is never used for destruction.

There is no longer any doubt that we must develop the atom as the "good atom."

So the choice of *how* nuclear energy must be used no longer is between peaceful or non-peaceful purposes. The question facing us now is *how best* to use the "good atom."

This is just as important an issue as peace or war. In fact, it *is* the question of peace or war, since if we choose the wrong answer, we are headed straight toward the rocks again.

I believe the historians to come will point up two great political revolutions of the 18th, 19th and 20th centuries. Both of them—as is the case of all revolutions — sprang from ideas. We well should be proud of these two ideas, for it was America that gave birth to both of them. One is the idea of national independence — the other is the idea of nuclear development.

The age-old human longing for freedom and abundance is bound up in these two ideological revolutions which are sweeping the world. Man has always yearned for these and, until fairly recently, he has yearned in vain.

### The American Heritage

It took America to prove that it is possible to achieve both.

It was the American Revolution which first showed the world that a colonial people could attain national independence and the dignity and freedom which accompany self-government. This was the pebble which set up ripples which are now tidal waves beating against the crumbling rocks of colonialism throughout the 20th century world.

We were a fortunate people. Not only did we win our national independence, but we were fortified with traditions of the rights of man which enabled us at the same time to lay the framework for the greatest democracy yet known.

Many other peoples, inspired by our revolution to win their own national independence, were not so fortunate. Some, after obtaining national independence, failed to establish democratic safeguards which were essential to secure its permanence.

Witness the case of most of the Communist revolutions. They lost not only their opportunity for a democratic way of life, but their national independence as well.

Nevertheless, the world-wide surge for national independence swells even larger. It is the ageless yearning of men to be free.

Hiroshima was the birth pang of the second idea which now grips the world with new fascination. Again, it was America which gave birth to the idea.

Nuclear development should not be characterized as a political idea because government sponsored the research which produced it; but rather because of its long-range political effects.

It is not the destructive power of nuclear energy which has captured the minds of the people of the world. It is the far greater power of the "good atom"—the power for attaining a peaceful and abundant life for millions of inhabitants of this globe who heretofore dared not even hope for anything better than the most meager day-to-day existence. And this means political progress.

### Nucleonic Potentials

Now, informed leaders in underdeveloped areas see in nuclear energy a source of electric power where none existed before, a potential cure for diseases which were incurable, and a means of improving farm products and increasing their crop yields.

They see that their people can in their lifetime industrialize and produce enough food to sustain an industrial economy. They see that nuclear energy can be a key to this and — that they will not have to depend on sustenance from a guardian country.

Nuclear energy is indeed a revolutionary idea. Combine it with the revolutionary idea of national independence and the implications become enormous, and the opportunities great.

While nuclear development should encourage national political independence, at the same time it calls for closer relationship between nations. Democratic ideals and objectives must be a common denominator among nations for a peaceful world. Such will not come from force, or by barter. Knowledge, understanding and cooperation are the key factors.

Our emphasis upon independence must in no way detract from the ever growing necessity of interdependence. In fact, as nations grow strong internally, of course, they must grow stronger in the acceptance of their responsibility to their neighbors and to the world.

### What the South Can Do for Mankind

The delegates to the Point Clear nuclear energy work conference have an opportunity to provide an important contribution to the leadership America must provide for the world. What you do here for the South you will be doing for mankind everywhere.

There is a world need for a living laboratory—a great center for study, research and, above all, service. Why should not the South make such a contribution with our own resources, with our own brain power, and the brain power of others who are eager to come here and help us do it?

But I am not here to suggest to you what recommendations should come out of this work conference.

The principal goal of this work conference is to draw up suggestions for the Southern governors. They have requested guidance for appropriate action, by our individual States and the region, to put nuclear energy to work more efficiently and at a faster tempo, for the future development of the South.

### States Are Looking for Guidance

As I understand it, you plan to evolve these suggestions in two steps.

First, you will review the data collected up to this time through your efforts and by the SREB staff under your direction. This material appears to point up the South's needs and actual opportunities for development of nuclear energy.

Secondly, it is expected that you will apply your respective skills, experience and imagination to this mass of data. It represents a gigantic cooperative effort throughout the region, and should be rich reference material. And from a pooling of your special knowledge and skills, in the light of this reference material, should come some valuable suggestions.

It is certainly not my province to suggest what recommendations should emerge from this conference. But I am aware that every one of the participants here is an expert in one field or another. Many of you are internationally known.

Although it is the governors who must initiate any action programs stemming from this meeting, the governors are counting on you for suggested guidance. Your intellect and your special talents, supplemented by a unique inventory of Southern need and opportunities in the nuclear field, should produce some inspiring ideas for action.

So far in this project, there has been a gratifying team effort by leaders in the State governments, industry, education, agriculture and medicine. I earnestly hope this teamwork can be maintained at this work conference and the concept carried over into the recommendations which emerge.

You have an opportunity to plot a course for a region's progress and its very future—to stimulate and set an example for a nation, and to benefit mankind. I will be keenly disappointed if the sole result of this meeting is a mere report.

Grandiose suggestions impossible to carry out will be useless. But ingenious, dramatic plans are not impractical merely because they have never been tried.

I would challenge you then to plan creatively. Be sound and realistic, but be bold. We need ideas to match the magnitude of the potentials of the atom.

Remember, we have a South to build, a nation to serve, and a world to convince.

*An address by Governor Collins at the Southern Regional Work Conference on Nuclear Energy, St. Petersburg, Aug. 1, 1956.

## Four With Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Lyman C. Beardsley, John H. Brenner, Fred W. Collins and George S. Crozier are now connected with Samuel B. Franklin & Company, 215 West Seventh Street. Mr. Beardsley was previously with Shelley, Roberts & Co.

## B. C. Morton Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Gerald V. Coulter has been added to the staff of B. C. Morton & Co., 1752 West Adams Boulevard.

## Philadelphia's Rent Control Law Held Invalid

**City Title Insurance head reveals Philadelphia Common Pleas Court declared rent control illegal and that decision, based upon factual survey made of rental housing conditions, stated "no situation exists which is temporarily dangerous. . . ."**

By a decision of the Court of Common Pleas of Philadelphia County, in the case of Warren vs City of Philadelphia, it was held that the 1955 Rent Control Ordinance was invalid, arbitrary and void; the court further holding that no emergency existed in the City of Philadelphia, it was pointed out by Saul Fromkes, President of City Title Insurance Company of New York.

The ordinance contained the classic findings and among other things, provided that a survey be made of the rental housings conditions then existing in the City of Philadelphia and that a report thereon be made to the Mayor on or before Nov. 15, 1955. The survey which was conducted on a sample basis disclosed that the mean habitable vacancy rate for the City of Philadelphia as of October 1955 was 3.4%.

### Average Vacancy Rate

According to Mr. Fromkes the findings of fact made by the court discloses that the average vacancy rate of housing in Philadelphia between 1920 and 1956 was less than 2%. The court also found that the vacancy rate in Philadelphia has increased from 1.3% on April 1950 to 2.2% on April, 1954 to 3.4% on October 1955 and also found that since the termination of Federal Rent Controls on June 30, 1953 there have been no such controls in Pittsburgh, Detroit or Chicago or in Baltimore since July, 1954 and that increases in rentals within the two year period after determination or rent controls were as follows: Baltimore 4.2%; Chicago 7.2%; Detroit 6.3%; Pittsburgh 10.9%, and Philadelphia 4.5% and that the experience of the above cities clearly indicates that the termination of controls has not presented a threat to health, safety, morals or general welfare as reflected by exorbitant increases in rentals.

After stating the above mentioned findings of fact, the court said "one of the issues of fact is the determination of a normal vacancy rate, this determination is relative to the issue of an emergency. The most recent effort to determine the actual rate was by means of a survey which was instituted and conducted on a sample basis. The survey reported a mean vacancy rate of 3.4%." The court further continued:

### No Dangerous Segment

"The survey average upon analysis is most interesting and enlightening. The figure of 3.4% is the average of the percentages of the various classifications which form the basis of the survey. Vacancies in lowest rental areas are 4.6%; in the $25 to $49.99 rental group the rate is 4.2%; in low rental areas occupied predominantly by non-whites, the percentage of vacancies rises to 5.1%; in the classification in which non-whites constitute 10 to 49.99% of the group, vacancy rate is 5.6%. The lowest percentages found by the survey are in the high rental value areas, and in these areas occupied by a predominantly white population. We can but conclude, after analyzing the percentages in the various classifications surveyed, that no situation exists which is temporarily dangerous, and the conditions revealed do not necessitate immediate or quick action."

### Means Test

The City Title President also called attention to the following as part of the decision, namely: "Without facts which establish an emergency, rent control in the language of the court, in White's Appeal, is 'regulation run mad'. The record in this case does not establish an emergency. The city relies on the vacancy rate, a serious housing shortage, lack of new construction to relieve limited-income tenants, lack of new construction to eliminate the housing shortage in rental units, and the alleged disruptive practices which will result if no controls are present, for the establishment of an emergency.

"We have considered and found that the vacancy rate alone does not constitute an emergency; the concern over limited-income tenants is misplaced since by the city's own definition no emergency exists; the lack of new construction may well be traced to the control itself, as the commission's report indicates. Paragraph 25 of the complaint, admitted over the city's objection, avers that United States Department of Labor statistics do not reveal an exorbitant increase in rentals in cities without rent controls. Indeed, the percentage of increase in rents in Philadelphia under controls is comparable to the increases in cities which have been decontrolled."

### Court's Conclusions

The court made the following conclusions:

(1) No emergency exists in housing in Philadelphia.

(2) The evidence has overcome the presumption of validity.

(3) The legislative findings upon which the ordinance is based have been rebutted and are not supported by evidence.

(4) Without an emergency the ordinance is arbitrary, unreasonable and an invalid exercise of the police power.

(5) The ordinance violates the Constitution.

"What effect this decision may have on the New York statutes of rent control is highly problematical" concluded Mr. Fromkes.

### Joins Hamilton Managem't

(Special to The Financial Chronicle)

OMAHA, Neb. — Wilfred W. Wortman has joined the staff of Hamilton Management Corp.

### Two With United Secs.

(Special to The Financial Chronicle)

GREENSBORO, N. C. — Robert P. Gorrell and Andrew H. Peatross are now connected with United Securities Company, Southeastern Building.

### With Reynolds & Co.

(Special to The Financial Chronicle)

DURHAM, N. C. — James A. Wheless is now with Reynolds & Co., 108 Corcoran Street.

### With Samuel & Engler Co.

(Special to The Financial Chronicle)

COLUMBUS, Ohio — George A. Meinhart is now with Samuel & Engler Co., 16 East Broad Street. He was formerly with Vercoe & Co.

### With Wagenseller, Durst

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—A. Theodore Aas is now with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange.

### Joins Stephenson Leydecker

(Special to The Financial Chronicle)

OAKLAND, Calif.—Richard H. Dukas has become affiliated with Stephenson, Leydecker & Co., 1404 Franklin Street. He was formerly with Walter C. Gorey Co.

## A Balanced Appraisal of Toll Roads and Freeways

By ROGER W. BABSON

**Mr. Babson expresses assurance generally in toll road bonds since "states would not lay out new freeway routes that would clearly divert much traffic from toll existing roads." Foresees: fewer toll road offerings; possibility of some state bonds issued for existing toll road bonds; practice of providing more conservative estimates of traffic and revenue; and some bargains developing.**

The recent passage of the Federal Highway Bill has centered a great deal of attention on toll roads and the numerous problems they face.

Roger W. Babson

During the debate on the Federal Highway Program, weakness began to devlop in the prices of many toll road bonds. Finally, when this bill was passed, many holders of these bonds became alarmed and sold out for fear that the proposed new freeways would successfully compete with existing toll roads. Many investors felt that the government highway program would shelve practically all plans for new toll roads.

But I feel that too much stress has been put on the probable competitive effect of freeways. Rememebr that state highway departments will control the expenditure of funds allotted by the Federal Government. In the past, states have encouraged the building of toll roads. Therefore, it seems quite certain that states would not lay out new freeway routes that would clearly divert much traffic from existing toll roads.

### Possibilities for New Toll Roads

Fear of competition from new freeways may well be only a temporary retardant in the planning of new toll roads. This would be true of such roads considerably reduced travel time between heavily populated centers. Certainly where current studies show heavy traffic possibilities, it is likely that new toll roads will be built in the future.

But I forecast there will be fewer offerings of toll road bonds, so that eventually we may well see higher prices for good existing toll road issues. There is also the strong possibility that eventually some states may take over toll roads, issuing state bonds for existing toll road bonds, thus improving their credit position.

### Risks in Toll Road Bonds

While some states have directly or indirectly guaranteed interest and principal payments on toll road bonds, most issues are secured solely by revenues collected from users. Investors should carefully check the security of issues offered them. Be especially cautious when buying bonds on projected toll roads.

Now that the Federal Government has agreed to furnish up to 90% of the cost of the construction of approved freeways, it is less likely that state legislators would promise to even partially support a new toll road. No doubt various sources will try to put pressure on state legislators to guarantee a portion of the cost of toll roads. But I predict that little state support will be forthcoming, except in cases where such roads can very clearly be shown to be self-supporting.

### Cost of Toll Roads a Stumbling Block

Rising interest rates and a tight money supply have also caused a price decline for outstanding toll road bonds. Furthermore, these factors add heavily to the cost of building. Existing toll roads were favored a few years ago with rising bond prices and easy money.

Besides higher interest rates, materials and wage costs have risen 70% within the past few years. In 1953 and 1954 the average cost was $980,000 a mile. Now it is claimed that the cost for most toll roads is about $1,670,000 a mile. Logically this means that much higher toll rates must be charged, adding greatly to the competitive position of freeways.

### Engineering Estimates in Question

The continued failure of West Virginia Turnpike revenues to come up to the estimates made when the bonds were first offered causes buyers to hesitate before committing themselves to such issues. But this and other experiences no doubt should lead to much more conservative estimates of traffic and revenues.

However, recent traffic experiences in West Virginia and Ohio, and with extensions of the Pennsylvania Turnpike, will certainly put a damper on new issues for some time. But in the long run, where existing toll roads serve a real economic need at a fair level of charges, there need be no fear of bonds based on them. In the meantime, I predict that some bargains are likely to develop in existing toll road Tax-exempt Revenue Bonds.

### Clyde D. Harris Joins A. G. Edwards & Sons

ST. LOUIS, Mo. — Clyde D. Harris has become associated with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges. Mr. Harris for 35 years was President of the First National Bank of Cape Girardeau.

Jacob W. Coleman Jr. has also become associated with A. G. Edwards & Sons.

### With Prescott Wright

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Louis D. Brockett is now connected with Prescott, Wright, Snider Co., 916 Baltimore Avenue.

### Straus, Blosser Adds

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Roger P. Bell has become affiliated with Straus, Blosser & McDowell, 20 West 10th Street.

### With B. C. Morton

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Earl M. Leven has been added to the staff of B. C. Morton & Company, 7811 Carondelet Boulevard.

### With Cruttenden & Co.

(Special to The Financial Chronicle)

OMAHA, Neb.—Justin D. Horwich is now with Cruttenden & Co., 204 South Seventeenth Street.

# News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

**Irving Trust Company of New York** announces the promotion of George W. Dietz and C. Albert Rollenhagen from Assistant Vice-President to Vice-President. Mr. Dietz, who has been with the Irving since 1928, is associated with the bank's domestic banking division. He is a loaning and customer contact officer serving customers in the Southeastern States. Mr. Rollenhagen, who joined the Irving organization in 1943, is also associated with the bank's domestic banking division handling business in the New England States, New York and New Jersey. Stanley A. Kasper, Jr. was named an Assistant Secretary and will be associated with the domestic credit department.

* * *

Eight additional offices of the **Bankers Trust Company of New York** will provide complete banking services to customers each Monday evening from 6 to 8 p.m. beginning Sept. 10, it was announced on Aug. 24. The move will bring to 15 the total number of Bankers Trust offices offering such evening service for the convenience of customers. It followed the response given evening openings in Queens branches and is another move by the bank to better serve the needs of customers who cannot handle banking chores throughout the day. The eight new offices offering the evening hours include four Bronx offices, located at Mott Haven, Hunts Point, Burnside Avenue and Perry Avenue; two Manhattan branches, at Delancey Street and at 94th Street; and two Brooklyn offices at Borough Park and at Bensonhurst. Seven of the bank's eight Queens offices have previously offered the night hour service.

* * *

The appointment of Harry M. Anholt as a member of the Advisory Board of the Fifth Avenue Office of **Manufacturers Trust Company of New York** at (5th Avenue and 43rd Street) is announced by Horace C. Flanigan, President. Mr. Anholt is President of Realty Hotels, Inc. (The Biltmore, The Barclay and Park Lane Hotels). He is also a Director of the New York Convention and Visitors Bureau; a Director of the Hotel Association of New York City; and is a member of the New York State Hotel Association.

* * *

Thomas H. Quinn, President of **Inter-County Title Guaranty and Mortgage Company, of 111 Broadway, New York** has been elected to the Advisory Board of the Hudson, New York, branch of the **National Commercial Bank and Trust Company of Albany,** by its board of directors.

* * *

Saturday banking, in a modified form, will return to Brooklyn, N. Y. on Saturday, Sept. 1. At 9 a.m. that morning, **The Dime Savings Bank of Brooklyn** will add Saturdays to the schedule of hours that business is transacted through the bank's sidewalk windows at DeKalb Avenue and Fulton Street in downtown Brooklyn, it was announced by George C. Johnson, President. These windows will be open from 9 a.m. to 9:30 p.m. every Saturday, in addition to the 7:30 a.m. to 9 p.m. hours observed at the sidewalk windows on all other days of the week except Sundays. The bank doors are open from 9 a.m. to 3 p.m. Mondays through Fridays, and until 7 p.m. on Thursdays. This schedule will be continued.

Marking the 35th anniversary of his connection with the bank, Alfred R. Marcks of **Rockville Centre, Long Island, N. Y.** a Vice-President and Trustee of **The Dime Savings Bank of Brooklyn, N. Y.** was tendered a luncheon on Aug. 27 by officers of the bank and was presented with a gift to mark the occasion. Born in Manhattan, Mr. Marcks began his career with "The Dime" as an office boy three weeks after his 18th birthday. Since that date he has seen the number of depositors increase from 130,775 to 387,144, while deposits rose from $78,497,000 to $301,296,000. In the 35-year period, total resources of the bank rose from $86,765,000 to $893,000,000. Mr. Marcks has served under four presidents of "The Dime": Edwin A. Ames, Frederick W. Jackson, Philip Benson, and George C. Johnson. Nine months after his employment as an office boy, Mr. Marcks was assigned the duties of a real estate inspector by Mr. Johnson, who was then head of the appraisal department. In 1927, he was made an appraiser and in July, 1929, was appointed head of the appraisal section. Three years later, he attained officer rank by being made Mortgage Officer and on June 21, 1946, he was named an Assistant Vice-President. Ten months later, in April, 1947, he was made a full Vice-President. In March, 1953, he was elected a trustee, which post he now holds in addition to the office of Vice-President.

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Approval has been granted by the New York State Banking Department, as of Aug. 17, for plans to merge the **Schoharie County Bank of Schoharie, N. Y.** into the **State Bank of Albany, N. Y.** Approval has also been granted to the State Bank of Albany, to increase its capital from $4,509,000 consisting of 450,900 shares, par value $10, to $4,606,500 in 460,650 shares of the same par value.

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The merger of the **Franklin Washington Trust Company of Newark** with the **National Newark & Essex Banking Co. of Newark** was approved by the stockholders of both banks on Aug. 22, and as a result the Franklin Washington Trust and its five offices will be merged with and into the National Newark & Essex Banking Co. at the close of business Aug. 31, the enlarged bank beginning operations on Tuesday, Sept. 4. Plans for the proposed merger were noted in these columns July 26, page 393.

Stockholders of the **Franklin Capital Corp.** (the owner of 80,013 outstanding shares of the **Franklin Washington Trust Co. of Newark, N. J.**) who were asked at a meeting on Aug. 15 to approve the plans for the merger of the **Franklin Washington Trust** with the **National Newark & Essex Banking Co.** are said to have agreed to the merger. Incident thereto the "Newark Evening News" of Aug. 16 said:

"Under the merger terms, Franklin Capital will receive approximately 30,000 shares of National Newark & Essex stock for its Franklin Washington stock, it was said by Arthur Pulis (Franklin Capital President).

"The Franklin Capital stockholders also approved sale by their corporation of a two-story building at 728 Broad St. and 7 Commerce St. to National Newark for $590,000. Part of the building is used for Franklin Washington's centralized bookkeeping department. The stockholders also voted to increase their board of directors from 7 to 13."

From the "Evening News" of Aug. 23 we also quote:

"At the National Newark stockholders' session, Clifford F. MacEvoy, Board Chairman of Franklin Washington, and Charles W. Englehard, Newark industrialist, were elected to the National Newark board of directors.

"Mr. Englehard's election was by direct vote, that of Mr. MacEvoy was through approval of the merger agreement.

"It was announced that Mr. Marek is becoming a National Newark Vice-President, as are William F. Sheehan and H. Arthur Mousley, Franklin Washington Vice-Presidents."

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The election of Francis R. Steyert as President and a director of the **Perth Amboy National Bank of Perth Amboy, N. J.** was announced on Aug. 17, by Max Feldman, Chairman of the bank's board, according to a staff correspondent of the Newark "Evening News," who notes that for 18 years Mr. Steyert had been President and director of the **South Orange Trust Co.,** until last October when it became a branch of the **Howard Savings Institution** of Newark. The account in the Newark "News" indicates that as President of the Perth Amboy Bank, Mr. Steyert replaces E. F. Blakey who has resigned because of his health.

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The election of Carlos D. Kelly as a General Vice-President of the **Fidelity Union Trust Co. of Newark, N. J.** was announced on Aug. 21. Originally with Dominick & Dominick, New York brokerage firm, Mr. Kelly became associated with Fidelity Union in 1934, according to the "Newark Evening News" which also says:

"He was made Assistant Secretary-Treasurer in 1937 and Vice-President in 1940. He resigned Jan. 1, 1949, to become Vice-President in charge of sales for Purolator Products, Inc. of Rahway. He had been a Purolator director since 1942."

The account adds that he left Purolator in April 1955 "and most recently has been President of Carlos Kelly-John Moynahan & Associates, New York public relations firm. Mr. Kelly will resign his public relations post and the firm will become the Newark office of John Moynahan & Associates."

* * *

**Girard Trust Corn Exchange Bank of Philadelphia** opened a new modern building for its Somerset office on Aug. 20. The new building is located at 2721 Germantown Avenue. The spacious, air-conditioned office features a conference room and three interviewing rooms. In its new location the Somerset office provides bank-by-car facilities with a drive-in banking window. There is a customer parking lot with space for 23 cars. William E. Davy, Assistant Treasurer, is in charge of the office. Andrew C. Gray, Jr., is Assistant Manager. The office maintains safe deposit and night depository facilities; banking hours are 9 a.m. to 3 p.m. Monday through Thursday, and 9 a.m. to 6 p.m. on Friday.

* * *

**The Indiana National Bank of Indianapolis** is offering to holders of its common stock of record Aug. 24, rights to subscribe for an aggregate of 125,000 shares of common stock, $20 par value, at $65 per share at the rate of one new share for each four shares held. The offering, which is being underwritten by a group headed by Blyth & Co., Inc., will expire on Sept. 13. On Aug. 23 stockholders approved a five-for-one split of outstanding shares which increased the total number of shares outstanding from 100,000 to 500,000. The par value was changed from $100 to $20. They also authorized the sale of the current 125,000 shares by subscription. Proceeds from the sale will be distributed as follows: $2,500,000 to capital account; $5,000,000 to surplus account; and the balance to undivided profits. Indiana National has over 100,000 checking and savings accounts and it is stated ranks as the 53rd largest bank in the country on the basis of deposits. Net operating income for Indiana National for the six months ended June 30, 1956 was $1,390,143, compared with $1,318,799 in the corresponding 1955 period. Giving effect to the stock subscription, pro forma capitalization of the bank will be: capital, $12,500,000, made up of 625,000 shares of common stock, $20 par value; surplus, $20,000,000; and $6,691,000 in undivided profits (before deducting expenses of the new issue). The bank has paid a dividend on its common stock in each year since 1865. The indicated annual dividend rate is $2.40 per share.

* * *

Four Detroit, Mich. metropolitan area banks reporting combined resources of a billion dollars and total capital funds in excess of $60 million will consolidate as a single institution under the title of the **Detroit Bank & Trust Company,** effective Sept. 1. Shareholders of all four of the banks have approved a merger agreement recommended June 12 by directors of **The Detroit Bank,** oldest bank west of the Alleghenies, the **Detroit Wabeek Bank & Trust Company,** the **Birmingham (Mich.) National Bank,** and the **Ferndale (Mich.) National Bank.** The Detroit Bank & Trust Company will operate under the charter of **The Detroit Bank** originally granted by the State of Michigan in 1849. Complete banking services will continue without interruption at 52 existing locations in the greater Detroit metropolitan area. Joseph M. Dodge will serve as Chairman of The Detroit Bank & Trust Company, Selden B. Daume as Vice-Chairman, and Raymond T. Perring as President. Mr. Dodge presently is Chairman of The Detroit Bank, Mr. Daume is President of the Detroit Wabeek Bank & Trust Company, and Mr. Perring is President of The Detroit Bank.

One share of common stock of the consolidated institution will be exchanged for each share in the Detroit Wabeek Bank & Trust Company, one share for each share in The Birmingham National Bank, and nine-tenths of one share for each share in the Ferndale National Bank. Shares of The Detroit Bank will also be reissued as shares of The Detroit Bank and Trust Company. By uniting the diversified facilities of the four banks, The Detroit Bank & Trust Company plans to provide a complete and expanded banking and trust service through a single institution to customers in Detroit and the neighboring communities. The Detroit Bank has provided banking services continuously for 107 years and operates 42 offices in Detroit. Details of the merger appeared in these columns June 28, page 3086, and Aug. 16, page 691.

* * *

**The Fidelity Bank, of Durham, North Carolina,** and the **Wachovia Bank & Trust Company, of Winston-Salem, N. C.** both state members, bank of the Federal Reserve System, merged under the charter and title of the latter bank as of Aug. 1. The former head office and branches of the Fidelity Bank will be operated as branches by the Wachovia Bank & Trust Co.

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A national bank charter was issued as of Aug. 10 for the **Augusta National Bank, of Augusta, Ga.** with a capital of $200,000 and surplus of $150,000. The primary organization consists of A. J. Beall, President and James R. Sartor, Jr., Cashier.

James P. Furniss has been added to the staff of the New York Service office of **The Citizens & Southern National Bank** and will become its Vice-President in charge in January, 1957, C&S President Mills B. Lane announced in Atlanta on Aug. 26. Until January, he will be working in Georgia in association with Robert F. Adamson, C&S Executive Vice-President, who has been in charge of the New York service office since it was opened eight months ago. Mr. Adamson will return to Atlanta the end of this year. "More and more business concerns are interested in Georgia both as a market for their products and as a location for their plants, warehouses and distribution centers," Mr. Lane said. "Through our New York Service office, we have been able to contribute substantially to this interest through information and a closer tie between financial capitals of the United States and the Southeast." Mr. Lane said the increasing activity of the New York office had made it necessary to add Mr. Furniss to the staff now. Since 1952, Mr. Furniss has been the bank's staff officer for public Relations and Advertising. Mr. Furniss joined the C&S in 1948, serving in the Installment Loan Department for four years.

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As of Aug. 8 the capital of the **First National Bank of Hattiesburg, Miss.** became $375,000 having been increased from $300,000 by a $75,000 stock dividend.

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An increase of $100,000 in the capital of the **Sun Valley National Bank of Los Angeles, Calif.** as of Aug. 1 has raised the capital from $200,000 to $300,000. The addition was brought about by the sale of $100,000 of new stock.

* * *

Lawrence D. Pritchard has been appointed Vice-President and named head of public relations activities, of the **Bank of America** at San Francisco it is announced by President S. Clark Beise. He succeeds Julian R. Davis who was named recently to a senior credit position with the bank. Before his assignment to the head office of the bank Mr. Pritchard was a lending officer of the bank's Los Angeles Main Office. He joined the bank in 1946 and the same year was advanced to Assistant Vice-President in the Public Relations Department in Los Angeles. In 1951 he entered the field of credit banking. A graduate of the University of Southern California, Mr. Pritchard was director of the University's Public Relations Activities from 1934 to the time he became associated with Bank of America. He is a member of the Los Angeles Advertising Club and a director of various organizations.

## Hamilton Pell

Hamilton Pell, member of the American Stock Exchange, and a Partner in Pell & Co., New York City, passed away Aug. 24 at the age of 68 following a heart attack.

## Joins Dempsey-Tegeler

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Francis R. Bowen is now affiliated with Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly with Marache, Dofflemyre & Co.

## With Paine, Webber

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Anthony M. Francisco has become affiliated with Paine, Webber Jackson & Curtis, 626 South Spring Street.

## Form Peri Associates

RICHMOND HILL, N. Y.—Peri Associates, Inc. has been formed with offices at 132-03 Liberty Avenue to engage in a securities business.

# Angry British Middle Class Not Voting for Conservative Party

By PAUL EINZIG

**Dr. Einzig attributes considerable adverse fall in Conservative votes during 1956 to Middle Class abstention during by-election voting due to realization that their depressed lot is not going to receive the attention of the Government, and that the labor class will continue to be treated as being above criticism.**

LONDON, Eng. — Judging by the evidence of public opinion surveys in Britain, the Conservative Government has been losing ground in the country to a considerable extent during 1956. The same trend is indicated in by-election results, each one of which showed a very considerable fall in the proportion of Conservative vote. Fortunately for the Government, the seats which fell vacent in recent months were all safe seats. But the extent of the adverse trend is so strong that no seat can now be considered absolutely safe unless the Government's majority is something like 10,000 at the least. Beyond doubt, if a General Election took place in the near future, the Labor Party would come in with almost as big a majority as in 1945.

Dr. Paul Einzig

One of the main reasons for the Government's declining popularity lies in its attitude towards the middle classes. A Conservative Government depends for its existence entirely on the support of the middle classes in the broadest sense of the term which includes nowadays the higher income groups among industrial workers. Nothing a Conservative Government can possibly do would induce the overwhelming majority of industrial workers to vote Conservative. It is true, it is now equally unlikely that the middle classes should ever again vote Labor. Many of them did so in 1945, only to regret it ever after. What members of the middle classes can do and what they have in fact been doing at recent by-elections, is to abstain from voting altogether, to express their disappointment over the unwillingness of the Government of their choice to undo some of the harm the Socialist Government had done to the middle classes.

**Middle Class Disappointment**

Between the attitude of the Socialist Government and the Conservative Government there is a striking contrast. The former considered it its duty to help the organized workers in every possible way at the expense of the rest of the community. One of the leading members of the Socialist Government, Mr. Shinwell, stated in the late 'forties that his Government was solely concerned with the interests of industrial labor, while the rest of the community did not matter "a tinker's cuss." This candid admission cost the Labor Party many middle class votes. It truly expressed the Labor Party's attitude.

On the other hand, the Conservative Goverment showed the utmost reluctance to provide any substantial relief to the classes upon whose support it depends on for its existence. The taxation of the middle classes is only slightly lower than it was five years ago when the Conservative Party assumed office. Moreover, such beneficial effects as the diminutive fiscal concessions have conferred on the middle classes have been much more than wiped out by the rise in the cost of living, unaccompanied as it has been by a corresponding rise in middle class incomes.

**Middle Class Income Reduction**

Each time the Government makes some concession to the middle classes it hastened to make at least equivalent concession to the working classes. The result was that the income differential between the two classes remained more or less at the level to which it became reduced under the Labor Government. In a recent article a Socialist Member of Parliament, Mr. Wedgewood Benn, argued vigorously against the justification of any income differential in favor of the middle classes. This did not prevent him and other Socialist Members of Parliament, however, from agitating even more vigorously in favor of a substantial increase in the salaries of Members of Parliament. Although many Socialists Members are of working class origin and the sympathies of all of them are, of course, with the working classes, from the point of view of their incomes they belong to the middle classes.

The result of the reduction of the income differential through high taxation and high cost of living has inevitably affected Members of Parliament together with the rest of the middle classes. Labor Members would now like to contract out of the situation for which they themselves are largely responsible, by voting themselves increased salaries. The idea of it caused strong resentment among the middle classes who feel that Members of Parliament should share the fate of recipients of medium-sized incomes who are not in the happy position of voting themselves higher pay. For once the Government listened to these protests and flatly refused to grant pay increases to Members.

**Tax Evasion by Labor Class**

In recent months the Socialists embarked on a new campaign denouncing the allegedly high degree of tax evasion by those sections of the middle classes and wealthy classes which are in a position to claim expense allowances for tax purposes. Beyond doubt expense accounts do provide loopholes, notwithstanding the vigilance of the income tax authorities. Nevertheless, it is true to say that the extent of tax evasion is lower in Britain than in most other countries. Nor is tax evasion confined by any means to recipients of large and medium-sized incomes. Millions of employees whose earnings consist largely or partly of gratuities (tips) evade taxation on a large part of such earnings if not the whole of them. The execution of repairs of every kind by employees after working hours on their own account and against cash payment which need not be declared for taxation, is a generally known device of tax evasion. Most dockworkers and many other transport workers have undeclared incomes running into hundreds of pounds a year through the systematic gathering and sale of "overspills" from consignments of various goods.

Although individual items may be relatively moderate, there is every reason to believe that the grand total of tax evasion by the working classes is considerably larger than that of tax evasion by the middle classes and wealthy classes. All these facts are generally known but neither Conservative politicians nor Conservative newspapers in Britain have the courage to publish them. Indeed the stage has been reached at which even moderate criticism of the Trade Unions or their members has come to be regarded as equivalent to a combination of *lese majeste*, sacrilege and blasphemy. Like the Nazi Party in Germany or the Communist Parties in the various Communist countries, organized industrial labor in Britain claims to be above criticism.

The reason why middle classes can be abused and victimized with impunity is because for the most part they are not organized. Attempts are now being made to organize them politically and the professional organizations of some sections of the middle classes—such as teachers, doctors, etc.—are becoming more active in the defense of the economic interests of their members. Under the prevailing overfull employment, however, the balance of power is bound to remain strongly in favor of organized industrial labor.

## George Arnold With Ralph B. Leonard Co.

George J. Arnold, widely known for many years to dealers throughout the country as syndicate manager and dealer relations representative for various investment houses, is now associated with Ralph B. Leonard & Co., Inc., 25 Broad Street, New York City.

## Joins Eastman, Dillon

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Bernard A. Horman has become associated with Eastman, Dillon & Co., 135 South La Salle Street. He was formerly with Barclay Investment Co. and Merrill Lynch, Pierce, Fenner & Beane.

## Hemphill, Noyes Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James B. Pratt, Jr. has become affiliated with Hemphill, Noyes & Co., 231 South La Salle Street. He was previously with E. F. Hutton & Company.

## Sarahan With Bache

(Special to THE FINANCIAL CHRONICLE)

MADISON, Wis. — Hugh A. Sarahan has become associated with Bache & Co. Mr. Sarahan was formerly Madison manager for B. C. Ziegler & Co. with which he had been associated for many years.

## Hentz Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Leslie K. Schoenbrod has been added to the staff of H. Hentz & Co., 120 South La Salle Street.

## With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John J. Zeisler has become associated with E. F. Hutton and Company, Board of Trade Building.

## Scott & Wyandt Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Stephen De M. Chase has become affiliated with Scott and Wyandt Incorporated, 135 South La Salle Street. He was formerly with Barcus, Kindred & Co.

## With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Samuel W. Bodman has become associated with Shearson, Hammill & Co., 208 South La Salle Street. He was formerly with Stifel, Nicolaus & Co., Inc. and Ames, Emerich & Co., Inc.

## Joins B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Roy L. Beckley has become associated with B. C. Christopher & Co., Merchants Exchange Building. He was formerly with Slayton & Co., Inc.

# THE MARKET . . . AND YOU

By WALLACE STREETE

The usual pre-Labor Day doldrums set in early on the stock market this week with volume down to a new low level for the year and, in fact, the slowest it has been in a full year.

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There was little in the welter to solve any of the problems over the market's future course and the industrial average particularly was lolling around its reaction low to give more than a hint that the 500 level, reached on a downside breakthrough earlier this month, will have to undergo a test before the air will clear to any extent.

### Pre-Labor Day Dullness

From a technical standpoint the downside breakthrough was accompanied by a definite drying up of volume and with the lists of issues that straggled to the tape per session setting a new low for the year. This action, by consensus vote, is hardly one that would indicate the market is in any serious straits yet. The chief indication is that traders have taken to the sidelines momentarily until the long weekend is out of the way and probably until the political picture clarifies to a greater extent when the campaigns start rolling. In short, a desultory market for this week was conceded early in the game as the holiday exodus got underway somewhat prematurely.

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Among the few features were some stirrings among the long-dormant and generally depressed sugar issues, a bit of it contributed by a year-end dividend on South Porto Rico Sugar. Vertientes-Camaguey stepped into the activity spotlight, including a not-routine appearance at the head of the most active list with a one-day volume of five times what last week's five-session trading had produced. It made a new high on the move.

### Aircraft Section Quiet

Aircrafts pretty well ran out of steam. The decision of United Aircraft to float a preferred issue was taken rather dourly, probably because it bumped head on into somewhat unsettled money market conditions, and the stock was reactionary on the news. Glenn Martin, however, continued to show superior action with the rumor mills busy over purported new contracts, some of them running to handsome figures.

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Actually, Martin stands solidly on its own merits on its growing work in the missile field which, to many of the market students, is the one that will show the superior results for some years to come as the nation's defense turns more and more to this field. Like the other plane makers, Martin's earnings results so far this year haven't been overly impressive but have started to expand and the trend is seen likely to continue as experimental work starts to produce concrete results.

### Airline Stocks "Grounded"

The related air transport field is one that, despite much favorable comment, still remains largely behind the market. United Air Lines, for instance, sold above $62 in 1945 but never reached $50 in last year's favorable markets and lately has been available at around $40. Part of the antipathy toward the airlines has been the large charges normally made for depreciation, plus the needs for converting to the jet age.

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Against projections of a record reported earnings level of around $4 this year, one analyst figures that United's depreciation will probably figure out to an additional $6.50. This depreciation set aside, by this calculation, is scheduled to grow to nearly $15 over the next five years. The lines, however, have made progress in boosting the reported profits and United's indicated regular dividend is now $1.50 plus a yearend extra, against last year's $1 regular and 50 cents yearend. Selling at only around 10-time-earnings, the stock is regarded as being appraised conservatively by the market.

### Diversification Ignored

Another quality issue that has had an unexciting market life for some time is Corn Products Refining. Despite a stock split last year, even the old stock held in a 10-point range for the year and its range this year on the new shares is a five-point one. To a great extent this market calm has ignored a rather consistent program to add to the product lines and lessen the company's dependence on a single product, corn with its fluctuating prices. Now the company's line ranges from dog food to chocolate syrup and a growing list of consumer products on which profit margins are higher than on some of the more basic items. The company is an important overseas operator with all the benefits of expanding economies in the countries it serves.

### Spencer Chemical's High Yield

Chemical companies generally sell at larger price-times-earnings figures than industry generally, a solid tribute to the growth factor in this line. Spencer Chemical, however, has been available at a modest 11-times-earnings and with a yield of well above the 4% line that is regarded in some circles as a critical one since bond flotations have had to offer as much. Like the other companies once so largely concentrated in the nitrogen product field, Spencer has been diversifying busily in recent years.

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Spencer, third most important in nitrogen products, has concentrated on plastics and built this activity to where it is now about 25% of sales. This phase of the company was a drag on earnings last year but is in the black now and seen as starting to add an improving contribution to company earnings. One oddity of the company is that while it is listed as one of the petrochemical firms, it hasn't lost sight of old-fashioned coal and is in position to exploit the use of this raw material for chemical production.

### Quality and 5½% Yield

One of the harder tasks in the market has been to get a 5½% yield from a quality issue. It has been possible in the case of Hershey Chocolate which is one of the few well-known outfits that is still pretty much of a one-product one. There has been plenty of diversification in consumer products that the company offers but they are still largely pegged to chocolate. The company is also unique among the quality firms in that some 70% of the shares are owned by a trust.

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The active company management is in new hands as a result of the death of the chief executive a month ago, with the promise of more aggressive policies to end Hershey's overly-large dependence on the price of cocoa principally and almonds to a lesser extent. A shift to a lifo method of handling inventories put a bit of weight on last year's earnings which, however, were still able to show a sizable rebound from the poor results of 1954. Indications are that this year's results are running comfortably ahead of the 1955 figures which makes the company a candidate for better dividend action which, in turn, would keep its yield basis in a comfortably high bracket.

*[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.]*

# In Memoriam

## WILLIAM ALLMAND ROBERTSON: 1869-1956

**Lawyer — Patriot — Publicist — Writer and True American**

*He who walked in our common ways,*
*With the seal of a king on his brow;*
*Who lived as a man among men his days,*
*And "belongs to the ages" now.*

One of the finest "old school" gentlemen who has written CHRONICLE articles for several years past on his favorite subject, "The United Nations," a public question on which he had strong convictions, passed away at his East Orange, N. J., home last week.

It is with profound sorrow that we all, from our Editor and Publisher, to copy boys of the CHRONICLE staff, bow our heads with lasting respect and love to his honored memory. For in truth, Mr. Robertson was an intrepid exponent of the American way of life, a role he maintained unflinchingly despite the seemingly popular clamor for a reversion from the ideals and principles upon which our great nation was founded and prospered.

Mr. Robertson was indeed proud of his American heritage and he felt that all of us, native sons and foreign extractions, who are privileged to breathe the air of this blessed land, should on occasion, kiss the very ground we stand on. It was his vision that the Air here in this land of liberty is far too rare for Communists and that the U. S. A. from Washington to Eisenhower's time belongs to Democrats and Republicans and other traditional parties who since Colonial days have made most of its history and that the Air in this country was too good for subversives no matter what label they wear.

To a man of Mr. Robertson's sterling character, simple tastes and modest, unaffected bearing, his 87 years on this earth was filled with useful pursuits and accomplishments. Mr. Robertson was a man of many parts, receiving his education at Heathcote School, Buffalo; Adelphia Academy, Brooklyn; Trinity College, New York, and St. Stephen's College, Annandale, New York. He was graduated from New York Law School in 1891 and admitted to the New York Bar the same year. At his demise, he was a member of both the New York and Boston Bars. Until 1917 he was associated with the Federal Government in the administration of our tariff laws and as Government counsel in what is known as the United States Court of Customs.

In the course of his professional career, he was associated with Judge Somerville, a noted Judge in his day.

Mr. Robertson also served as United States Attorney for the Southern District of New York, specializing in tariff cases.

For 35 years, Mr. Robertson was identified with the National Board of Underwriters, finally retiring from all activities in 1952.

Mr. Robertson was a man of deep religious feeling, a devout churchman and a student of international law and was as much at home quoting the Holy Scriptures as he was citing legal arguments from his law books.

His spoken and written observations on political and international problems were always highminded and the result of long and careful thinking and preparation.

His CHRONICLE articles on the United Nations were masterly delineations of the essential characteristics of this organization based on long study and analysis and his arguments were buttressed with much historic background. He wrote on all subjects with clarity and precision and the simplicity and straightforwardness of his thought stamped his arguments with force and persuasion.

In both private and public life, Mr. Robertson was a man of great nobility of character and marked intellectual power and his dignity and unaffected modesty shone with resplendent power throughout his writings.

The CHRONICLE has lost a devoted friend and the working-day world a courageous and honest thinker.—A. W., Aug. 28, 1956.

### Joins Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George D. Fitzhugh is now with Sutro & Co., Van Nuys Building.

### With J. Logan Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Sidney L. Goodwin has been added to the staff of J. Logan & Co., 721 East Union Street.

### With Blair & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Michael A. Harris has joined the staff of Blair & Co., Incorporated, 50 State Street.

### Joins Richard Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Louis M. Duncan is now connected with Richard A. Harrison, 2200 Sixteenth Street.

*Continued from page 7*

# Federal Socialization of Power Threatens All Industry

and the recently enacted Revenue Code, but even with these tax modifications the advantage will still be substantial.

Now, it must be obvious from the foregoing that the private companies are under substantial restraint at the local level in their efforts to supply a given territory. They have heavy tax burdens, their rates are regulated, and it is possible for the local authority to take over their properties. The local public bodies are not so handicapped.

### The Role of the Federal Government in the Power Field

Now, what has been the role of the Federal Government in the power field which has served to disturb at the local level these already unequal relations between the privately-owned and publicly-owned power systems? Well, for one thing it has granted preference in the sale of Federally-generated power to local public bodies; for another, it has established low rate levels which the public bodies, but not the private companies can meet; for still another it has, in effect, relieved the local public bodies of making substantial investments in generating and transmission facilities; further, it has made loans to rural electric co-operatives for the purpose of building power plants and transmission systems; it has sold hydroelectric power as if it were available at full capacity for 24 hours a day and 365 days a year, thus creating pressure for the building of steam plants primarily for the benefit of its public power consumers; it has entered into contracts with public bodies which provide that the Federal project is to be the sole source of supply; it has required the private companies to "wheel" Federally-generated power over their transmission facilities to preference customers, or public bodies, under the threat of duplicating their facilities; in important cases it has encouraged public bodies to build duplicate facilities with grants in aid and loans and has encouraged the organization of local public bodies to enter the power business. It is the Federal Government, of course, which also grants Federal tax exemption to these public bodies.

Now let us analyze these Federal activities in the light of their influence on local public power decisions.

### Preference Provisions of the Statutes

The Federal agencies dealing with power are required by statute to give preference in its sale to public bodies such as states, municipalities, public utility districts, and rural co-operatives. This preference requirement is not limited to the initial contract which is entered into at the time the Federal plant commences operation, but also, in the case of the principal projects, to any power that may have initially been contracted for by private companies. Power may be taken away from these private companies on relatively short notice if it is necessary to meet the requirements of a preference customer. As a consequence, only limited amounts of Federal power are available to private companies and these amounts for only limited periods of time.

In 1946, when the principal Federal power projects had all come into operation, the preference customers took 38.3% of the power available to non-Federal users. This ratio steadily increased until in 1953, only seven years later it was 52.2%. Meanwhile the privately-owned utilities, in 1946, received 33.3% of all the saleable power from these projects, and in 1953, 13.5%, or only about one-half the relative amount in the earlier year. The industrial customers of the Federal Government, mostly engaged in aluminum and electrochemical production, received relatively the same amount in each year (28.4% as against 29.3%).

Thus, over 80% of the saleable power from Federal projects is delivered to local public bodies or is distributed directly by the Federal Government to its own industrial customers. Federal power is in no sense being produced for the benefit of the private companies.

As the generating requirements of the preference csutomers are constantly increasing because of load growth, it is inevitable that 100% of Federally-generated power will eventually be sold to the preference customers. This result is already apparent. For instance, no firm power whatsoever will be available to privately-owned utilities in the Pacific Northwest after 1960 unless Congress appropriates for and constructs additional projects. In 1953 these utilities received only 18% of the saleable power which was generated. Until recently, the Central Valley Project, in California, sold 95% of its saleable output to California private utilities. In the near future, however, all saleable firm power will be delivered to preference customers, leaving the private utilities with only the secondary power which the preference customers do not elect to take. Tennessee Valley Authority, in recent years, has sold practically no power to privately-owned utilities.

The preference customers, in advance of power delivery, were allotted 92% of Hoover Dam power and the private companies only 8%. The only reason the companies are taking a greater ratio of the output at the present time, is that the preference customers are not able to absorb their allotments.

This preference policy had its origin in the Conservation movement at the turn of the Century. At that time private utilities were considered as monopolies and their rates were not regulated. Furthermore, there were no Federal income taxes until 1913 and for many years after that date the rate of income taxation was relatively low. The tax advantage, if any, to a power system which was owned by a public body during this period was, therefore, relatively unimportant. At the present time, however, power rates are regulated and the rate of income taxation is the highest it has ever been. These important changes should make it apparent that a reappraisal of the preference policy is necessary.

### Price and Cost Standards Used in Selling Federally Generated Power

The agencies charged with the marketing of Federally-generated power, do not recognize Federal income taxes as a cost in establishing rates, nor, except in two cases to an inadequate extent, do they recognize local taxes. The interest rate usually assumed as necessary to cover annual financial costs is 2½%. The Federal power costs are, therefore, in line with those of the larger tax exempt public bodies and where they do not provide a margin of safety over and above the annual financial requirements, they are even lower than costs of these public bodies. Rates based on the Federal Government's cost standards are, therefore, attractive to public bodies. They are doubly attractive to private companies but as already indicated these companies are precluded from taking any substantial amounts of power by the preference provisions already mentioned.

### Generating Plant Investment Relief for Public Bodies

The effect of the preference and low rate policies is to relieve the local public body, which has significant amounts of Federally-generated power available to it, of the necessity of building, with attendant risk, some or all of its generating facilities which would otherwise represent a substantial part of its total investment — in most cases 50% or more. With their substantial tax advantage these public bodies are, therefore, encouraged to exert pressure on the private companies to sell them their distribution systems under franchise rights, condemnation or straight political threat. The companies have the option of selling their properties or facing destructive competition.

As a result of this policy, there are only two very small private distributing companies in the 80,000 square mile TVA area; the power systems originally owned by private companies have been acquired by TVA and the municipalities; all of the municipally-owned utilities and the rural co-operatives in that section, numbering 97 and 51, respectively, secure their entire power requirements from TVA's generating facilities and under their power contracts are precluded from having generating facilities of their own.

In the Columbia River area, 25 public power districts have been organized, in most cases taking over the distribution facilities of private companies. Only three have any substantial generating facilities of their own. The Bonneville Power Administration supplies all or a susbtantial part of the requirements of these 25 power districts and of 17 municipalities and 35 co-operatives; it supplies less than 20% of the requirements, including secondary power of seven private companies.

Substantially the same situation prevails in the Central Valley of California where a large municipal utility district has contracted for the largest share of the output of the Federal project and at the present time has no generating facilities of its own.

### Loans to Rural Electric Co-operatives for the Purpose of Building Power Plants and Transmission-Systems

At the beginning of 1953, the Federal Government had approved $2.7 billion of loans to rural electric co-operatives, of which over one-half billion dollars was for the purpose of building power plants and transmission systems. The characteristics of the rural electric load are such that it is difficult to operate its power plants economically on that load. The result is that its operations tend toward extension to areas of more diversified load, and to industries. This situation, together with the low interest rate, 2%, which the Federal Government charges these co-operatives for practically their total construction costs, is an open invitation to them to combine into super-cooperatives, build steam plants, and to reach out into territory already served by existing utilities.

A rural area is defined by statute to be an area, not within a city, village or borough having over 1,500 people. However, if a co-operative is once established in a community and that community grows to exceed 1,500, Federal loans are still continued. In view of present population trends away from urban centers, it is easy to see how these rural systems can be substantially enlarged, and through interconnection with other Federal hydroelectric plants, can achieve, indirectly, the building of supplementary Federal steam plants, which with Federal hydroelectric facilities will be available to supply the enlarged market.

### Regional and Sole-Supplier Undertakings of Federal Government

The policy, which in effect, relieves local public bodies of the need to invest in generating facilities is not only confined to hydroelectric power plants built by the Federal Government in connection with river development, but also envisions relief from building fuel-burning plants and transmission systems as well.

The unreliability of hydroelectric power to supply the year-round needs of the customers has already been emphasized. Yet a number of the agencies, through their rate policies, in effect, undertake to supply the year-round requirements of their customers. TVA and the Southwestern Power Administration are notable examples. Once a supplementary steam generating system is authorized for the purpose of equalizing hydroelectric power it is easy for Federal power to take the next step, which is to undertake to supply the entire regional requirements. This means unlimited steam power development. It is not hard to visualize what such a step would lead to if it were to be pursued in the area of largest power use — the eastern section of the United States.

Tennessee Valley Authority's power sales agreements have never been limited to its hydroelectric power supply and its contracts require that the distributing systems served by it, and owned almost exclusively by public bodies during the term of their contracts, must take all of their power from the Federal system. These rate and sole-supplier provisions of Federal power contracts of the various agencies, can be met only if the government builds steam plants. The rate and sales policies of the agencies, accordingly, create pressure on Congress to appropriate for unlimited steam capacity in order to meet the unwarranted year-round and regional supply obligations which have been assumed. TVA already sells substantially more power to its municipal, co-operative and industrial consumers than its hydroelectric facilities can produce. The excess, of course, is being supplied by its steam plants which are of large capacity.

Since public bodies have first call on Federally-generated power at low rates they are further encouraged by an uninterrupted and unlimited power supply to take over the distribution facilities of the private companies. If the necessary hydroelectric and steam generating plants were built by local interests — either public or private — this indirect Federal encouragement to public power would not prevail and the power issue at the local level would be settled on more equal terms.

### Wheeling of Power by Private Companies

Preference customers are seldom located at the Federal power site. Therefore, in order to serve them, there is constant agitation to have the Federal Government build transmission lines, which may duplicate facilities of private companies already in the area. The only way in which this threat to its business can be met by the private company is to transmit or "wheel" over its own lines the power of its Federal competitor. In the ordinary case the private company cannot, itself, acquire the power at the dam and then transmit it over its own lines and resell it to the preference customer. An invasion of its territory is the result. This makes further attrition possible when a favorable opportunity presents itself. With Federal power available, transmission arranged, and a substantial Federal tax advantage, an invitation is constantly at hand for a local public body to take over the system of the company whose transmission facilities are being utilized.

### Active Support of Public Power by Federal Agencies

The Federal Government in the early 30's, through the Works Progress Administration, had provided for outright grants of 45% and loans for the balance of construction costs of public bodies which would undertake to build their own utility systems. These grants and loans were not available for the purchase of existing power systems owned by private companies. This procedure was especially effective in TVA territory. With a power supply by TVA assured on the one hand and a grant and loan on the other, not a single major private power system was able to withstand the pressure to sell to the local public bodies. Here again the Federal Government relieved these public bodies of the necessity of furnishing their own generation and transmission facilities, by itself, acquiring this portion of their facilities from the private companies.

Lest you think this is an isolated instance of active Federal Government support of public power, let me read two paragraphs from the Memorandum of Policy issued by the Secretary of the Interior under date of Jan. 3, 1946:

"(a) Active assistance, from the very beginning of the planning and authorization of a project, shall be given to the organization of public agencies and cooperatives for the distribution of power in each project area. The statutory objectives are not attained by merely waiting for a preferred customer to come forward and offer to purchase the power."

and

"(f) No contracts shall be made that operate to foreclose public agencies and cooperatives from obtaining power from the government project. Contracts with these organizations shall recognize their preferential character and assure them full opportunity to secure the benefits of Federal power. Contracts with privately-owned companies shall be limited in time and shall contain provisions for the cancellation or modification by the government as necessary to insure preference to public agencies and cooperatives."

Thus were the statutes interpreted. As long as the preference policy is on the statute books and as long as the low and destructive rates philosophy prevails in the halls of Congress and as long as the Federal Government insists on building power plants and transmission lines which are purely for local use and benefit, such interpretations of the statutes are possible.

It is true that the present Administration has encouraged local interests to undertake their own power development, and much progress has been made along that line. But it has done nothing to change the preference and low rate policies and there is, therefore, nothing to prevent the future, and even the present Administration, from lapsing into previous practices.

### Recommendations of Task Group Affecting Public Power Problems

Now, you may well ask what is to be done about it? Without going into detail, the Task Group of which I had the privilege to be Chairman, recommended that from now on, wherever possible, local interests—public or private should construct and own, or lease the hydroelectric power facilities associated with multiple-purpose Federal water projects; that no steam plants or transmission lines should be built by the Federal Government; and that as soon as feasible, existing power facilities should be disposed of through sale or lease to local interests. The local beneficiaries of these power projects would thus assume the risk of their construction or acquisition and of their financing. Sale or lease of these properties would put the Federal Government in funds to make substantial payments on its large debt and insofar as private companies were the purchasers, additional income taxes would be collected to relieve in part our deficit-ridden budget.

The Task Group also recommended, pending sale or other disposition of these properties, (1) that the present discriminatory preference policy should be modified to insure that there would be no profit on the resale of Federal power and that such power would be made available to all parties on equal terms; (2) that power should be sold for what it was reasonably worth, and, insofar as possible, the rates for power should cover all costs including taxes of all kinds and interest at an appropriate long-term rate; (3) that provision should be made for rate adjustments to meet changed conditions instead of relying on, more or less, inflexible long-term contracts; (4) that the Federal Power Commission should be given complete jurisdiction over such rates; and (5) that the agencies should be prohibited from making contracts for power which would imply a continuing obligation to supply generating facilities for all regional demands.

In the field of atomic energy, it was recommended that as rapidly as national security considerations permitted, non-Federal and private groups should be allowed to assist in developing its power possibilities, and that the principles mentioned immediately above with reference to steam and hydro power should be applied to this new source of energy.

The Task Group, while recognizing the inequity in the exemption of publicly-owned power systems from Federal taxes, considered this problem as being in the general field of tax policy and outside the statutory directives which governed its own investigation.

**Desirability and Financial Feasibility of Carrying Out Task Group Power Plant Recommendations**

Questions have arisen as to the ability of local interests to acquire or construct and to finance the large existing and prospective Federal power systems. Some of you may question the feasibility from the political viewpoint of disposing of existing facilities.

The Task Group had a responsibility to meet. It was charged with determining which activities of the Federal Government in the power field were non-essential and which were competitive with private enterprise. As the Task Group saw it, its concern was not with what was politically expedient; that decision rests with Congress. The Task Group decided that the Federal Government's power activities were non-essential and were competitive with private industry.

It should be stated, parenthetically, that the Hoover Commission proper did not recommend the sale of presently existing properties, but generally followed the other recommendations concerning power made by its Task Force which were the same as those of our Task Group.

The disposition of existing facilities to local interests is neither impractical nor financially infeasible. It will be recalled that under the Public Utility Holding Company Act of 1935 most of the private utility holding companies were required to liquidate. The assets which were distributed comprised the securities of private companies operating in the various parts of the country which controlled assets totalling billions of dollars. The desirability of holding company liquidation and dissolution was based on the principle, in my opinion, that too much power was concentrated in too few distantly located hands with too little financial risk at stake.

Is there any less power in any fewer distantly located hands in the case of the present Federal power systems? Isn't this Federal power system just another form of holding company similar to those whose dissolution has been directed by Congress? Is there any greater assurance that this far-flung Federal Power empire can better direct construction and operations from Washington than the holding companies could from New York? And what is more important, should the Federal Government, through its policy, assume the role, in a local power conflict, of favoring one group of its citizens over another? Isn't the Federal Government so powerful that to lend its support to one party in a local contest will inevitably result in the confiscation, either directly or indirectly, of the property of the other?

In my opinion, the difficulties of disposing of the Federal power holdings are no greater than those encountered in eliminating the holding companies and there is just as much reason to follow this course in the one case as in the other.

The point has also been raised as to whether local public and private interests can finance the large power projects. The answer is decidedly in the affirmative and proof is readily at hand.

In the 13 years ended with 1953, the private utilities in this country, operating primarily in the areas outside those of Federal power activity, increased their investment in facilities by $13.2 billion which was $11 billion more than the cost of completed Federal power installations at that date. In 1953 alone, $2.6 billion was spent for this purpose. Local public bodies at the end of 1953 had invested over $2.5 billion in power facilities.

At the end of 1954, there were 219 hydroelectric projects in this country, involving an ultimate capacity of over 10 million kilowatts for which licenses had already been granted to local private and public interests by the Federal Power Commission.

The announcement of the partnership principle by the present Administration, under which the government finances the navigation, flood control, and irrigation aspects of the project and local interests, the power portion, has resulted in a flood of licensing applications from practically every section in which the principal Federal power activities have been pursued in the past. In the Columbia River basin area alone, there were 23 applications from privately and publicly-owned utilities for licenses and permits at the end of 1954 involving hydroelectric plants having an aggregate capacity of 6 million kilowatts. In the Central Valley of California voters of the Sacramento Municipal Utility District approved a bond issue of $85 million to build hydroelectric and other power facilities. The cities of Los Angeles, Seattle, Tacoma and San Antonio and the public power bodies in Nebraska, have, over a long period, financed the construction of generating facilities of their own. Even the City of Memphis in TVA territory has agreed to build, finance, and have in operation by the time its power contract with that agency expires, a power plant adequate to meet its own requirements.

The largest aluminum company in Canada is building at Kitimat with its own resources and for its own purposes what will ultimately be one of the largest hydro plants in the world. The aluminum industry in this country, until the government became active in the power business, built and financed most of its own power requirements. The chemical industry, the other large industrial customer of Federal power projects, is certainly one of the most prosperous segments of our business activities.

It is time that we get the power business down to the local level where the competitive factors and the rules of fair play will determine the outcome of the struggle between public and private interests. As I see it, the Federal Government has no right to choose which of these two groups of its citizens it should favor.

**Role of the Private Companies in the Conflict**

What can the private companies themselves do to protect their interests? They should take a lesson from past experience. When the Federal Government began the construction of its vast power projects in 1933, the private companies because of the rapid expansion of the '20s, found themselves with the largest ratio of capacity, in excess of requirements, in their entire history. At the same time their ability to finance additional construction was impaired in a great many cases by badly pyramided financial structures and high financing costs—also, in substantial part, the result of this rapid expansion. At the same time there was great unemployment which called for all the additional construction which the economy could muster—including unfortunately power plants and related transmission systems.

The present situation calls for sound, long range, capable and courageous management on the part of private power companies, which will have for its objective, the maintenance of well balanced financial structures with sufficient common stock equity to withstand Federal Government inroads and with a reserve of bond issuing ability for periods of financial stringency. Because of a larger base the danger of substantial excess capacity should not be as great as it was in 1933. With ample credit available the private utilities should be able in times of low employment to undertake some construction work in excess of immediate requirements. Pyramided financial structures and thin equities will preclude the accomplishment of these objectives.

Another objective should be to keep the rate level as low as consistent with a fair return on investment. Managements should not rely alone on the regulatory processes to establish this rate level, but should survey the problem from the viewpoint of long range reasonableness. To this end, they should operate their properties at the lowest possible cost consistent with good service.

As I see it, it is also not in the interest of local public bodies to have the Federal Government dominate the power generating field. Local autonomy suffers with financial dependence on the Federal Treasury. This, coupled with the uncertainty of continuing Congressional appropriations, so necessary to an adequate power supply, should make these local public bodies hesitate to embrace the Federal program.

Federal power forces are strong and well organized. Compromise with these forces is but a rear guard action leading to final retreat of private industry from the power field, and perhaps of local bodies as well.

# *Public Utility Securities*

**By OWEN ELY**

## American & Foreign Power
## Brazilian Traction, Light & Power

**American & Foreign Power** is a holding company whose subsidiaries sell electricity in 11 Latin American countries, with annual revenues exceeding $188 million. Population gains and economic growth during the postwar period have been very rapid in Latin America, but unfortunately monetary inflation has accompanied this prosperity so that American & Foreign Power has not been benefitted much by the growth. Gains in output and revenues (U. S. dollar equivalents) together wtih the decline in currency rates have been as follows in the past decade:

| | 1955 Revenues (Mills.) | % Increase in Kwh Output | % Increase in Revenues | Approx. Decline in Exchange Rate 1945-56 |
|---|---|---|---|---|
| Cuba | $60 | 146% | 179% | 0 |
| Brazil | 37 | 143 | 92 | 54%* |
| Chile | 25 | 85 | 159 | 91 |
| Mexico | 16 | 101 | 70 | 61 |
| Venezuela | 15 | 486 | 312 | 0 |
| Argentina | 12 | 1 | d7 | 88 |
| Colombia | 7 | 158 | 163 | 30 |
| Panama | 7 | 89 | 85 | 0 |
| Guatamala | 3 | 134 | 173 | 0 |
| Ecuador | 3 | 175 | 322 | 11 |
| Costa Rica | 3 | 125 | 221 | 1 |

*The decline in the "black market" rate would be much greater, d Decrease.

It is obvious that the company has had the best chance of making money in the "hard currency" countries—Cuba, Venezuela, Panama, Guatamala and Costa Rica—but net earnings by countries are not published. Results have probably been unsatisfactory in Argentina, Chile and Brazil, where currency depreciation has been the worst. In Argentina the new Government instituted economic reforms late last year and the company was able to make some small remittances to the United States, almost the first since 1947. However, the threat of Government expropriation still hangs over these properties, in which over $100 million has been invested.

In Brazil some improvement took place last year as the result of increased sales of coffee and restriction of imports. However, no real reform in Brazil's complicated system of exchange rates has yet been worked out. As long as Government deficit financing continues, inflation can hardly be brought under effective control. The problem of increasing utility rates has received greater attention, and the attitude of President Kubitschek seems favorable, but as usual there are political cross-currents.

In Chile the bad financial situation has also improved somewhat, with anti-inflation measures adopted early this year. Strength in the price of copper, Chile's principal export, was helpful.

In Mexico the exchange rate was stable during 1955, remaining close to the 8¢ level which had prevailed since the devaluation of April, 1954; and exchange was readily available. Efforts to combat inflation this year will be made more difficult by poor harvests and labor demands. American & Foreign Power is trying to reorganize the setup of its complicated Mexican subsidiaries which should help with rate problems. It will be noted that the increase in revenues has lagged about 30% behind the increase in kwh output.

Consolidated earnings of American & Foreign Power increased from $1.18 in 1945 to $2.37 in 1950 but since that year have been irregular, reaching a peak of $2.54 in 1953 but declining to $2 in 1955. (This year earnings appear to be making a somewhat better showing.) The stock has been selling recently around 14½, compared with this year's range of 16½-13½. The current dividend rate is 80¢.

**Brazilian Traction, Light & Power,** with revenues of $139 million, has suffered drastically from inflation and the lag in obtaining increased rates. Share earnings have declined steadily from $2.96 in 1952 to $1.18 last year (no interim 1956 figures are available). Share earnings are based on the formula of using the actual exchange rate for earnings remitted to the United States, with the unremitted balance valued at the average free market rate of the cruzeiro—only about 1.4¢ last year. The percentage of net profit to average investment declined from 6.07% in 1952 to only 2.26% last year. The company succeeded in getting some electric rate increases last year—the first since 1933, except for increases given specifically to compensate for wage increases.

The company has had a good background of earnings and dividends, some payments having been made in cash and/or stock since 1941. A payment of 50¢ in cash was made in May, subject to the Canadian withholding tax. Assuming that nothing more is paid this year, this would afford a yield of about 6.8% based on the recent price of 7⅜. In view of the irregularity of payments in recent years, however, yield is probably not an important market factor. The range of the stock this year has been 8-6½. In 1951 the stock sold as high as 28⅛ and was then split 2-for-1.

## New Reynolds Branch

ROCKY MOUNT, N. C.—Reynolds & Co. has opened an office in the Peoples Bank Building, with Jesse O. Bishop as representative.

## C. B. Richard Branch

C. B. Richard & Co., members of the New York Stock Exchange, announce the opening of a branch office at 109 Delancey Street, New York, under the management of Alois Levine.

## Forms Hudson & Co.

LOS ALAMOS, N. Mex.—William A. Hudson, Jr. is engaging in a securities business from offices at 90 Manhattan Loop, under the firm name of Hudson & Co. He was formerly with FIF Management Corporation and Watson & Co.

## E. J. Hindley Opens

Edward J. Hindley is engaging in a securities business from offices at 7 Stuyvesant Oval, New York City.

*Continued from first page*

# Investing for Trust Funds Under Prevailing Conditions

may seem routine enough, but it was rather strong meat then.

### Increasing and Decreasing Stocks in Trusts

Back in Boston an investment counselor friend said that my remarks were all well enough, but covered only one side of the coin. I had advised trustees getting into the stock market without saying anything about what was equally important—when and how should stock percentages be reduced. My answer was that my friends in Salt Lake City would be obliged to invite me west again to get the next instalment.

Now you have invited me back, and now I should fulfill my part, but I find myself sorely perplexed. My dilemma is this. I am a lifelong advocate of substantial common stock purchases for trust investment, and the basic reasons which have made common stocks a desirable form of investment have not changed, even though much higher market prices have made the opportunities they offer substantially less attractive. Second, the benefits of the long-range growth of our economy can be captured by a prudent trustee in no other available investment form that I know of, and while advantageous timing of sales and purchases of securities offers possibilities of doing materially better than mere retention through all kinds of weather, foul as well as fair, the truth is that few of us have demonstrated any real skill at this kind of investment game. After all, you must be right twice, when you sell as well as when you buy. Finally, my sanguine temperament does not permit me to be pessimistic or bearish for long.

### Disquieting Complacency

For these reasons, I find it difficult to reverse my point of view on stocks, even temporarily. And yet there seem to be ample signs calling for caution, beyond those obvious in the level of the market itself and in the length of this period of business prosperity and of rising prices. I leave close analysis of the business outlook to those qualified for it. But I am disquieted by the rising general feeling of complacency, common in the later stages of all prosperous periods; a complacency evident in rising debt on every side, in general anticipation of uninterrupted forward progress on virtually all economic fronts, in a belief that government and the monetary authorities can and will avert any serious depressions. I do not accept any of these points of view. Wars and hard times have been the lot of man throughout recorded history, and much as we would like to eliminate both of them, the underlying causes appear to lie deep-rooted in the fundamental nature of man himself. We may have more sophistication in economics, and we have amassed more scientific knowledge, but evidence is lacking that we are a wiser and abler people than past generations and past civilizations. Let us then gratefully accept this era for what it is, a period in our economic life of sustained but not necessarily unending prosperity.

### Retrenching Stock Portfolio Proportion

The most I can offer to do today is to briefly up-date my point of view on common stock holdings for trusts. I could beg the question by saying that our real problem is what to do in older trusts, where market action has increased the proportion of common stocks to 70% to 85% in many cases, and where sales of stocks to restore some semblance of old-fashioned orthodoxy produce unwelcome taxes on capital gains. But in operating trust departments we always have with us the problems of what to do with cash and with new trusts.

Investing is a business of comparisons, and plainly common stocks are not as cheap as in 1949. Then we were buying equities partly to improve the income return in trusts; now prime equities produce a lower rate of return than many good bonds. And if the beneficiary is in any kind of an income tax bracket, the comparsion of the 3% yields available on a wide range of acceptable quality municipal bonds with equity yields after taxes is startlingly favorable to municipals. A much better case can be made for bonds, particularly municipal bonds, today than in 1949, and in a new all cash trust, starting fresh today, to invest 50% or 55% in common stocks would be as far as I would care to go immediately. I would put the balance in bonds, preponderantly longer term bonds, although this preference is not intended as a forecast of money rates. Selectivity is always necessary, but under prevailing conditions it becomes the paramount consideration if common stocks are still to be bought. Risks are obviously greater, and this is no longer a market where stocks generally can be termed cheap. The less time the fewer facilities available to trust officers for the persistent and conscientious study of stock values, the lower the proportion of trust funds that should be so committed under prevailing conditions, but since common stocks possess valuable characteristics available in no other form of investment, they should not be passed over.

All of this has been merely introductory, and now I come to my subject. When asked to supply a title for the program, I followed my usual practice of producing an ambitious one, it being my hopeful theory, so far unrealized that some day I may live up to the advance billing. This time I have really overreached myself, for the worst of all fallacies is for anyone to suppose that he has the clarity of vision to expose the fallacies of his day. Perhaps I had better put it more modestly, that I wish to discuss some current points of view on trust investment policy with which I find myself in some disagreement.

### Mechanical Diversification Application

The first is the mechanical application of rules or principles of diversification of investment. As I said here in 1949, diversification is not a principle of successful investment. Most successful investors pay little or no attention to it; they find something they consider undervalued and load up on it. It is a rule, rather, of prudence and caution; and it is well that we trustees should observe it, not merely because it is recognized as a desirable rule for trust investment by court decisions, but because our investment judgments are fallible and the consequences of an error should be limited when we are dealing with trust funds which are not our own.

My quarrel here is not with the theory but with the practice. Many trustees seem to find virtue in over-diversifying, as I think. The inevitable tendency is to dilute the quality and effectiveness of the list. If a list of say 50 securities in an average trust is reduced to 30 items, it must undergo searching scrutiny and a pruning process. If this is done at all intelligently, the almost certain result is an up-grading in the average quality of what remains. Has the list remaining suffered thereby from reduced diversification? I think not, again assuming a broad gauged approach. I favor just such treatment of our accounts. As judicious pruning produces a thriftier and healthier tree, so will it reinvigorate our trusts.

### Standard Dollar Investment Unit

Another rather common error, I believe, is to establish a standard dollar unit of investment in a trust, and then have all investments conform rather closely to this pattern. I have never been able to see much in this notion except the application of elementary mathematics. Should the dollar investment in du Pont be no larger than in a company a fraction of its size, and lacking its broad internal diversification? Doesn't the size and broad geographical diversification of American Telephone and Telegraph justify a different unit investment than a smallish regional utility enterprise, assuming both to be attractive? Do not the special attractions of the oil industry for trust investment, its economics, and the size, financial strength and able management of individual units, justify larger per company investment and greater total concentration in the industry than would seem prudent elsewhere? Assuming always some absolute ceiling on any one new commitment, shouldn't an especially attractive opportunity justify a larger purchase than another equally intrinsically solid but possessing lesser promise? If a security seems attractive at its current market price, shouldn't a holding be retained intact even if by appreciation in price it has come to represent a larger proportion of total market value, perhaps considerably larger, than would be considered prudent for a new cash investment? I won't give you answers to this series of questions, because I believe that they are self-answered. No case has yet been brought to my attention where any court has taken an unreasonable position on the question of undue investment concentration. I suggest that many of us could do a more thoughtful and less mechanical job by thinking less of the mathematics and more of the broad economics when we come to develop and apply our policies as to diversification of investment.

### Over-Emphasis on Immediate Yield

Another long practiced policy which never proves out in the long run is to lay chief emphasis on current yield in the selection of investments for a trust fund. Over-emphasis on immediate income return boomerangs in two ways. It usually produces a poorer capital result, because higher yielding securities usually reflect less attractive prospects. And in the long run it usually produces no higher return than from a list where the common stocks were selected for good longer range dividend prospects. There are many exceptions, but as a general rule a high dividend return on a common stock either reflects a poor general opinion of the prospects of the company or a high dividend pay-out, or both. A stock with a low dividend payout not only represents greater certainty of future continuation of the rate, but, by reason of the plow-back of retained earnings in the business, provides a basis for greater future earnings and dividends. I am not now reciting theory but the lessons of hard-earned experience. Believe me that reaching for high current income in a trust fund produces only a short-run victory. Even where there is great immediate pressure for income for elderly beneficiaries, the policy is still dubious, for the longevity of commitments is proverbial.

### Ignoring Individual Circumstances

A third current fallacy was obliquely touched upon by Sherwin C. Badger, Financial Vice-President of the New England Mutual Life Insurance Company, at the Mid-Winter Trust Conference. He pointed out that we tend to treat the current price of a security—say 62 for General Electric common—as though it were a common denominator for everyone, whereas it is only the true valuation for those buying currently for cash, or for holders having no tax cost problems. For individuals with costs of say 5, 25, 45, or 55, a current market price of 62 represents a different value for each, after allowing for the applicable capital gains tax. It has a different meaning for various types of purchasers also, depending upon their income tax status and other factors. Because it may seem desirable to buy or sell General Electric at 62 in certain cases does not mean that the same reasoning applies to others. In other words, I note a tendency to over-generalize, to apply an investment judgment across the board without careful scrutiny of individual circumstances. I believe in the value of broad policies, but we cannot expect to do a good management job on a wholesale basis, and the application of our general policy should be account by account so that relevant circumstances are not lost from sight.

### Growth Stock Mania

Finally, I am bothered by the lengths to which some trustees have gone in the current mania for growth stocks, or rather for glamour stocks for it is not the theory of seeking for trust investment those stocks with superior long-range prospects for increased earnings and dividends that I question, but rather the application of it. A corollary is that the stocks of many sound companies offering a well established present and a satisfactory if not glowing future are quite out of favor. Trustees appear now to crave a little element of romance in their stock purchases. The result seems to be that equities become classified as either black or white, whereas my experience would indicate that none are either, but fall rather within the broadest range of grays. In its preoccupation with the future as against present facts, the prevailing attitude almost seems to be saying that a future dollar is worth more than a present one, which confounds common sense.

Two possible fallacies lurk in the extremes to which some investors have carried this "growth stock" theory. The first is that it seems to rest on the hypothesis that stocks may be safely purchased on projected estimates of growth in earnings for three, five and even 10 years ahead. The second is the apparent belief that those currently most popular stocks and industries which have caught the public fancy will prove in fact to be growth situations. Both of the theories may prove to be correct, but neither finds any solid foundation in past experience. Let us examine them briefly.

### Undue Anticipation of Future Earnings

A friend of mine recently remarked wryly that the current credentials of an investment analyst are a facility in producing specific projections of per share earnings on common stocks for the year 1960. I have great respects for the forward strides made in investment analysis, and for the thoughtful forecast of those with most experience in this field. For the short-range target these latter provide a valuable and frequently accurate tool, and for the longer term a useful hypothesis. Beyond that, however, they are in the realm of pure speculation, even for companies and in industries lending themselves unusually well to the projection of trends.

If you disagree, I commend to your attention any copy of the "Wall Street Journal" of three years ago, or five years ago, or any time of your choosing. Re-read it, and I challenge you to find any element of prescience among the wisest comment, any inkling that conditions in August, 1956 would be anything like we now find that they are. I have no idea of what the business scene will be like in 1958 or in 1960, even as a born optimist, and if I pay prices for securities which **require** a material improvement over current performance, which is a boom level performance, to justify my investment judgment, then I place a heavy burden on the skill and wisdom of my forecasts and of my selection, and perhaps also a heavy subconscious reliance on some future boom to salvage my judgments if my timing should prove to be faulty. It is the extremes to which this anticipation of remote future earnings is carried in terms of current market price that I regard as the real present danger of the growth stock theory. To those contrary minded, I suggest the words of Bobby Burns: "The best laid plans of mice and men gang aft agley."

### Municipals vs. Growth Stocks

I think that we would all concede that for a sound established company to double the net earnings available for its common stock from present levels would be quite an achievement, requiring time, favorable future conditions, exceptional management, and productive expansion financed largely by retained earnings. Yet many popular growth stocks selling at 22 to 35 times 1955 earnings would seem to require little short of this, at least by way of expectation, to justify fully their prevailing prices. I hope that all of this comes about, but it still depends upon the future. Meanwhile municipal bonds yield an **immediate** return which produces more net income for many of our highly taxed beneficiaries than would these growth equities **after** they had doubled their current rates of dividend.

One other current practice of growth stock enthusiasts to make their favorite stocks appear cheaper than in fact they are is the rather indiscriminate use of "cash earnings," which is an adjustment of net earnings to eliminate provision for such items as depreciation, obsolescence, and depletion. Because of wide differences in accounting practice, this is a useful tool in comparing stocks with one another, but its use should be strictly limited to these comparative purposes, and not extended to use as an absolute measure of value. Depreciation and obsolescence are not merely a figment of the imagination of the accounting fraternity; we ignore them at our peril.

### Confusing Popularity With Opportunity

My second point is the danger of confusing popularity with opportunity in selecting stocks for growth. What are the growth stocks today? We will know five years from now. Meanwhile it will be all too easy to be fooled. I have a notion that steel stocks might give a reasonably good future account of themselves on the score of growth, yet they are not widely so regarded today. No doubt the outlook for the more alluring aluminum stock is somewhat better, but is it as much better as the wide premium on aluminums against steels, measured by current market price, suggests?

A Boston investment conselor who has done some interesting research in growth trends has kindly made his material available to me. He has used the average net earnings per share of the years 1947, 1948 and 1949 as a base, and normalized 1955 earnings by adjusting for accelerated depreciation. For the stocks comprising the Dow-Jones industrial average he finds that 1955 net earnings per share were 164% of the base period; for the Moody's 125 stock average the comparable figure is 166%. Now let us see how some of the highly favored industries stack up against this norm, and also some not regarded as "growth" types. Investors have generally shied away from the aircrafts, and yet their performance has been notable, 553% of the base period for five companies, 405% for three major airlines. The average record of the four best performers in the automotive industry is 275% of the base, which is better than that of any of the 10 leading chemical companies. Yet they are selling at only 11.3 times earnings, as against a range of 16.8 to 32.6 times earnings for the chemical stocks.

Just in passing, bank stocks are out of popular favor for trust investment, yet their record of growth in earnings is not materially lower than that of the average industrial.

As highly regarded a stock as General Electric sells currently at 25.8 times 1955 earnings, yet these were only 178% of the base, not exceptionally better than the average. The steel industry at 200% of the base is well above average on performance, yet below average on public appraisal of future prospects.

I omit the oil industry as a field requiring the specialist to produce valid comparisons. The rubber industry shows up as well above average on performance, and yet has gained only modest acceptance as a growth industry. The same comment applies to utilities operating in growth areas.

I could go on with numerous samples, but I am not attempting to draw specific conclusions, but rather to show how widely different is the appraisal of different stocks and of industries, and that these disparities in market valuation are not always well supported by the available facts. Many stocks, while of undoubted merit, enjoy a vogue that causes price to outrun any visible prospects, while others with a better record of actual performance seem to lack the appeal that makes for wide current acceptance.

That mere popularity, even among conservative investors, is a poor standard for selection is well illustrated by the current rage for the coal stocks as representing a coming growth industry, when a scant two years ago it was popularly classified as a dying one. Neither extreme appeals too much to me. Only a few years ago the rayon industry was highly popular as a growth situation; now it is just another segment of the sick textile industry. Drug stocks had a vogue as growth stocks, then became quite unpopular, and more recently have been enjoying a mild renaissance. Examples could be multiplied, and serve to demonstrate the danger in placing too heavy reliance on great expectations.

### Defines Growth Stock

One reason for the inaccuracy of these appraisals of future opportunities is a tendency to confuse the outlook for growth in sales with that for increased net earnings, which in the end must support dividends and market value. There is no necessary correlation between the two, and it is only growth in net earnings and a program of reinvesting retained earnings at above average returns to compound the rate of earnings growth that produce the superior performance justifying the appellation "growth stock."

I have dealt at length with this point because it is so important in this kind of a market. The case for the use of growth stocks in trust accounts, to which I subscribe wholeheartedly, has been presented ably elsewhere and I do not repeat it. It is the actual practice of the theory, and its occasional malpractice, that here concern me. We must be unusually careful not to confuse expansion of sales prospects with growth of earnings prospects, and not to be swept into reaching too far into the future by paying too great a premium for present dividends and present earning power.

### Buying Reserves in Trust Accounts

If I had time I could dwell on the fallacy of "buying reserves" in trust accounts for future use in purchasing long term bonds or in adding to common stocks. In my observation the moment to commit these reserves to their intended purpose never seems to come, and they lie relatively dormant at short term rates of interest. For long term trusts, the phrase "buying reserve" is largely a chimera. Its best use is under circumstances where the trustee has a large amount of principal cash to invest at one time, and where the liquid fund theory permits him to commit it to the prevailing markets over a period of time instead of all at once.

I must also omit discussion of the blue chip theory, or buying the most marketable and sought after stocks, which is a policy pursued by all too many who operate on the apparent psychology that what mistakes of judgment they may make are in the best possible company, and will be readily forgiven. The weakness here is that the blue chip of today may be the "dog" of tomorrow, and in any event, heavy buying by new institutional purchasers such as investment trusts and life insurance companies, for whom marketability is considerably more important than it needs to be for the average trustee, has created a scarcity value for a comparatively narrow list of leading common stocks.

### Conclusion

We have now come to the point where I usually summarize my remarks, but this address has no climax. I hope that I have made it clear that as to common stocks in trust accounts I am in the awkward position of being a long term bull made more cautious and defensively minded by reason chiefly of the much higher stock valuations now prevailing, but without having yet reached the conclusion that equities are too high and that a general retreat should be ordered. I do see greater risks and a consequent need for a continuing thoughtful and objective review of our investment policies and practices, and for increasing emphasis on a high degree of selectivity in what we choose to buy.

## Forms W. R. Smith Co.

Wistor R. Smith has formed Wistor R. Smith & Co., Inc. with offices at 40 East 54th Street, New York City, to engage in a securities business. Officers are Vistor R. Smith, President and Treasurer; and Catherine E. Smith Vice-President and Secretary. Mr. Smith was formerly with Bache & Co.

## Four With King Merritt

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla. — Jorge E. Cristobal, William F. Holcomb, Mrs. Bess P. Mohler and Charles F. Worsham are now affiliated with King Merritt & Co., Inc., 24 Julia Street.

*Continued from page 3*

# Today's Real Economic Condition And the Outlook for the Future

ment of prices is also of paramount importance to trust men. The steel industry estimates that the over-all total of the increases granted employees will amount to 52 to 55 cents an hour by 1958. The union, on the other hand, contends that the increase will be only 46 cents an hour. In any event, costs are up, and the price of steel is up, as increases in productivity have not kept pace.

These higher steel prices put strong upward pressure on the price of every article containing steel. Moreover, this pressure will be added to the pressures which have accumulated in recent years, as steel prices have increased faster than the prices of finished goods. It follows that price increases are inevitable, although they will by no means be even.

To be specific, industries selling to ultimate consumers will undoubtedly encounter serious buyers' resistance. For example, consumer sales resistance as evidenced by price weakness, growing inventories, and declining sales, has been very marked in recent months in durable consumer goods such as automobiles, television sets, and home furnishings (in home furnishings, although manufacturers' prices *increased* 2½% in the year ending June 1956, retail prices *declined* 1%!)

On the other hand, industries selling to fabricators will not meet as much resistance. But, resistance notwithstanding, the increase in steel prices will increase commodity prices and the cost of living.

Even before the steel strike, the consumer price index reached 116.2, in June, the highest level on record. This upward trend will, of course, be reinforced by the steel price increase. Moreover, the provision for automatic wage increases as the cost of living goes up, which is now included in the contracts of the steel and automobile workers, as well as in those of many other large unions, will tend to accentuate this upward tendency.

### The Wage-Price Spiral

Trust officers, who must look ahead—yes, far ahead—inevitably must ponder the ultimate consequences of this constant upward pressure on prices and business activity. The breadth and depth of the wage increases of recent months are sufficient to give concern regarding the danger of acceleration of the wage-price spiral. To be specific, wage increases in the first half of this year were around 10 to 12 cents, which is nearly twice the 6 to 8 cent pattern of 1955; and now the "handsome" steel wage increase, which the union estimates will increase wage payments $1,332,000,000 over the three years of the contract, set a pattern for even more substantial wage boosts in the future!

While no man can foretell when such a wage-price spiral will end, it is equally certain that it cannot continue indefinitely. This can be confidently asserted because there are several ultimate limitations on such "economic perpetual motion."

In the first place, most of our people do not have escalator provisions supporting their income, so their ability to buy diminishes as prices go up. This, of course, tends to reduce the *physical* volume of goods sold at a time when production capacity is being decreased. As a result, inventories grow and press on the market, and thus, on prices. Eventually, "somethin's gotta give," as the popular song puts it.

Second, as the prices of commodities go up, what the economist calls cross-elasticity of demand sets in and buyers shift their purchases from the commodities which are out of line to those which have not increased to the same extent. This, of course, can bring considerable pressure on a particular industry.

Third, the higher prices caused by the wage-price spiral may cause people to save rather than spend, and thus bring downward pressure on prices. (This may have already set in as net dollar savings increased $5 billion in the first quarter of this year in contrast with only $1.7 billion in the first quarter of 1955.)

Fourth, increased productivity and increased spending on plant and equipment caused by *both* the high wages and the high prices of the spiral will eventually bring production to the point where it will be greater than the effective demand. This could cause serious trouble in the future if the constant increase in wages and prices induces manufacturers to expand production facilities to unreasonable proportions. In fact, at the present record-breaking rate of expansion of plant and equipment, this could easily be the case by the middle of 1957, or the first part of 1958.

### Large Proportion of Demand Based on Credit Expansion

In evaluating the outlook for the present boom, it is important to keep in mind how much of it has been, and is, based on credit expansion.

In the field of consumer credit, for example, almost $16 billion of new installment credit was extended by lenders during the first five months of this year. This was substantially larger than the installment credit extended during the same period last year. (As repayments were up even more sharply, the increase in *outstanding* credit was less than a year ago.) Moreover, during the past 10 years, consumer debt has risen at an average of 20% a year whereas disposable income has risen at an average of only 6%!

Also, the net growth of mortgage debt has accelerated sharply thus: $7.5 billion in 1953; $9.5 billion in 1954; more than $13 billion in 1955. This growth was in addition to repayments and refinancing, estimated at $15 billion in 1955: Also, more than half of the tremendous increase in mortgage debt in 1955 was on old housing. In other words, for more than half of that great increase there is no increase in housing—just an increase in debt. Indications are that this increase in debt because of inflation of the values of old houses and because of borrowing on existing housing to spend for consumer goods and services continues.

### Bank Credit Growth Faster Than G. N. P.

Not only has consumer debt and mortgage debt outpaced business activity, so has business loans. Where as our Gross National Product is somewhat more than 60% greater than the 1947-49 average, business loans by banks have grown more than 86% during the period. With bank credit growing that much faster than national product, it is obvious that business has not been held back during the postwar period by a shortage of bank credit as is sometimes charged.

The contribution of bank credit expansion, mortgage credit expansion, and consumer credit expansion to the high level of postwar business activity is clear. The necessity of continuation of that credit expansion is equally clear. The most pressing problem of our time is how to do this without causing inflation and without causing the debt to become unmanageable or unbearable.

### Conclusions

In conclusion there are two simple economic truths which will help you weigh the outlook for our dollar.

(1) Capital expenditures are inflationary when made, as they take goods out of the consumption stream; but they are deflationary when the new facilities start production as goods are added to the consumption stream. Thus, the inflationary pressures of the record-breaking plant and equipment expansion now under way will be succeeded by deflationary pressures as their output of goods comes on the market.

(2) In the same fashion, consumer credit when extended pumps money into the income stream and is thus inflationary; but later, as payment is made, it is deflationary as the money comes out of the spending stream.

As for the outlook for business, activity in the third quarter definitely will be lower than the second quarter. The steel strike and the probable shift from inventory accumulation at an annual rate of $5 billion in the second quarter to inventory shrinkage of $1 to $3 billion during the third quarter practically guarantee this lower level of activity.

Looking a little further ahead, major changes in the 1957 automobile models, unparalleled confidence, record-breaking employment, record-breaking wages, record-breaking capital expenditures, and record-breaking Christmas trade should push the Gross National Product to $410 billion, or even higher, during the fourth quarter.

As for the longer-term outlook, it could hardly be more rosy if we avoid the twin pitfalls of wage-price inflation and overinvestment in production facilities. This, of course, does not mean that we shall not have "ups and downs" in business activity. Swings in business activity are inevitable in a free economy, especially in one as dynamic as ours.

## Thomas E. King Back at Desk

Thomas E. King

CHICAGO, Ill. — Thomas E. King of Dempsey-Tegeler & Co. has returned to his desk after an eight weeks' siege of illness in the hospital. His many friends will be glad to hear he has recuperated from a ruptured appendix which had laid him low.

## Duva With Reynolds

CHICAGO, Ill.—Samuel J. Duva is now associated with Reynolds & Company, members New York Stock Exchange and other principal exchanges. John G. White, Resident Partner, announced that Reynolds & Company is planning to open a North Michigan Avenue office in the near future under the management of Mr. Duva, who was formerly with Merrill Lynch, Pierce, Fenner & Beane.

*Continued from first page*

# As We See It

half decade of desperate efforts by the Roosevelt regimes to find ways and means of massive spending, a world war, and continued profligacy by the national government for a decade or more after the war, plus a vast extension of debt operations by the private economy, both business and consumer, have not even yet come near exhausting them. What the present Administration and the Federal Reserve authorities have been doing is hardly more than trying to introduce a measure of moderation in the field of credit expansion. In terms of real output, the volume of credit, particularly bank credit, has grown out of proportion—and that is inflation if anything is. This imbalance or disproportion is, of course, a matter of long standing.

### Prices Affected

Of course, all of this did not occur without marked effect upon prices. Wholesale prices by 1952 were two and one-half times what they were in 1932 or 1933, and retail prices had risen almost as much. Consumer prices were not far behind. But after the fillip provided by the Korean War had exhausted itself there came a period of relative stability in all the price indexes when, that is, diverse changes among the various sectors are averaged out. It is that era of stability which seems now to be threatened and is being hailed with mixed emotions by the politicians with different fishes to fry. Of course, it is hardly in the book for any of the politicians in this, an election year, to complain about increases in farm product prices even though such a rise might well push, or help push, the general indexes higher.

But why this concentration on the price indexes? There are other factors which deeply affect the economy and which must sooner or later pass on any great change that takes place in them to consumers everywhere. One of them is the price business (and the consumer, too, for that matter) must pay for the services of labor. By 1952 it was necessary to pay not very far from three and a half times as much for the services of an employee on the average than in 1933. In manufacturing it was fully three and a half times as great. In the construction industry it was more than four and a half times as much. On the farms of the country, the rate was more than seven times as high. Some of the more basic industries such as steel and the other metals are, moreover, far from the lowest.

Another item is the tax take. Here we find that the figure by 1952 was about ten times what it was in 1932. If it be objected that the Korean War and its aftermath are reflected in these figures, the answer is that the Federal total for that year was much greater than it had been in any year of World War II, and that state governments were collecting more than five times as much as they did in 1932, and local government more than twice as much. About the only one in the country who was not by 1952 taking more for his services was the investor who was still living in an era when it somehow seemed to be regarded as a sin to have funds to lend.

### Recent Stability

And now what about that stability that is supposed to have been the rule since about 1952 — that is, what about it when these other factors are taken into account? Well, money paid to a full-time employee moved up from $3,431 in 1952 to $3,830 in 1955, a gain of 12%. No figures are as yet available for this year, but there can be little doubt that they have taken another jump before this. As a matter of fact they have moved up each and every year since 1952. In manufacturing, the figure for 1952 was $3,833; in 1953 it was $4,049; in 1954, $4,116, and in 1955 was $4,351. In the primary metal industries the increase from 1952 to 1955 was from $4,401 to $5,155, or 17%. By 1955 the Eisenhower Administration had succeeded in reducing the Federal tax take to $57.7 billion against $59.7 billion in 1952, but state and local revenue was definitely higher than it had been in 1952. The relative stability which characterized the price indexes during the first three years or so of the present Administration's term in office, plainly, did not extend to such items as those indicated above.

Neither can it be said to carry over to the financial elements which are the core of the inflation situation. Bank credit which on June 30, 1933 amounted to $42.1 billion had by Dec. 31, 1952 reached $192.9 billion, continued to rise in subsequent years and by May 30, 1956 touched $214.7 billion. May is, of course, a time of the year when the figure is usually low. On Dec. 31, 1955 it was $217.4 billion. Such changes as these were inevitably reflected in what is known as money supply—that is the total of currency outside of banks and demand deposits. On a seasonally adjusted basis this figure at the end of 1952 was $124.7 billion; at the end of May of this year it was $133.2 billion.

The cold fact of the matter is that we have had inflation almost from the day Franklin Roosevelt stepped into the White House, and inflationary pressures of one kind or another have been all but continuously applied to the economy ever since. Inflationary forces thus set free have not by a wide margin yet had their full effect. Greater moderation has been in vogue of late, but that is all.

*Continued from first page*

# Foreign Short-Term Claims And a Cure for the Gold Gap

time.[1] As a result our monetary gold reserves have declined and our short-term foreign indebtedness has increased, until some people are beginning to show concern about what might be termed our "gold gap." As of Jan. 31, 1956, our monetary gold stocks amounted to $21,693 billion, while short-term liabilities to foreigners amounted to $13,716 million, including $8,842 million which we owed to the International Monetary Fund, other international institutions, foreign governments and central banks.[2]

From these data, the conclusion has been drawn that "in an emergency" we could be caught short . . . Foreigners actually could drain away more than half of the gold in Government hands.[3]

In accordance with the provisions of the Gold Exchange Act of 1934, foreign governments and central banks have been free to convert their dollar balances into gold on basis of a more or less blanket permit granted by the Treasury, and since foreign commercial banks and corporations (which cannot demand gold directly) could transfer their American balances to their respective central banks, in theory at least, the entire amount of $13,716 million of foreign short-term claims could be withdrawn in the form of gold. In addition there are other foreign assets, which could be turned into cash and then into gold. The booming stock market in particular has attracted foreign funds during the past two years which could be liquidated on short notice.[4]

### The Burgess Table and Potential Gold Withdrawals

The first to call attention to the growth of foreign short-term claims was Deputy Secretary of the Treasury Dr. Burgess in his testimony before the Senate Subcommittee on Federal Reserve Matters during the 1954 hearings on various Gold Reserve Act amendments. For years, while still Vice-Chairman of the National City Bank and thus free to express his own opinions, Dr. Burgess had been an outspoken advocate of an early return to the gold standard. He was thus in a somewhat embarrassing position during the Senate hearings in that he had to make a case for the official policy of the Eisenhower Administration of not wanting to return to the gold standard.

As part of his testimony, Dr. Burgess presented a table which showed that as of Jan. 31, 1954 "U. S. Gold Reserves" amounted to $22,044 million, while "U. S. Required Gold Reserves" plus "Foreign Short-Term Dollar Balances" amounted to $23,922 million, thus leaving the unwary under the impression that IF the foreign short-term balances were withdrawn, the remaining gold would be insufficient to meet "required gold reserves." Dr. Burgess himself was very careful not to draw any such conclusions, and the Senators, aware of Dr. Burgess' predicament, soft-pedaled embarrassing questions.

As has been pointed out, for instance, by Prof. Spahr, "the Burgess table dealt with potentials which have little or no relation to actual experience. It was comparable to one that would list the potential claims against the cash reserves of an insurance company while ignoring the operation of a fractional reserve system."[5]

In the past, the United States has never experienced "gold runs" of the type implied by the Burgess table. In October 1931, following the devaluation of the pound, we lost $445 million (9.3% of our reserves) largely the gold which had taken refuge in this country since the middle of 1930, when the world began to lose confidence in the pound. During May and June, 1932, when there were rumors of an impending devaluation of the dollar, we lost $452 million (10.7%). These were the largest sudden gold losses which our monetary system suffered in more than 40 years, and both occurred as by-products of international disturbances of the severest nature.[6]

### Dollar Confidence and Conversion of Earmarked Gold into Dollars

The Burgess table, moreover, made no mention of American short-term balances abroad amounting to about a billion dollars, which might be offset to some extent against foreign claims against us. Besides, in speaking of "potential" demands against our gold reserves, Dr. Burgess might have pointed out "potential" additions. At the end of January, 1956, the Federal Reserve in New York held $6,949.5 million in gold earmarked for foreign account (which was not included in the gold stocks of the United States). Just as one might assume that lack of confidence in the dollar could produce a conversion of dollar balances into gold, increased confidence in the dollar and the prospects of an attractive return on U. S. Government securities could result in a conversion of gold into dollar balances. After all, foreign governments and central banks forego an annual income of about $140 million by holding earmarked gold rather than U. S. securities.

Since 1954, when the Burgess table was first published, American gold reserves have declined by $354 million (as of Dec. 31, 1955), while foreign short-term claims have increased by almost $1.7 billion. At the same time, reserve requirements have increased, so that the liquidity of the United States has deteriorated by over $2 billion during the past two years. Even if member bank requirements were reduced to the legal minimum, our gold reserves would still be inadequate to provide the required 25% gold coverage for Federal Reserve notes and member bank deposits, — IF all foreign balances were withdrawn.

### How Serious Is European Threat?

How serious is this threat?

The question has been raised by various writers in recent months. In a pamphlet published in 1955, the National Association of Manufacturers, for instance, referred to the Burgess table, and remarked that "it would appear from the above data that there is leeway for some sizable operations with a scoop shovel . . . if foreigners were so minded . . . If the foreign owners of the dollar balances here were to become convinced that the government intended to raise the price of gold, they would draw heavily against these balances before such devaluation became effective." Actually, however, under present conditions, "the foreign hoarding argument does not carry impressive conviction."[7]

In an editorial in "The Wall Street Journal," Mr. George Shea came to a similar conclusion: "The increasing rate at which foreign short-term credits are being piled up in the United States increase the concern over what would happen, if they were suddenly withdrawn, but at the same time it is a reassuring sign that the foreign claimants do not want to withdraw them . . . Uncle Sam, the banker, will need to keep considering precautions against a run on the bank, but he won't have to get panicky about it."[8]

"U. S. News and World Reports"[9] likewise devoted an article to the problem, and arrived more or less at the same conclusion as the NAM and "The Wall Street Journal," while there is no immediate danger, there is a potential danger.

### The Dangers of a Gold Exchange Standard

From the point of view of international finance, the accumulation of foreign short-term balances in this country is undesirable, whatever its prestige value from a political point of view. Almost $7 billion of foreign short-term balances belong to foreign governments and central banks. More that $5 billion of them are invested in U. S. Government securities, which yield at least 2%, so that we are paying more than $100 million a year for the privilege of storing the gold reserves of other countries. More serious is the fact that these balances serve as monetary reserves in the respective foreign countries. The gold held by the United States Treasury thus provides backing not only for the American monetary system, but indirectly for most of the nations of the democratic world. The gold thus does double duty: two layers of paper money or deposit money are created. When this system, which came to be known as the Gold

1 The deficit in the U. S. balance of payments amounted to about $7.8 billion during the four years 1950-53. (Department of Commerce, "Survey of Current Business," July 1954, p. 13). It amounted to $1.7 billion in 1954, and to $1.5 billion in 1955. ("Survey of Current Business," March 1956, p. 6.)

2 Federal Reserve Bulletin, March 1956, p. 243 and 288.

3 "U. S. News and World Reports," Feb. 24, 1956, p. 30 ff.

4 Investments, including stocks and obligations maturing in 20 months or later, are not classified as "foreign dollar holdings."

5 Walter E. Spahr "The National Association of Manufacturers and Irredeemable Currency." Published by Economists' National Committee on Monetary Policy, New York, 1955. (See also Walter E. Spahr: "A Refutation of the Burgess Table of Claims on Our Gold Stock," "The Commercial and Financial Chronicle," Nov. 17, 1955.

6 Since 1949, when the postwar peak in our gold holdings was reached, we have lost about $2.7 billion (11%) of our gold reserves, but the withdrawals were very gradual, and the result of our adverse Balance of Payments.

7 National Association of Manufacturers: "The Gold Standard," New York, April 1955, p. 9.

8 "The Wall Street Journal," Feb. 3, 1956, p. 1.

9 "U. S. News and World Reports," Feb. 24, 1956, p. 30 ff.

Exchange Standard during the 1920's, was first discussed at the Genoa Conference in 1922, the experts accepted it as a convenient method of "stretching" the limited gold supply. No one seems to have been aware of the fact that the resulting pyramiding of paper claims against the world's gold reserves involved potential cyclical dangers. During the 1920's it facilitated the international credit expansion. Afterwards, when international confidence disappeared during the 1930's, and the nations scrambled to repatriate their gold in order to avoid losses resulting from the threatening depreciation first of the pound and later of the dollar, the system aggravated the general international deflationary process, and thus contributed to the spread of unredeemable paper money with which the world is still confronted today.

The return to the gold exchange standard system after World War II on a much larger scale than during the 1920's shows how little the world has learned from past experiences.

Obviously, foreign nations are not likely to convert their short-term dollar balances, which yield them at least 2% annually, into gold, which would produce no income, as long as they feel certain that Congress will not tamper with the gold price, and the Treasury will not suddenly change its policy of permitting foreign central banks and governments to convert their dollar balances into gold.

### Recession Need Not Affect Gold

Nor would a recession either in this country or abroad necessarily affect the gold situation, except to the extent that a decline of U. S. imports might force some foreign nations to dispose of some of the dollar reserves in order to pay for needed dollar imports. For the time being, the policies of the Eisenhower Administration point more in the direction of continued deficits in our balance of payments, and hence a further increase in foreign short-term balances. There seems little hope for a reduction in military aid, and economic aid may increase, as we try to compete with Moscow in financing underdeveloped nations. Our farm subsidy program, to a large extent, has priced us out of world markets, and the deflationary drives in Britain and Germany, combined with the pressure for higher wages and prices in this country, will increase our difficulties in meeting foreign competition in the field of manufactured goods.

With short-term balances thus likely to increase further, we shall have to be more careful than ever not to precipitate a run. It is true, of course, that even if we should lose a large part of our gold holdings, and Congress were compelled to reduce the reserve requirements further, let us say to 15%, (10) this would not necessarily affect the intrinsic soundness of the dollar, which rests ultimately upon the soundness of the American economy as a whole, and our ability to compete in world markets. Psychologically, however, an international run on our gold, even if we were to meet all demands, could have serious repercussions, especially internationally. The many American economists do not fully realize that many foreign countries, which have experienced serious inflations during the past decades, are less "sophisticated" in monetary matters than American experts. To them gold losses represent a sign of economic weakness, which in turn tends to imply political weakness — and this foreign view, after all, is not completely unrealistic.

### A Change in the Gold Price

Under present circumstances, it is highly unlikely that Congress will even consider giving way to the pressure of British, South African and our own mining interests to raise the price of gold, and the Administration could be counted upon to veto any such bill. It would be foolish, however, to underestimate the persistent pressure in this direction, (11) and a mere suggestion of such a move, even if it were buried promptly in committee, could conceivably cause enough international distrust to result in material gold withdrawals. After the devaluation of the pound in 1949, for instance, and especially during the inflationary wave which accompanied the Korea conflict, at least one foreign central bank began to convert its dollar balances into gold, convinced that the dollar would be devalued eventually.

The situation can become more serious if the United States should slip into a depression, and the clamor for inflationary measures should increase. Central bankers throughout the world remember only too well that the devaluation of the dollar in 1933-34 was part of a "reflationary" experiment. With leading American economists even today, after 15 years of inflation, accepting "without concern" "a mild steady inflation" of not more than 3% a year; with the Employment Act of 1946 (admittedly the basis of American economic policy) certainly by implication emphasizing "full employment" if necessary at the expense of sound monetary policy; with organized political pressure almost entirely in the direction of higher wages and higher prices; any major recession is likely to produce a new wave of demands for more inflation, and just as the silver interests combined forces with the inflationists in the past, the gold mining interests will certainly advocate an increase in the price of gold "to help restore prosperity." Under such circumstances foreign central banks and governments might prefer to hold gold rather than dollar claims.

### Gold Embargo Possibility

Then there is the danger, remote as it seems at this time, that the Treasury might withdraw its permission for foreign governments and central banks to convert their balances into gold. The privilege to obtain gold is not part of the law or of any international agreement. It rests entirely upon the discretion of the President. The fact that we blocked Swiss and Argentine balances during the war, and that we seized nominally Swiss holdings in this country (and have thus far failed to return them) has affected the confidence of some foreigners that we shall respect international property rights if the going gets rough. Under an act passed by Congress in 1955, we seized recently $13,250,000 of Roumanian assets, including about $13 million in gold which had been frozen in this country since 1940. Similar action may be taken regarding Hungarian and Bulgarian assets. Congress passed the law because the three Iron Curtain countries had refused to meeet claims of American citizens as provided by the peace treaties. The measure thus seems perfectly reasonable. Yet in a world in which nations change sides very rapidly, some foreign central banks may wonder just what might happen to their monetary reserves in New York in case of a sudden political turnabout.

Our largest short-term liability, $1,454 million as of Dec. 31, 1955, is to Germany. At present our relationships with Germany are most cordial, but at the same time there is considerable agitation in the German press calling for the return of German private property which was seized in this country during the war. Should a less pro-American government come to power in Bonn, the "Bank Deutscher Laender" might find it advisable to repatriate its dollar holdings. The same holds true of other countries.

### Advocates Use of Surplus for Foreign Aid

The Gold Exchange Standard is based on international confidence, and such confidence has been at a discount for many years. Nor should one completely disregard the fact that the foreign short-term balances are to a large extent the result of American foreign aid. Should we permit foreign governments to undermine the confidence in the dollar, after we ourselves have generously given them the weapons to do so? An ambitious politician may find this a tailor-made campaign issue: the protection of American interests against foreign greed!

The chances are that no run will ever develop, and the "gold gap" will disappear just as the "dollar gap" vanished. In the meantime, however, the large foreign balances have become a factor which has to be taken into account in our foreign and domestic policies. Can we — and should we—permit a further increase in foreign short-term claims against us? If the Administration feels that continued foreign aid is essential for maintaining our position against Soviet encroachments, it may be necessary to pursue an economic policy which will permit us to pay foreign aid out of current surpluses rather than out of our substance, as we have been doing for the past six years. While we are far less vulnerable than Britain, we can conceivably approach a point where our domestic price policy will have to be reviewed carefully in the light of the gradual deterioration of our international liquidity. Just as any businessman with heavy current liabilities, we have to be careful not to add to our short-term indebtedness by pricing ourselves out of the market.

### A Return to Gold and International Confidence

Under these circumstances, it might seem unwise to add to the possible gold withdrawals by returning to a full gold coin standard at this time. This at least seems to have been Dr. Burgess' implied argument when he drew attention to the growth of foreign short-term balances two years ago.

Actually, it could be argued with equal justification that under present circumstances a return to the gold standard might actually be the wisest move. The economic dangers would be negligible, considering past experience. The domestic gold drain has never been a serious factor, and there is very little likelihood that Americans would hoard gold as long as they are convinced that the Administration is not planning a further devaluation of the dollar. Nor would there be an increase in foreign demand, as long as the London gold price is slightly below the selling price of the U. S. Treasury.

The real obstacle to a return to the gold standard, desirable as it might be as a means of reassuring the world, is the fear of many people—whether this fear is synthetic or real is beside the point—that a return to gold represents a step in the direction of a "hard money" policy, which in turn would mean lower prices and unemployment. This chain of reasoning has become so deeply imbedded in the minds of the American public — and of many American economists—that its validity is no longer questioned, despite the fact that experience, as we have seen, indicates no such close correlation between gold reserves, prices and employment.

Two years ago when testifying before the Senate Subcommittee, Mr. Martin said, "if the country's solvency were in question, if we were witnessing a flight from the dollar, then it might help to regain confidence by making the dollar redeemable in gold."(12) Certainly there is no flight from the dollar now. The very existence of the large foreign balances testifies to the world's confidence in the dollar. But we live in a very uncertain world, and international confidence can be shaken very easily and unexpectedly.

It thus becomes a question of political expediency for the Administration: on the one hand the desirability of reassuring our foreign short-term creditors by making the dollar fully convertible into gold thus making it perfectly clear that we do not plan to devalue the dollar, and on the other hand, the potential danger that the "soft money" groups will blame a possible recession upon the "reckless monetary experiments" of the Administration.

10 Reserve requirements were reduced in 1945 from 40% for Federal Reserve Notes and 35% for deposit liabilities to a flat 25%. Professor Paul A. Samuelson ("Economics," 3rd ed. p. 312) writes: "Before the present generation of college students hold their twenty-fifth reunion, it is not at all impossible that the Federal Reserve legal ratio will be changed to 10:1, and that the total money in the community will be much more than twenty times our gold holdings. A legal limit, which like the limit in the federal debt can be constantly changed, is no real economic limitation. Today this is taken for granted. But one of the contributing reasons for the severity of the 1920-21 price collapse was the failure of anyone to think of this easy solution to the Federal Reserve Bank's shortage of legal reserves."

11 At the Istanbul meeting of the International Monetary Fund in September 1955, e.g., the Governor for the Union of South Africa (40% of South Africa's exports consist of gold), supported by Mr. Richard Austin Butler, representing the United Kingdom, pleaded anew for a higher gold price, on the ground that "the inadequacy of reserves plays an important part in the perpetuation of exchange and import restrictions." ("Summary Proceedings, Annual Meeting 1955," International Monetary Fund, p. 29) "If the price of gold is not increased, then it may become unrealistic to continue to press for the elimination of restrictions; indeed, the non-dollar countries may be forced to seek an amendment of the Fund Agreement in order to allow much greater scope for discrimination than is permissible at present." (ditto p. 33).

12 "1954 Gold Standard Hearings," March 29, 1954, loc. cit.

## Karl Roberts Opens

WEST PALM BEACH, Fla. — Karl S. Roberts is engaging in a securities business under the firm name of Karl S. Roberts Mutual Funds from offices at 427 Northwood Avenue.

## New Guss Branch

GRAND JUNCTION, Colo. — Guss Securities Company has opened a branch office at 349 Main Street under the direction of Margaret K. Jones.

## Mann & Gould Branch

ROCKPORT, Mass.—Mann and Gould have opened a branch office at 69 Main Street under the management of Ralph M. Barker.

## Haughton Elevator Co. Common Stk. Offered

The first public offering of the shares of Haughton Elevator Co., Toledo, Ohio, was made Tuesday, Aug. 28, by an underwriting group headed by McDonald & Co., Cleveland, Ohio, and including Harriman Ripley & Co., Inc., and Kidder, Peabody & Co., Inc., New York City.

Haughton Elevator, whose business dates back to 1867, is believed to rank third in its industry. It manufactures, sells, installs and services passenger and freight elevators, including the recently developed "operatorless" type. The prospectus points out that the company was among the first to introduce "operatorless elevators and that they are being used in increasing numbers, with installations being made not only in new structures but as changeovers from other types of elevators.

The offering, at a price of $15.50 per share, consists of about 40% of the 401,200 shares of the company's outstanding common stock and does not represent new financing by the company. All of the proceeds will be received by the selling shareholders.

Other underwriters of the issue are A. G. Becker & Co., Inc., Chicago; Collin, Norton & Co., Toledo; The Ohio Co., Columbus; Baker, Simonds & Co., Detroit; McDonald-Moore & Co., Detroit; and the following Cleveland houses: Ball, Burge & Kraus; Fulton, Reid & Co.; Hayden, Miller & Co.; Merrill, Turben & Co., Inc.; Prescott, Shepard & Co., Inc.; Cunningham, Gunn & Carey, Inc.; Curtiss, House & Co.; Fahey, Clark & Co.; The First Cleveland Corp.; Gottron, Russell & Co., Inc.; Joseph, Mellen & Miller, Inc.; Wm. J. Mericka & Co., Inc., and Saunders, Stiver & Co.

## Home Finance Notes And Debentures Placed

Home Finance Group, Inc. has arranged to place privately, through R. S. Dickson & Co. Inc., $1,500,000 of 5% notes due July 1, 1971 and $280,000 of 6% capital debentures, series B, due Aug. 1, 1970.

Home Finance Group, Inc. has been in business 10 years and is engaged in automobile and small loan financing. The firm's main office is in Charlotte, N. C., and it operates 62 branch offices in cities located in North Carolina, Florida, Georgia, Kentucky, South Carolina, Tennessee, Virginia and West Virginia.

## Stuart Paine Opens

LOUISVILLE, Ky.—Stuart R. Paine is conducting a securities business from offices at 131 Breckenridge Lane.

*Continued from page 9*

# The Bankers' Crucial Role In Broadening Shareownership

into law, and we believe other states will follow.

Finally, of course, we have encouraged and helped develop new techniques for education and merchandising to help make investing easily available to **all** the people — techniques like investment clubs and the Monthly Investment Plan. nder the Monthly Investment Plan, for example, people are able to invest as little as $40 a month or a quarter regularly out of income. In the nearly 31 months of its existence about 77,000 MIP plans have been started —a good indication that stock investments can, in fact, be put within the practical reach of many people.

**Sound Set of Principles**

Behind all of our efforts, it should be clear, we developed a sound set of principles to guide the nation's investors. While we wanted people everywhere to appreciate their investment opportunities, it was equally important that they understand the risks involved, that they tailor their investments—as between stocks and bonds — to what they could afford, that they seek sound advice and get the facts, and that they have a steady income and cash reserve ready for the unpredictable emergency. Thus, our educational program has posted warning signs all along the investment road. The sum of these warnings has been: "Don't expect to get rich quick" and "Don't act on tips and rumors." We have also underscored the fact that the Exchange itself doesn't buy or sell securities, or analyze specific stocks, or judge the course of the market. These are tasks for the individual investor and his financial advisor.

Many a merchandising and marketing man has commented frankly that our necessarily cautious approach presents some herculean problems — and in an orthodox merchandising sense this is true. Nevertheless, there are bright signs of the measurable progress that has been made. The most significant, perhaps, are to be found in an exhaustive 1956 Census of Shareowners we released late last month.

**Results of Share-Holder Studies**

This research, which we entitled "Who Owns American Business?" revealed that the number of shareowners in the nation's publicly-held companies jumped 33% in the last four years to 8,630,000. Moreover, we are able to estimate that half the four-year increase took place in 1955 as the Exchange Community's broad-guage educational effort gained momentum. Admittedly, 8.6 million shareowners in a nation of almost 100 million adults offers no ground for complacency. But measured against four years ago, when there were 6.5 million shareowners, it is a sure sign of the direction in which we are moving.

We also found in our Census other striking facts which indicate the shape of things to come. More women, for example, are becoming shareowners—they now constitute 51.6% of the stockholder family. More young people have joined the stockholder ranks. The median age of all stockholders is now 48, compared to 51 four years ago. And of the stockholders added since 1952, the median age is estimated at 35. More small towns across the country are represented in the shareowning picture—and in communities ranging in size from 2,500 to 25,000, the number of stockholders actually increased by 125%. The state with the second largest number of shareowners next to New York is on the Coast — California with 1,011,000. Finally, the lie is being given to that tired Communist argument that stock investments are for the very few or the very wealthy or the very privileged. The median income of today's shareowner is $62,000 a year! Two-thirds of all shareowners actually have household incomes of under $7,500 a year.

But we are witnessing no blind boom in shareownership. Our periodic Public Transaction Studies, which are really depth portraits of who's in the market and why, spell out quite convincingly that people are investing for the long-term and using credit sparingly. In addition, our MIP figures show that these pay-as-you-go investors are concentrating on the blue chips and reinvesting dividends.

**The Banker's Role**

One inescapable conclusion to be drawn from our surveys is that millions of Americans are on the threshold of their first equity investment. It is also apparent that the banking industry has a direct part to play in this development. There is a factual basis for this conviction, and something more elusive that centers on the reputation that banks enjoy and the "state of mind" of America's current and potential investors.

Uppermost in my mind, of course, is one uncontestable fact: banks are already a key factor in the stock market. Last year we took a look at the rising level of institutional activity in the market and found that commercial banks and trust companies actually handled 42% of the growing volume of institutional business. Banks and trust companies specifically accounted for 76% of pension fund volume, 67% of trust and estate business, 60% of profit-sharing plan transactions and roughly 30% of the volume done by non-profit organizations.

Apart from their institutional role in the market, the broad geographic distribution of the nation's banks — their ability to serve vast segments of the public —is another factor that looms large in the shareownership picture. Consider for a moment the Pacific Coast and Mountain States represented at this meeting. Here is an 11-state area with 24 million people including 1,345,000 shareowners. The area also embraces an estimated 3.7 million people in families with incomes of $7,000 or more a year who are prime prospects for equity investments.

Well, to serve the investment needs of this population, New York Stock Exchange Member Firms maintain 260 offices in 80 communities—an increase of 33% in the number of offices in the last four years. But against this figure your area is served by some 2,703 banks and their branches.

**More Banks than Member Firms**

Thus, there is one bank here to serve every 9,000 people—and one Member Firm office to serve every 93,000 people.

Across the country the story is much the same. There is one bank to serve every 8,000 of the population, and one Member Firm office to serve every 79,000 people.

When additional millions do elect to invest where will they turn for guidance? Here, the confidence and esteem in which you are held will play an important part. You will be interested, I think, that a nationwide survey we conducted showed 36% of the country's non-shareowning households would go to a bank for advice about stock investments, and 25% of shareowning households would similarly go to their banks!

**"Awesome Responsibility"**

This is, I grant you, a rather awesome responsibility, and I would like to explore with you some of the questions it raises.

The first is the matter of risk. Can you in the banking business, where safety is the cardinal principle, recommend stock investments?

And second, assuming for a moment your clients are able to take the risks, ought you to recommend an investment in equities? What course are you to follow?

Both problems are closely related.

Where the risks of equity investments are concerned, so much has been written on the subject the problem has been thrown out of focus. Obviously there are risks. But the daily changes in securities prices have served to create a myth of price instability —a feeling that securities, more than any other type of property, are inherently unstable. What is not adequately understood is that while securities prices are changing, the value of properties and commodities of all kinds are undergoing similar changes. The stockholder, however, is one of the few property owners with a running record of what his property is worth—a privilege denied to the man who owns real estate, an automobile, or who believes that hard cash is going to protect his purchasing power against the assaults of inflation.

I stress this matter of safety and stability because it is uppermost in your minds. Your clients expect of you a kind of fool-proof service — one that yields only profits and no losses. And they are frequently satisfied if their investments offer the outward appearance of stability. But as bankers, a deeper responsibility to the investor, I believe, calls for examing the equity picture as well. Consider for a moment the man who enters your office and explains he has adequate insurance protection, sizable cash savings, and government bonds. In addition, he has just come into an inheritance of several thousand dollars. He wonders how to invest it, and he has managed, somehow, to retain the illusion that there is nothing harder than hard cash.

Is it proper to point out that between 1947 and the end of 1955 his hard cash lost 20% of its value? And to add that in the same period—had he been willing and able to undertake the risks—dollars invested in common stocks appreciated by 66%, according to Standard & Poor's index of 480 stocks? I believe, of course, that a patient explanation is due him.

Moreover, from your own viewpoint, the nature of competition is forcing bankers everywhere to broaden their services and handle a wider range of investment problems. You will, accordingly, be under increasing pressure to examine every phase of your client's investment life. Indeed, he will demand this attention. And though you may wonder how far to go in discussing with him the risks and rewards of stock investments, and the methods of tailoring his investments to meet his own situation, this hesitancy may not be shared by the banker down the street. This is the familiar pattern of our competitive, free enterprise system. If you will not discuss stocks and bonds with him —your competition will!

I do not suggest, of course, that every bank run an investment advisory service. And I will understand that no one should honestly expect his banker to be a good banker, plus a seer on the business outlook, plus an expert on securities.

Nor do I believe that banks should be put in the position of recommending stocks, or analyzing securities, unless they are able to employ the staff needed to handle profitably the business of trusts and estates.

But I do believe, on the other hand, that when our middle-income millions seek investment advice from their bankers, the pros and cons of equity investments must be considered increasingly in financial planning, and the risks and rewards spelled out.

**Direct Inquirer to Brokers**

I believe, further, that, depending on the services you offer, you can properly direct serious inquiries about stocks from your customers—in your clients' self-interest — to reputable brokers such as our Stock Exchange Member Firms. Day by day, these firms are examining and contacting America's great publicly-owned companies, and studying their investment potentials.

I believe finally, that you can point to the 1,100 companies whose more than four billion shares are listed on the New York Stock Exchange—and who paid a record $4 billion in dividends during the first six months of the year—and explain that every investment appetite from the conservative blue chip to the bold speculation, from bonds to common stock, can be satisfied. This can be done, I feel, with the added knowledge that the investor will receive full information on which to base his decision, and, in the case of stock, a corporate ballot to exercise his vote.

The Exchange's approach to the investment problem is, as I have indicated a balanced one. We are spelling out the responsibilities that go with stock investments, and we are fighting the sharp promoters who prey on the gullible with their get rich quick schemes.

We are absolutely convinced that broader shareownership is the answer to the nation's—and the West's — need for growth money, and the individual's need to share in a bright tomorrow. We have been guided by the belief that creative capital is the key to the future, and that the banking fraternity—among the great industries serving the public—will have a key role in broadening the ownership base.

We think our immediate target of 500,000 new shareowners a year will be met on a sound basis, and that with your help we'll look back on the coming decade as a time when, through broader shareownership, we took a bold step forward—without benefit of pall-bearers.

# Purchasing Agents Exude Renewed Optimism

**N.A.P.A. survey of their members reveals May and June doubts have been optimistically resolved in the general belief that remainder of 1956 business will be good. Reports labor settlements result in higher prices and continuing creeping inflation and that the steel strike caused only a few to cut back planned production.**

Purchasing Executives view the balance of 1956 with renewed optimism, according to the composite opinion of purchasing agents who comprise the N.A.P.A. Business Survey Committee, whose Chairman is Chester F. Ogden, Manager of Purchases, The Detroit Edison Company, Detroit, Mich. The misgivings that were expressed in May and June have largely disappeared. Production remains high, substantially unchanged from the May-June level, and there is a definite upturn in the new order situation. The better new order position undoubtedly is a reflection of the general belief that business during the remainder of 1956 will be good.

As could be anticipated, the recent generous labor settlements are resulting in higher prices and a continuation of creeping inflation. Inventories are slightly lower. Employment remains high and, rather surprisingly in view of recent strikes, is reported slightly above June, with gradual increases expected through the fourth quarter. Nickel and steel are the items hardest to obtain. There is no relief in sight on the nickel shortage until new productive facilities, which are being encouraged by government incentives, are available and actually producing the scarce metal. As a result of price increases, there has been a natural tendency to lengthen order lead time, especially on production items.

The special question in July was designed to determine whether or not the steel strike had caused any major downward revision of production schedules or capital expenditures for the balance of 1956. The reports indicate that only a few actually had to cut back planned production and only an insignifcant number were changing capital expenditure plans.

**Commodity Prices**

Prices are higher, reflecting the wage increases granted in recent labor contract settlements. Four out of five Purchasing Executives report that they are having to pay more for the materials they buy. With the exception of Midsummer, 1955, we have to go back to early 1951 (the Korean War Period) to find a time when so large a percentage of reporting members stated that prices were up.

**Inventories**

A continued reduction in inventories is reported this month. There is, however, a strong minority who admit that somewhat higher inventories were accumulated in anticipation of a longer steel strike. In general, the backlog of unworked materials is at the lowest point since the Fall of 1954.

**Employment**

The relatively short duration of the steel strike appears to have had only a localized effect on the employment situation. Actually, the number of Purchasing Executives reporting employment as the same or better than June increased from 79% to 83%. The outlook for employment for the rest of the year is very optimistic. Some even report shortages of qualified factory employees.

**Buying Policy**

Increasing prices have had the natural result of extending the period of time for which Purchasing Executives are willing to make commitments.

On production materials, very few are now operating in the hand-to-mouth and 30-day areas. The large preponderance is covering for 60-90 days ahead.

MRO supplies, however, continue to be bought in the 90 days-and-less range.

Because of the relatively long lead time required for delivery, most Purchasing Executives continue to schedule capital expenditure commitments more than 90 days ahead and two out of three are buying six months or more in advance of required delivery.

**Specific Commodity Changes**

As could be expected, steel and steel items overwhelmingly lead the parade of reported price increases and shortages this month.

**On the up side are:** Aluminum, steel and steel products, steel scrap, pig iron, phenolic resins, alcohol, paper, cornstarch, coke, rubber, typewriters, and antifriction bearings.

**On the down side are:** Brass, copper and copper products, vegetable oils, and cotton.

**In short supply are:** Aluminum, nickel, steel and many steel products, stainless steel, monel, paper, cellophane, antifriction bearings, and cement.

## R. E. Kohn Announces Achievement Award

NEWARK, N. J.—A firm manufacturing bread boards, organized and operated at a profit by Essex County teenagers, has won the 1956 Richard E. Kohn & Company Award for the excellence of its report to stockholders. This was announced by Richard Kohn of West Orange, Senior Partner of Richard E. Kohn & Co., 20 Clinton Street, which gives the plaque yearly to the Essex County Junior Achievement Company producing the best annual report.

Students from six Essex County high schools will receive the award jointly on behalf of the winning company. The youthful promoters are Marilyn Messier, Judy Morris, Claire Vogel and Brenda Saunders, all of West Orange; Mel Goldstein, Larry Hecker, and Howard Friedman, all of Newark; Dieter Sand and Jack Pilato, both of East Orange; Richard Carroll of Bloomfield; Rossiland Bissell of Belleville; and Albert Silberman of Orange. Their firm, manufacturing wooden bread boards, shaped in animal forms, grossed $219.85 in sales and, after wages and operating expenses, paid a 10% dividend to investors.

The 1956 winner, known as Craf-Co, was one of 31 Junior Achievement groups in the county which submitted reports. Because Junior Achievement companies are organized and managed by teenagers who are acquainting themselves with the way in which American business is conducted through a learn-by-doing program, reports must be prepared by them, under the rules of the contest.

A committee of judges, including Marshall M. Thomas, Partner in the certified public accounting firm of Peat, Marwick, Mitchell & Co., Adolph A. Johnson, Vice-President of Federal Trust Company, and Robert C. Ellis, Financial Editor of the Newark "News," evaluated the reports on clarity of presentation, completeness and general appearance.

The Richard E. Kohn & Company award was established five years ago by the brokerage firm to encourage interest in finance among high school students. The present winner was sponsored by the American Insurance Co. Under the terms of the award, the plaque will be retired to a firm after it has sponsored three winners.

## Shearson, Hammill Branch

ROCHESTER, N. Y. — Shearson, Hammill & Co. have opened a branch office in the Triangle Building under the management of Schuyler C. Wells, Jr.

## Henderson Opens Branch

BURLINGTON, Iowa — T. C. Henderson & Co., Inc. have opened a branch office in the National Bank Building under the management of Carl H. Kleinkopf. Mr. Kleinkopf was formerly local manager for A. G. Edwards & Sons.

# Securities Salesman's Corner

By JOHN DUTTON

## Fundamentals of Security Salesmanship

*—What to Read and Study—*
*ARTICLE 10*

Taxes today have become such a vital consideration in the planning of investment programs that it is imperative for every security salesman who has the objective of handling his accounts on the basis of the most value per dollar of investment to his client, to know the ABC's of the Federal income tax, income taxes in the state where he works, Federal and state inheritance taxes, and gift taxes.

The use of living trusts, both revocable and irrevocable; gifts of future interests; bequests to charities and their income tax advantages to the donor; and the use of reversionary trusts in the case of minors, are subjects with which the competent security analyst must have a sound working understanding.

**Some Suggested Study Material**

**"What You Should Know About Estate and Gift Taxes"** by J. K. Lasser, is an excellent, clearly written and understandable book written on this involved subject. Your book store can obtain it for you. Read it and study it carefully.

Each year Sinclair, Murray & Co. Inc., Hillside, N. J., publish a handy pocketsize little summary of the latest condensed data on taxes known as **Pocketax.** I have not been without this little booklet for years. Capital gains and losses, the intricacies of the Federal income tax, dividend exclusions and credit, tables of taxable vs. tax-exempt income, social security, the tax status of life insurance, Federal estate and gift tax tables, are all covered in concise form. Both Prentice Hall and Commerce Clearing House offer and publish other tax services detailed and cumulative in nature if you wish to go further into this study.

**Financial Planning** is a service published by Kalb, Voorhis & Co., 25 Broad Street, New York, 4, N. Y. This is a helpful review of ideas which can be used in Estate Planning dealing with the most advantageous use of capital taxwise.

The leading Mutual Funds will send you information on the use of trust instruments, also case histories of methods which can be used to save inheritance taxes and reduce probate costs of the now vulnerable estates of many of your clients. Send for this material. It is helpful because it is written for the lay salesman and not the tax expert.

Information of (the use of) reversionary trusts for minors is also available from the Mutual Funds, as well as an interpretation of the new law which is operative in many states wherein gifts of stock, or mutual fund shares, can be made to a minor and a simplified form of registration into the name of a **custodian** can now be arranged. This is a very important development and you should know about it.

**Conclusion**

After you have studied the material presented in this series of articles you should have a sound foundation upon which you can build a career in the business of selling investment securities. Yet it is only the beginning. You must make the effort yourself. The course offered by the Investment Bankers Association of America in conjunction with the University of Chicago would be a suitable way to begin in my opinion. There is a prescribed course of work to follow and this is preferable to trying to work it out yourself. But if you are conscientious and you spend the required 14 hours per week (minimum) reading, studying, and taking notes, using the basic material I have outlined in this series, you should know a great deal more about the fundamentals of investment than would otherwise be the case.

Many years ago (while in my first job) I was walking from one department to another of a large insurance agency. In my hand I held a simple document which I was delivering from one executive to another. On my way the President of the company stopped me and asked me what I had in my hand. I said it was a form in connection with a claim for processing by the claim department. He smiled and said, "That's right, but why don't you take a minute or two to read it and find out what it says. That's a good way to learn."

**Ed. Note: The foregoing is the final article in the series by Mr. Dutton on the "Fundamentals of Security Salesmanship."**

## Sells Bonds at County Fair

PHILADELPHIA, Pa. — A new approach to marketing of local Pennsylvania school authority bonds has been employed by a Philadelphia investment firm.

The firm—Butcher & Sherrerd — installed a large booth last week at the annual Dallastown Fair (York County, Pa.) to stimulate interest in a local issue of school authority bonds—Dallastown Area School Authority.

Interest in the display confirmed the firm's belief that local taxpayers are vitally interested in local school affairs and in investing their savings within their own community. Not only were bonds bought by local residents at the booth, but numerous visitors to the fair invited the firm's representatives to call on them at a later dated, according to James W. Heward, Manager of Butcher & Sherrerd's municipal bond department.

As an indication of the number of authority bonds outstanding, Mr. Heward pointed out that Butcher & Sherrerd has participated in the financing of more than $180 million of school buildings in Pennsylvania.

## Walston Adds to Staff

PHILADELPHIA, Pa.—Walston & Co., members of the New York and Philadelphia-Baltimore Stock Exchanges, announce that Ellwood Messinger is now associated with them as a registered representative and manager of the firm's office at 1420 Walnut Street.

## Now Rudd, Brod & Co.

WASHINGTON, D. C. — The firm name of Rudd & Co., 734 Fifteenth Street, N. W., members of the New York Stock Exchange, has been changed to Rudd, Brod & Co.

## Burnham & Co. Admit

Burnham and Company, 15 Broad Street, New York City, members of the New York Stock Exchange, on Sept. 6 will admit William J. MacKenzie, Jr. and Andries D. Woudhuysen to partnership.

## William H. Sills

William H. Sills, head of Sills & Co., Chicago, passed away at the age of 41.

# Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The rise in the discount rate to 3% was pretty much expected by the government market. In anticipation of such a development, most of the longer-term Treasury issues not only made new lows for the year, but also a good many of them were within striking distance of their 1953 bottoms, which was the lowest levels many of these obligations sold at since the time of issuance. The rally which took place in prices of government securities was reportedly due to a combination of things, namely short-covering, agency buying for support purposes, quotation mark ups, a small amount of investment buying as well as some minor positioning of bonds by dealers for trading purposes.

Another factor which had a favorable effect on the government market was the good reception which was given to the large issue of Pacific Telephone and Telegraph Co. bonds. This AA rated corporate obligation was offered on a 4.23% basis, the highest yield in many years for such a bond. After a moderately slow start, it caught on and was oversubscribed in short order. The Associates Investment Company 4½s at par also went well. This likewise gave some help to the governments.

### Loan Demand Persists Despite Higher Costs

The recent increase in the discount rate from 2¾% to 3% by several of the Central Banks means that a uniform 3% rate will be in effect in the near future. The upward trend of interest rate was given further impetus when the large commercial banks lifted the prime rate from 3¾% to 4%. This resulted in the level of all borrowing rates being revised upward so that the cost of obtaining credit now is approaching the rates that were being paid in the late '20s and early '30s.

The demand for loanable funds, both short and long, is very large and as yet there are not too many signs of any let-up in the completion for the available supply. To be sure, a few long-term corporate bond issues have been withdrawn from the market for sale because of the higher cost of obtaining this money, but there does not seem to be any large scale postponement of debt financing because of the rising level of interest rates.

As a matter of fact, with income taxes as high as they are, more than 50% of the cost of borrowing is paid for by the government. Nonetheless, the uptrend of interest rates does mean that borrowers are paying much more for borrowed funds now than was the case not too long ago, in spite of the help which is being obtained through the medium of high Federal income taxes.

### Reserve Policy Based on Inflation Threat

The anti-inflationary move by the monetary authorities in allowing the discount rate to go to 3% was the sixth time the Central Bank rate has been raised since April of 1955 when it was 1½%. This recent action of the Federal Reserve Board in consenting to an increase in the discount rate was officially described as an attempt to head off inflationary excesses in the economy. The feeling within the Federal Reserve System is that business prospects are good and it is hoped that excesses which might upset this outlook can be prevented. It is believed that a resurgence in business activity is on the way for later this year.

### Commercial Banks Took the Lead

The boost in the discount rate on this occasion followed the increase in the prime bank rate whereas in the past, in many cases, rates have been increased by the commercial banks after an increase has been made in the Central Bank rate. By having the deposit banks take the lead in initiating higher interest rates, some of the onus and criticism will be shifted away from the monetary authorities. This is not an unfavorable development, especially in an important election year.

### Plateau in Rates Believed Established

The money market has been under constantly increasing pressure since early 1955 because of the tremendous demand for credit which, together with the policy of restraint of the powers that be, has been pushing the cost of borrowing upward. This latest turn of the screws to make less easy the obtaining of credit brings with it the question as to when there will be a halt in the upward movement of interest rates. To be sure, the accurate answer to this question will come only with the passing of time.

On the other hand, there are not a few money market specialists who are of the opinion that this latest move by the monetary authorities in allowing the discount rate to go to a uniform 3% is quite likely to wind up the sharp uptrend in interest rates. It is being pointed out that the boom in business could be slowing down in the not too distant future, since quite a few maladjustments have been developing the economic system. These will tend to lessen the demand for loanable funds and that would take the pressure off the money markets.

### Watch "Bills Only" Policy

The Federal Reserve Banks have been buyers of Treasury bills in an effort to take some of the extreme restaint away from the money market. The "bills only" policy should be watched very closely for clues as to future money market developments.

## Two With A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla. — James D. Holmes III and Edmond C. Van Hoose are now with A. M. Kidder & Co., 122 West Forsyth Street.

## With McDaniel Lewis

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — Robert E. Lee, Jr. is now with McDaniel Lewis & Co., Jefferson Building.

## A. M. Kidder Adds

(Special to THE FINANCIAL CHRONICLE)

LAKELAND, Fla.—Anthony W. Rowse is now connected with A. M. Kidder & Co., 131 South Tennessee Avenue.

## Joins First Southern

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Joseph R. Arnold has become connected with First Southern Corporation, 350 Lincoln Road.

# Bank and Insurance Stocks

By ARTHUR B. WALLACE

## This Week—Bank Stocks

New England pioneered the use of bank stocks as investment media for savings banks, and while one of these states, Massachusetts, was laggard in utilizing them, today all six of these northeastern states not only admit certain bank stocks to their savings banks legal lists, but there has been some tendency to liberalize their enactments such as to legalize more stocks. Some of the restrictions will be of interest.

In Maine a savings bank may invest in the capital stock of any bank doing business in the continental United States provided, (1) the bank is a member of the Federal Reserve System; (2) Such bank shall have no security outstanding that is senior to the stock qualifying as legal; (3) Such bank shall have capital funds [capital surplus and undivided profits] of not less than $10,000,000, and not less than 6% of the deposit liability of the bank. No one bank stock may, in value at acquisition, exceed 10% of the savings bank's deposits; nor may any acquired bank stock's book value exceed 1% of the savings bank's deposits; nor may any acquired bank stock exceed in value 10% of its capital stock. Obviously these provisions are broad enough to put a number of bank stocks on the Maine legal list.

Vermont's provisions are simple. A savings or other state chartered bank may invest in the stock of "a Federal bank . . . or a national or state bank or trust company organized and doing business within the United States. . . . The purchase price at any one time shall not exceed 10% of the capital and surplus or 1% of the total assets of the purchasing bank, whichever is greater." It is thus not difficult for a bank stock to qualify in Vermont.

New Hampshire, as indicated in an earlier general discussion here, treats its own domiciled bank stocks apart from those out-of-state. The stocks of New Hampshire chartered banks and those of National banks doing business in New Hampshire, are eligible investments for that state's savings banks so long as the amount of them does "not exceed one-fourth of the total capital stock of such . . . savings bank or National bank." As to the stocks of out-of-state banks, these banks must be members of the Federal Reserve System; must be located in a city having a population of not less than 500,000; the combined capital surplus and undivided profits shall be not less than $10 million; the combined surplus and undivided profits must at least equal the capital stock; and a dividend in cash must have been earned and paid in each of the five fiscal years next preceding investment. These provisions are sufficiently broad as to have admitted to eligibility as of November, 1955, the stocks of 54 banks around the country.

In Rhode Island legal investments in bank shares by savings banks and other state chartered banks are restricted to the stocks of banks in the New England states, those in the State of New York, and "any national banking association doing business in any of said states;" and to the stock of a bank or trust company incorporated and doing business in any other state, provided in this latter category (states other than New England and New York) the bank is a member of the Federal Reserve System, has a principal office located in a city of at least 200,000 population, has an aggregate capital, surplus and undivided profits of at least $5,000,000, and have been in active business for at least 10 years. Further restrictions apply to the investing savings bank: It may not have more than 10% of its "savings deposits" invested in bank stocks on the basis of par value; nor more than 3% of such deposits in the stock of any one bank, also of par value; nor more than one-quarter of the capital stock of more than one bank.

Massachusetts imposes no geographical restriction. Its savings banks may invest in the stock of a "national banking association or trust company doing business anywhere in the United States" assuming Reserve membership; $40,000,000 of capital funds minimum; 6% deposit liability ratio (that is to capital funds); dividends of not less than 4% on the common or capital stock in each of the 10 years next preceding the investment without having reduced the aggregate par value in such 10-year period. Further restrictions have to do with the amount of bank shares that may be held; the value of them may not exceed two-thirds of the savings bank's guaranty fund and profit and loss account (other names in New England for surplus and undivided profits respectively in a mutual bank); nor may the value in any one bank stock exceed one-fifteenth of the guaranty fund and profit and loss account; nor may the savings bank hold more than 15% of the outstanding stock of any one "national banking association or trust company."

Digressing briefly, an earlier article on this general subject pointed out that one reason why bank stocks had not yet been admitted to New York State's legal list for savings banks was that a number of upstate bankers feared that savings banks in their areas might get control of business banks. Several New England states have taken care of the "problem" as was done in Massachusetts.

In Connecticut a savings bank may invest up to 50% of its surplus and profit and loss in the stock of a Connecticut domiciled bank. Or the savings bank may invest in the stock of a bank located in a city that a head office of the Federal Reserve, provided the bank has paid dividends of at least 4% in cash in each of the preceding five years, and provided the capital funds of such bank located outside Connecticut be at least $20,000,000. Also included is the capital stock of any bank located and doing business in continental United States when it has capital funds of at least $100,000,000 and has paid the same 4% minimum of dividends in cash in each of the preceding five years. There are also the usual limitations on the amount of anyone stock that may be held.

The point of all of this is that the hard-shell New England savings banker recognizes bank stocks as suitable media for the investment of deposits. Should not this be adequate recommendation not only for the individual investor, but for other states?





## Land Banks Offer $245 Million Bonds

The 12 Federal Land Banks offered publicly yesterday (Aug. 29) $135,000,000 of 3¾% bonds due July 15, 1957, and $110,000,000 of 3⅞% bonds due Sept. 15, 1972. The 3¾s of 1957 are being offered at 100%, and the 3⅞s of 1972 at 99½%. These new consolidated Federal Farm Loan Bonds will be dated Sept. 14, 1956. They are not redeemable before maturity.

The offering is being made through the banks' fiscal agent, John T. Knox, 130 William Street, New York City, with the assistance of a nationwide dealer and banker group. The proceeds will be used to redeem $130,000,000 of 2⅞% bonds maturing Sept. 14, 1956, to repay borrowings from commercial banks, and for lending operations.

The Federal land banks make long-term loans to farmers through 1,100 national farm loan associations on the security of first mortgages. The local associations are owned entirely by farmers. The associations in turn own all of the stock of the Federal Land Banks. Farmers have about $96 million invested in the banks. The banks have accumulated reserves and surplus of $262 million.

## New York Stock Exchange Weekly Firm Changes

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

Transfer of the exchange membership of the late Frank Jay Gould to Roy R. Neuberger will be considered by the Exchange Sept. 6.

George H. Dixon will retire from partnership in Davis & Davis, Providence, Rhode Island, on Aug. 31.

### With King Merritt

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—William Carlson is now affiliated with King Merritt & Co., Inc., Chamber of Commerce Building.

### With F. I. Du Pont

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla. — Fred E. Russell has become affiliated with Francis I. duPont & Co., 212 Datura Street.

### Joins Nolting, Nichol

(Special to THE FINANCIAL CHRONICLE)

PENSACOLA, Fla.—George A. Martin is with Nolting, Nichol & Co., West Garden Building.

### Investors Programming

BROOKLYN, N. Y. — Samuel Abraham is engaging in a securities business from offices at 3920 Thirteenth Avenue under the firm name of Investors Programming Service.

*Continued from page 6*

# The State of Trade and Industry

the first half of 1956, an increase of approximately 1.6 billion over production in the comparable period last year.

Major factors in this over-all industry increase of 9.1% were rises in the use of cans for fruits, vegetables, fish and seafood, beer, coffee and pet food and liquid detergents the company said.

Almost five billion cans for fruits, vegetables and juices were produced from January through June, an increase of 16.5% over the same 1955 period, stated the American Can Co. Beer can production increased 8.4% to more than 3.3 billion cans. Other notable production increases were 27.8% for meat cans and 19% for coffee cans.

### Swiss Watch Sales Booming

In the first six months of 1956, the sales of Swiss watches reached a total record sale of 531,900,000 francs comparing with 471,000,000 francs in 1955. Some 12,477,240 watches valued at 369,100,000 Swiss francs were exported, an increase of 15.9% in volume and 13.1% in value. The Swiss watch industry enjoyed its greatest advance in the Asiatic market. Sales increased 23.3% over the comparable 1955 period, totaling 109,200,000 Swiss francs against 88,500,000. India, Arabia, Singapore, Thailand and Indonesia bought more Swiss watches but the largest purchasers were Red China and Hong Kong with an increased exportation of 15,700,000 francs. Swiss exports to Japan, Burma and Israel declined. Exports to North and South America also declined.

### Bank Clearings for the Country Up 19.8% Above Last Year

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by us based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, Aug. 25, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 19.8% above those of the corresponding week last year. Our preliminary totals stand at $21,233,594,582 against $17,718,774,320 for the same week in 1955. At this center there is a gain for the week ending Friday of 23.7%.

Complete and exact details for the week covered by the foregoing will appear in our issue of next week.

For those of our readers who are interested in a comprehensive compilation of bank clearings for the entire country, we suggest that they refer to the comparative table, which we publish in the Monday Editions of The "Chronicle," covering 125 cities.

### "Iron Age" Views the Outlook for Steel

The steel market is building up to a fourth quarter climax. How serious it will be depends on requirements of major industries, particularly automotive. But many consumers already are jittery over the outlook due to delivery uncertainties, according to The Iron Age, national metalworking weekly.

For the mills, the outlook is just as shaky. The list of tight products now includes hot-rolled bars as well as plate, structurals and pipe. Hot-rolled sheet already is booked well into first quarter of next year. For some mills, cold-rolled sheet is filled through December, for all practical purposes.

A critical shortage of aluminum-kilned sheet is fast developing. This premium material is in strong demand. But most mills are limited on the amount they can make and the post-strike quality of iron and steel hampered production further.

Oil country goods is another critical product. Some producers were overbooked going into the strike, so that carryovers will be that much heavier unless orders are arbitrarily cancelled to bring books up to date. Mills are filled through fourth quarter, and consumers are clamoring to get onto first quarter 1957 books.

Meanwhile, the mills are confronted with a crisis on the raw materials front. Scrap prices have shot through the ceiling and appear to be reaching for the stratosphere. The iron ore outlook has mills worried—although not seriously. Of more immediate concern is pig iron, which accounts for the current run on scrap. Some blast furnaces never got back into production after the strike. Others are on the verge of being taken out of production for relining and repairs.

The tight situation in hot-rolled bars, used extensively in many industries, has developed from growing requirements for merchant bars plus competition for mill space from concrete bars. The latter are important to the booming construction industry.

Automotive demand could throw the steel market into complete turmoil. It all depends on how the public takes to the 1957 models. But regardless of auto sales, fourth quarter demand from automotive will be heavy to handle initial production schedules of the new cars. And some consumers who now feel they are sitting pretty with good inventories may find themselves scratching for tonnages in a few months.

**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 96.5% of capacity for the week beginning Aug. 27, 1956, equivalent to 2,376,000 tons of ingot and steel for castings as compared with 95.8% of capacity and 2,359,000 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 16.9% and production 415,000 tons. A year ago the actual weekly production was placed at 2,255,000 tons or 93.4%. 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.**

### Auto Production Turns Out Its 4,000,000th Car for 1956; 1957 Models Are Rolling off the Assembly Line

The first 1957 model car rolled off an assembly line this week as industry auto building for the calendar year nudged the 4,000,000-unit mark, said "Ward's Automotive Reports" on Aug. 24. When car No. 4,000,000 is assembled on Aug. 28, "Ward's" added, it will mark the eighth time in automotive history that such an output level has been attained in a single year.

Volume for this week is 69,501 cars, a 29% drop from the week earlier count and the lowest tally since the July 4 week. Contributing to the sharp decline were Plymouth, Ford Division and Studebaker who closed 1956 building a week ago and concentrated on changeover activity this week. General Motors divisions and Mercury are the only manufacturers who have yet to begin switchovers to new models.

However, the 1957 model year was officially launched this week as Lincoln scheduled its first production step since closing out 1955 models the end of July.

On a year-to-date basis, U. S. car building through this week will approximate 3,984,000 units, said "Ward's," 27% under the 5,475,486 built through the like 1955 span. General Motors with some 2,153,000 cars assembled since Jan. 1 accounts for 54% of the total, Ford Motor Co. 27.6%, Chrysler 15.0% and Studebaker-Packard and American Motors (67,000 units each) 3.4%.

Across the border, Canadian vehicle building was at a virtual standstill with all producers in annual plant-wide vacations or changeover activity; International Harvester of Canada — truck builder—was the only producer active this week.

### Car Loadings for Aug. 18th Week Less Than 1% Below 1955 Week

Loading of revenue freight for the week ended Aug. 18, 1956, totaled 769,624 cars, the Association of American Railroads announced on Aug. 23, 1956. This was a decrease of 6,077 cars or eight-tenths of one per cent below the corresponding week in 1955, but an increase of 91,000 cars or 13.4% above the corresponding week in 1954.

Loadings in the week ended Aug. 18, were 54,388 cars or 7.6% above the preceeding week.

### Electric Output Lower in Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 25, 1956, was estimated at 11,340,000,000 kwh., according to the Edison Electric Institute, equivalent to 213.5 on the weekly output index.

This was a decrease of 454,000,000 kwh. below that of the previous week. It increased 434,000,000 kwh., or 4.0% above the comparable 1955 week and 2,113,000,000 kwh. over the like week in 1954.

### Business Failures Decline

Commercial and industrial failures declined to 215 in the week ended Aug. 23 from 289 in the preceding week, reported Dun & Bradstreet, Inc. Although the toll was the lowest in seven weeks, it remained above the 180 in the similar week a year ago and the 184 in 1954. Failures were down 19% from the prewar level of 264 in the comparable week in 1939.

Liabilities of $5,000 or more were involved in 174 of the week's failures, compared with 233 in the previous week and 149 last year. Small failures, those with liabilities under $5,000, dipped to 41 from 56 a week ago but exceeded the 31 of this size in 1955. Twenty-two businesses failed involving liabilities of more than $100,000, as compared with 30 in the preceding week.

Fewer failures occurred during the week in all industry and trade groups. Among retailers, the toll fell to 106 from 142, among manufacturers to 39 from 50, among wholesalers to 19 from 28, and among service concerns to 18 from 32. A milder dip reduced construction failures to 33 from 37. Failures exceeded the 1955 level in all functions except wholesaling; the sharpest increases from last year took place in service and retail lines.

### Retail Trade Dips

While **consumer buying** decreased somewhat in the Aug. 24 week, total retail volume was moderately higher than the corresponding level a year ago. There was an increased call for **women's Fall apparel, television sets,** and some **food products,** but interest in **furniture, linens,** and major **appliances** was below that of the preceding week. Sales of **used cars** continued to rise, and were close to those of the comparable 1955 week.

The total dollar volume of retail trade in the week ended on Wednesday of last week was 1 to 5% higher than a year ago, according to estimates by Dun & Bradstreet, Inc.

Early Fall **sales promotions** spurred consumer purchases of **women's coats, dresses,** and **sportswear.** Popular accessories were **jewelry, millinery,** and **hosiery;** the call for **blouses, skirts,** and **sweaters** expanded appreciably. Sales in **men's apparel** fell slightly, but remained above those of last year. Volume in **overcoats** and **Fall suits** edged upward, but interest in **Summer sportswear, lightweight suits,** and **furnishings** slackened noticeably.

Except for slight gains in occasional **chairs** and **tables, furniture sales** declined this week; the most noticeable decreases occurred in **bedding** and **case goods.** While there was an upsurge in purchases of **television sets,** the call for **deep freeze units, automatic laundry equipment,** and **lamps** fell moderately. Retailers reported noticeable volume reductions in **linens, blankets, carpets,** and **draperies,** but sales slightly exceeded the comparable 1955 levels.

The buying of **fresh meat** expanded considerably this week, but the call for **poultry, eggs,** and **butter** declined somewhat. Grocers reported increased buying of **fresh produce; frozen juice concentrates,** and **canned fish;** sales of **canned fruit** and **vegetables** continued to decrease.

### Rise at Wholesale

Buying activity increased in the major wholesale centers this week, with appreciable gains reported in **furniture, gifts,** and **linens.** The total dollar volume of wholesale trade moderately exceeded that of a year ago.

**Chinaware, gifts,** and **glassware** attracted considerable attention at the New York Gift Show, and orders were noticeably higher than those of last year. There was a moderate rise in buying of **furniture;** best-sellers were **dinette sets, juvenile furniture,** and **occasional chairs.** Volume in **linens** and **blankets** mounted substantially, while interest in **carpets** and **draperies** remained at the level of the previous week.

Re-orders for **women's Fall coats, suits,** and **better dresses** expanded moderately this week, and wholesale stocks were often limited. The call for **women's shoes, hosiery,** and **sweaters** rose noticeably. Although purchases of **men's Fall suits, coats,** and **furnishings** increased somewhat, they were close to the comparable 1955 level. There was a marked rise in orders for **girls' coats, dresses,** and **shoes;** interest in **boys' back-to-school clothing** continued at a high level.

Although orders for **lightweight coating fabrics** and **rayon acetates** expanded this week, several synthetic fabric mills greatly curtailed output in an attempt to reduce high inventories. While transactions in **woolens** and **carpet wools** fell somewhat, volume in **worsteds** rose moderately. Bookings in **velvets** and **corduroys** continued to climb.

Food buyers noticeably expanded their purchases of **canned fruit juices** and **fish** this week, and wholesale inventories were appreciably reduced. However, sales of **canned vegetables** and **fruit** declined considerably. While volume in **lamb, pork,** and **veal** exceeded that of the preceding week, the call for **beef** declined moderately.

### Wholesale Food Price Index Edges Slightly Higher

Price trends in wholesale food markets were generally steady this week. The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., edged slightly upward from the previous level of $6.08 to stand at $6.09 as of Aug. 21. This contrasted with $6.21 on the corresponding date a year ago, or a decline of 1.9%.

Higher in wholesale cost this week were wheat, rye, butter, coffee, hogs, and lambs. Lower in price were flour, corn, oats, lard, cottonseed oil, and eggs.

The Dun & Bradstreet Wholesale Food 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 Index Continues Upward Trend

The general commodity price level continued to edge higher this week. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., touched 297.13 on Aug. 17, the highest level since the end of May 1952. The index closed at 296.78 on Aug. 21, up from 295.50 a week earlier, and 274.55 on the corresponding date last year.

**Grain prices** generally moved higher this week although profit taking erased some of the gains in late trading. **Rye prices** advanced to new high ground for the season on buying stimulated by reports of smaller production of this grain this year, both in the United States and Canada. Continued strength in **corn** reflected more bullish crop estimates than expected and prospects that the **soil bank** program would meet with general farmer cooperation. **Wheat prices** held comparatively firm following recent sharp advances. There was some hedging pressure in wheat as receipts of **cash wheat** expanded sharply at northwestern markets, reflecting movement of the **Spring wheat** crop. Volume of trading in **grain** and **soybean futures** on the Chicago Board of Trade was substantially higher this week. Average daily purchases totaled about 52,500,000 bushels, compared with 39,300,000 the previous week.

**Flour prices** moved steadily lower during the past week. Interest in **hard wheat bakery flours** remained extremely dull due to lack of any material price inducements. Buyers generally held ample balances on mill books and showed no inclination to make new commitments. **Green coffee prices** were a little firmer this week. Demand has been aggressive as trade interests sought to cushion themselves against any disruption in the movement of supplies after Sept. 30, in the event of a dockworkers' strike in New York.

Manufacturers demand for **cocoa** was indifferent. Prices moved in a narrow range and finished slightly lower for the week. Warehouse stocks of cocoa showed a further decline to 421,424 bags, from 427,526 a week earlier, and compared with 242,885 bags at this time a year ago. **Lard prices** fluctuated irregularly in sympathy with vegetable oils. **Hog prices** displayed a firm tone, largely reflecting continued seasonally small receipts. **Lamb prices** also turned higher on reduced receipts.

**Spot cotton prices** worked lower this week after a firm start. Early support reflected moderate mill price-fixing and unfavorable advices from some areas of the cotton belt. Easiness in late dealings was induced by profit taking and increased hedging and by a rather pessimistic estimate of domestic consumption last month. **The New York Cotton Exchange preliminary estimate** of consumption during the four-week July period was 510,000 bales, or an average daily rate of 25,500 bales. The latter compared with 32,500 bales consumed in June, and 28,300 in July last year. This was the second consecutive month in which the daily rate ran lower than that of the similar month a year before.

According to the Federal Reserve Board's index, department store sales in **New York City** for the weekly period ended Aug. 18, 1956, registered an increase of 2% above those of the like period last year. Cool weather was the main reason for the sales increase. Last week temperatures were about seven degrees below normal. Ready-to-wear and back-to-school promotions rolled up good volume.

Excellent sales reception was reported in the furniture and floor-covering departments as well as in millinery, coats and suits and housewares.

In the preceding week, Aug. 11, 1956, an increase of 11% was recorded. For the four weeks ended Aug. 11, 1956, a gain of 6% 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. 18, 1956, increased 5% above those of the like period last year. In the preceding week, Aug. 11, 1956, an increase of 7% was reported. For the four weeks ended Aug. 18, 1956, an increase of 4% was reported. For the period Jan. 1, 1956 to Aug. 18, 1956, a gain of 4% was registered above that of 1955.

### With Aronson & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — C. Stanley Brittin has become connected with Aronson & Co., 426 South Spring Street. He was formerly with Oscar F. Kraft & Co.

### With Shelley, Roberts

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Luis-Miguel del Camino-Royales and Walter S. Feagan have become affiliated with Shelley, Roberts & Co., 9486 Santa Monica Boulevard.

### With Federated Plans

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla. — Arthur D. Gorges is now connected with Federated Plans, Inc.

### With King Merritt

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Robert L. Ayers has become connected with King Merritt & Co., Inc., Chamber of Commerce Building.

### R. S. Dickson Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Ralph C. Pate, Jr. has been added to the staff of R. S. Dickson & Co., Inc., Grant Building.

### Beckman Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LODI, Calif.—William T. Beckman has joined the staff of Beckman & Company, 321 North California Street.

### Joins Calif. Investors

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Warren F. Compton has been added to the staff of California Investors, 40 Atlantic Boulevard.

### Two With Bache Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Alfred Belskin and Adrain N. Hanover are now connected with Bache & Co., 445 North Roxbury Drive.

# Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

**Abundant Uranium, Inc., Grand Junction, Colo.**
Feb. 23 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—319 Uranium Center, Grand Junction, Colo. **Underwriter**—Ralph M. Davis & Co., Grand Junction, Colo.

★ **Acme Steel Co., Riverdale, Ill. (9/18)**
Aug. 29 filed 400,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For part payment for the assets of Newport Steel Corp. and for working capital. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

● **Aerovias Sud Americana, Inc. (9/4)**
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.

★ **Alice Industrial Foundation, Inc.**
Aug. 9 (letter of notification) $150,000 of membership certificates, both voting and non-voting, to be offered in units of $100 each. **Proceeds**—For acquisition and development of a suitable industrial tract and construction of a building. **Address**—P. O. Box 1434, Alice, Texas. **Underwriter**—None.

★ **Allis (Louis) Co.**
Aug. 15 (letter of notification) a maximum of 3,500 shares of common stock (par $10) to be offered to employees through payroll deduction plan. **Price**—Approximately $42.75 per share (intended price shall be substantially the bid price on the over-the-counter market). **Office**—427 E. Stewart Street, Milwaukee, Wis. **Underwriter**—None.

**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) payable in one or two payments. **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.



**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.

★ **Audubon Park Raceway, Inc.**
July 13 (letter of notification) 600,000 shares of common stock (par 10 cents) to be offered for subscription by common stockholders at rate of 0.46875 of a share for each share held. **Price**—10 cents per share. **Proceeds**—For general corporate purposes. **Underwriters**—Berwyn T. Moore & Co., Louisville, Ky.; Gearhart & Otis, Inc., New York, and Crerie & Co., Houston, Tex.

★ **Automation Development Fund, Inc.**
Aug. 24 filed 300,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—Washington, D. C. **Distributor**—Automation Development Securities Co., Inc., Washington, D. C.

**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. (9/10-14)**
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 (with an oversubscription privilege); rights to expire on Sept. 25. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for construction prgram. **Dealer-Manager**—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**—To be received up to 11 a.m. (EDT) on Sept. 11 at 49 Federal Street, Boston, Mass.

**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.

★ **Braddock Investment Corp., Washington, D. C.**
Aug. 22 (letter of notification) 5,000 shares of capital stock (par $10), 5,000 shares of class B stock (par $10) and $180,000 of 7% 7-year convertible debentures. **Price**—At par or principal amount. **Proceeds**—For purchase of real estate and working capital. **Office**—729 15th Street, N. W., Washington 5, D. C. **Underwriter**—None.

★ **Bridgford Packing Co., Anaheim, Calif.**
Aug. 13 (letter of notification) 222,222 shares of common stock (par $1). **Price**—$1.35 per share. **Proceeds**—To pay obligations, purchase equipment, etc. **Office**—1308 No. Patt Street, Anaheim, Calif. **Underwriter**—J. D. Creger & Co., 124 North Bright Avenue, Whittier, Calif.

**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.

**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. (9/24-28)**
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.

★ **Central Mutual Telephone Co., Inc.**
Aug. 22 (letter of notification) 21,025 shares of common stock (par $10) to be offered for subscription by common stockholders at the rate of one new share for each two shares held. **Price**—$12 per share. **Proceeds**—For working capital, etc. **Office**—Manassa, Va. **Underwriter**—Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc., Washington, D. C.

★ **Century Controls Corp., Farmingdale, N. Y.**
Aug. 27 filed $600,000 of 10-year 6% debentures and 120,000 shares of common stock (par $1). **Price**—Of debentures, 90% of principal amount; and of stock, at market. **Proceeds**—For research and development; expansion; equipment; and other corporate purposes. **Underwriter**—None.

**Christian Fidelity Life Insurance Co.**
July 12 filed 20,000 shares of common stock (par $10) to be offered first and for period of 30 days to stockholders. **Price**—$26 per share. **Proceeds**—For capital and surplus, including $200,000 to be invested in securities common to the life insurance industry. **Office**—Waxahachie, Tex. **Underwriter**—None, sales to be made through Albert Carroll Bates, President of the company.

**C. I. T. Financial Corp.**
May 17 filed $75,000,000 of debentures due 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.**
Aug. 23 filed 500,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For swimming pool and related activities, bowling alley, site preparation including parking, and land cost ($95,000). **Underwriters**—Arthur L. Weir & Co., Colorado Springs, Colo.; and Copley & Co.

● **Columbia Baking Co., Atlanta, Ga. (9/6)**
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**—33-01 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.

★ **Consolidated Oil Management**
Aug. 16 (letter of notification) $250,000 of 10-year 5½% collateral trust bonds due Sept. 9, 1966. **Office**—7352 Central Ave., St. Petersburg, Fla. **Predecessor**—Lynch Oil Co. **Underwriter**—Security & Bond Co., Lexington, Kentucky.

**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.

★ **Contract Electronics Corp.**
Aug. 14 (letter of notification) 600,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—For purchase of stock of affiliates and working capital. **Office**—9036 Culver Blvd., Culver City, Colo. **Underwriter**—L. A. Huey Co., Denver, Colo.

**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.

★ **Desert Empire Uranium Co.**
Aug. 16 (letter of notification) 17,000,000 shares of common stock (of which 7,000,000 shares are to be issued to Hamilton Exploration & Milling Co. and 10,000,000 shares are to be offered publicly). **Price**—At par (one cent per share). **Proceeds**—For exploration costs. **Office**—5651 Emile Street, Omaha, Neb. **Underwriter**—None.

● **Detroit Edison Co.**
July 24 filed $59,778,900 of 3¾% convertible debentures due Sept. 14, 1971, being 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. (9/24-28)**
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.

★ **Dow Chemical Co., Midland, Mich.**
Aug. 27 filed 150,000 shares of common stock (par $5) to be offered for subscription by employees of the company and certain subsidiaries and associated companies. **Price**—To be supplied by amendment. **Proceeds**—For expansion, etc. **Underwriter**—None.

**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.

★ **Eshelman Motors Corp., Baltimore, Md.**
Aug. 21 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital. **Business** — Manufacture of gasoline

*Continued on page 30*

# NEW ISSUE CALENDAR

**August 31 (Friday)**

Mica & Minerals Corp. of America ______ Common
(Peter Morgan & Co.) $570,000

**September 4 (Tuesday)**

Aerovias Sud Americana, Inc. ___ Debens. & Common
(Bell & Hough, Inc.) $205,000

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

Illinois Bell Telephone Co. _____________ Common
(Offering to stockholders—no underwriting) $58,053,100

Polymer Corp. _____________ Class A Common
(A. G. Edwards & Sons) $299,425

**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)**

Columbia Baking Co. __________________ Common
(Offering to stockholders—to be underwritten by The Robinson-Humphrey Co., Inc. and J. H. Hilsman & Co., Inc.) $669,200

Rochester Gas & Electric Corp. ___________ Preferred
(The First Boston Corp.) $6,000,000

United States Mining & Milling Co. ______ Common
(N. R. Real & Co.) $300,000

**September 10 (Monday)**

Bahamas Helicopters, Ltd. _______________ Common
(Blair & Co. Incorporated) 300,000 shares

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

Republic Cement Corp. __________________ Common
(Vickers Brothers) $9,650,000

**September 11 (Tuesday)**

Blackstone Valley Gas & Electric Co. ___ Preferred
(Bids 11 a.m. EDT) $2,500,000

General Telephone Co. of California ______ Bonds
(Bids 11 a.m. EDT) $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

Metal Hydrides, Inc. ____________________ Common
(Offering to stockholders—underwritten by White, Weld & Co.) 85,266 shares

Northern States Power Co. _________________ Bonds
(Bids 10 a.m. CDT) $15,000,000

Scripto, Inc. ________________ Class A Common
(Johnson, Lane, Space & Co., Inc.) $2,240,000

**September 13 (Thursday)**

Kay Jewelry Stores, Inc. __________________ Common
(Lazard Freres & Co.) 150,000 shares

Lynch Carrier Systems, Inc. ____________ Debentures
(P. W. Brooks & Co., Inc.) $225,000

Lynch Carrier Systems, Inc. ______________ Common
(P. W. Brooks & Co., Inc.) 52,500 shares

Poor & Co. ______________________________ Common
(Offering to stockholders—to be underwritten by Bache & Co.) 213,175 shares

Procter & Gamble Co. ______________ Debentures
(Goldman, Sachs & Co.) $70,000,000

**September 14 (Friday)**

National Sugar Refining Co. _____________ Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) 94,803 shares

**September 17 (Monday)**

National Musitine Corp. _________________ Common
(M. J. Reiter Co.; Shelley, Roberts & Co.; and General Investing Corp.) $294,750

Nortex Oil & Gas Corp. _________________ Preferred
(J. R. Williston & Co.) 100,000 shares

**September 18 (Tuesday)**

Acme Steel Co. __________________________ Common
(Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane) 400,000 shares

Intermountain Gas Co. ___________ Notes & Common
(White, Weld & Co.) about $2,500,000

Southern Nevada Power Co. _________________ Bonds
(Bids noon EDT) $4,000,000

United Aircraft Corp. __________________ Preference
(Offering to stockholders—to be underwritten by Harriman Ripley & Co. Inc.) $33,091,500

**September 19 (Wednesday)**

Southern Pacific RR. Co. ____________________ Bonds
(Bids to be invited) $35,000,000

Walt Disney Productions _______________ Debentures
(Kidder, Peabody & Co.) $7,500,000

Wilson & Co., Inc. _____________________ Debentures
(Smith, Barney & Co.; Glore, Forgan & Co.; and Hallgarten & Co.) $20,000,000

**September 24 (Monday)**

Centers Corp. ______________ Debentures & Common
(Blair & Co. Incorporated) $8,000,000

Devall Land & Marine Construction Co., Inc. ___ Com.
(Vickers Brothers) $300,000

Kusan, Inc. ______________________________ Common
(Clark, Landstreet & Kirkpatrick, Inc.) $583,120

**September 25 (Tuesday)**

Virginia Electric & Power Co. _______________ Bonds
(Bids 11 a.m. EDT) $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 5 (Friday)**

Four Wheel Drive Auto Co. ____________ Debentures
(A. C. Allyn & Co., Inc.) about $1,000,000

**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

Consolidated Edison Co. of New York, Inc. ___ Bonds
(Bids to be invited) $40,000,000

**November 13 (Tuesday)**

Metropolitan Edison Co. _____________________ Bonds
(Bids to be invited) $10,000,000

**November 27 (Tuesday)**

Carolina Power & Light Co. ___________________ Bonds
(Bids to be invited) $15,000,000

*Continued from page 29*

driven golf cars and buggies and miniature motor cars. **Office**—109 Light Street, Baltimore 2, Md. **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.

**★ Geist Properties, Inc.**
Aug. 8 (letter of notification) 498 shares of 6% cumulative non-assessable non-voting preferred stock (par $100) and 8,613 shares of non-assessable voting common stock (par $10). **Price**—At par. **Proceeds**—For retirement of accounts, notes and contracts payable and for working capital. **Office**—116 S. Lincoln Ave., Loveland, Colo. **Underwriter**—None.

**● General Acceptance Corp.**
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. **Offering**—Expected today (Aug. 30).

**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 captal. **Underwriter** — None named. Offering to be made through selected dealers.

**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 up to 11 a.m. (EDT) 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 common 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.

**★ G-L Electronics Co., Inc.**
Aug. 22 (letter of notification) 150,000 shares of common stock (par 20 cents). **Price**—$2 per share. **Proceeds**—For machinery, working capital, etc. **Office** — 2921 Admiral Wilson Boulevard, Camden 5, N. J. **Underwriter**—None.

**★ Gold Mountain Lodge, Inc., Durango, Colo.**
Aug. 23 filed 5,000 shares of class A voting common stock (par $1), 295,000 shares of class B non-voting common stock (par $1), and $700,000 of 4% debentures due Dec. 31, 1975, to be offered for sale in the States of Texas and Colorado in units of 50 shares of class A stock, 2,950 shares of class B stock and one $7,000 debenture. **Price**—$10,000 per unit. **Proceeds**—For purchase of property, remodeling of present main building, for new construction and working capital. **Business**—Operates year-round resort hotel. **Underwriter**—None.

**Gold Seal Dairy Products Corp.**
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.

**★ Granite Butte Exploration, Inc.**
Aug. 16 (letter of notification) 2,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For mining expenses. **Address**—Route 1, Box 545, Alderwood Manor, Snohomish County, Wash. **Underwriter**—None.

**Growers Container Corp., Salinas, Calif.**
May 28 filed 600,000 shares of common stock (par $1) to be offered primarily to individuals and firms who are engaged in or closely allied to the growing and shipping industry. **Price**—$3 per share. **Proceeds**—For working capital, capital expenditures and other corporate purposes. **Underwriter**—None.

**Guaranty Income Life Insurance Co.**
Dec. 30 (letter of notification) 24,000 shares of capital stock (par $5) to be offered first to stockholders; then policyholders and the public. **Price**—$10 per share. **Proceeds**—For working capital. **Address**—P. O. Box 2231, Baton Rouge, La. **Underwriter**—None.

**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.

**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.

**★ Hedges Diesel, Inc.**
Aug. 22 (letter of notification) 10,000 shares of class A common stock (par $10) and 20,000 shares of class B common stock to be offered in units of one class A and two class B shares. **Price**—$30 per unit. **Proceeds**—For working capital. **Address**—Box 610, Marlton, N. J.

**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.

**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.

**★ I. C. C. Loan Co.**
Aug. 17 (letter of notification) 2,900 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For reduction of bank loans and additional funds for lending. **Office**—418 Market St., Chester, Pa. **Underwriter**—None.

**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.**
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. **Offering**—To be made early in September.

**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.

**★ Intermountain Gas Co. (9/18)**
Aug. 24 filed $2,500,000 of subordinate interim notes due July 31, 1962, and 50,000 shares of common stock (par $1), to be offered publicly in units of $50 principal amount of notes and one share of common stock. **Price**—To be supplied by amendment. **Proceeds**—Together with funds from private placement of $5,000,000 of first mortgage bonds and sale to Idaho residents of 140,000 additional shares of common stock at $5 per share, to be used to refund a $5,000,000 bank loan and pay for construction program to introduce natural gas in 23 Southern Idaho communities. **Underwriter** — White, Weld & 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.**
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**—471 N. E. 79th Street, Miami, Fla. **Underwriter**—Atwill & Co., Miami Beach, Fla.

**★ Investment Corp. of Florida**
Aug. 24 filed $515,000 of $60 cumulative preferred stock to be offered in units of $1,000 each and 5,150 shares of common stock to be offered to purchasers of preferred stock at 10 cents per share at rate of ten shares for each preferred share bought. **Proceeds**—For working capital. **Office**—Fort Lauderdale, Fla. **Underwriter**—None.

**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.

★ **Johnson-Carper Furniture Co., Inc., Roanoke, Va.**
Aug. 22 (letter of notification) 27,000 shares of common stock (par $5) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—to repay bank loans and for working capital. **Office**—Riley Road, N. E., Roanoke, Va. **Underwriters**—Mason-Hagan, Inc., Roanoke, Va.; and Strader, Taylor & Co., Inc., Lynchburg, Va.

**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.

★ **Kay Jewelry Stores, Inc. (9/13)**
Aug. 24 filed 150,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Business**—Retail credit jewelry chain. **Underwriter**—Lazard Freres & Co., 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 $10.98 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 banks and factors; and for working capital and other corporate purposes. **Business**—Prefabricated homes, house trailers and lumber. **Underwriter**—Ira Haupt & Co., New York.

★ **Krauss (John), Inc.**
Aug. 21 (letter of notification) 2,750 shares of 6% cumulative preferred stock. **Price** — At par ($100 per share). **Proceeds** — For working capital. **Business** — Processing, packaging, wholesale distribution and sale of meat products. **Office**—144-27 94th Avenue, Jamaica, L. I., N. Y. **Underwriter**—None.

**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.

★ **Kusan, Inc., Nashville, Tenn. (9/24-28)**
Aug. 29 filed 116,624 shares of common stock (par $1). **Price**—To be supplied by amendment (expected to be $5 per share). **Proceeds**—To reduce debt, for new tooling and equipment and working capital. **Business**—Manufacturer of toys, electric trains and various custom plastic items. **Underwriter**—Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tenn.

**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. **Underwriter**—None.

**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 10 cents), of which 600,000 shares are to be sold for account of the company and 90,000 shares for selling stockholders. **Price**—$1 per share, by amendment. **Proceeds**—For exploration and development and other general corporate purposes. **Underwriter**—George A. Searight, New York City.

**Long Island Lighting Co.**
April 5 filed 120,000 shares of cumulative preferred stock, series G (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co., all of New York. **Offering** — Postponed because of present unsatisfactory market conditions.

**Los Angeles Airways, Inc., Los Angeles, Calif.**
April 23 (letter of notification) 645 shares of common stock (par $10). **Price** — $54 per share. **Proceeds** — To Clarence M. Belinn, the selling stockholder. **Office**—5901 West Imperial Highway, Los Angeles 49, Calif. **Underwriter**—Dean Witter & Co., Los Angeles, Calif.

**Lost Canyon Uranium & Oil Co.**
Oct. 6 (letter of notification) 3,000,000 shares of nonassessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

**Lumberman's Investment & Mortgage Co.**
May 2 filed 50,000 shares of common stock (par $10). **Price**—$12 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — Denver, Colo. **Underwriter**—None.

● **Lynch Carrier Systems, Inc. (9/13-14)**
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**—To 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.

**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.

**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.

★ **McCormick & Co., Inc.**
Aug. 16 (letter of notification) 700 shares of common stock (no par) and 966 shares of non-voting common stock (no par) to be offered to employees. **Price**—At market (about $30 per share). **Proceeds**—For working capital. **Office**—414 Light St., Baltimore, Md. **Underwriter**—None.

★ **Metal Hydrides, Inc., Beverly, Mass. (9/12)**
Aug. 23 filed 85,266 shares of common stock (par $5) to be offered for subscription by common stockholders of record about Sept. 12 on the basis of one new share for each three shares held; rights to expire on or about Sept. 25. **Price**—To be supplied by amendment. **Proceeds**—For construction of plant and working capital. **Business**—Hydrides of calcium, lithium, potassium and sodium, etc. **Underwriter**—White, Weld & Co., New York.

● **Mica & Minerals Corp. of America (8/31)**
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.

**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.

★ **Montgomery (William) Co.**
Aug. 17 (letter of notification) $157,000 of 6% second mortgage bonds, due Sept. 30, 1971. **Price**—At par (in denominations of $100, $500 and $1,000). **Proceeds**—For redemption of certain certificates of indebtedness held by an affiliate. **Office**—999 N. Second St., Philadelphia, Pa. **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 Distillers Products Corp.**
Aug. 24 (letter of notification) an aggregate market value of not exceeding $299,992 of common stock (par $5). **Price**—About $25.62½ per share. **Proceeds**—To common stockholders entitled to receive fractional shares in connection with 2% stock dividend payable Oct. 22, 1956 to holders of record Sept. 7, 1956. **Underwriters**—Glore, Forgan & Co. and Dominick & Dominick both of New York.

**National Lithium Corp., Denver, Colo.**
Dec. 27 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office** — 556 Denver Club Bldg., Denver, Colo. **Underwriter** — Investment Service Co., same city.

**National Metallizing Corp.**
March 5 (letter of notification) 24,000 shares of Class A stock (par $1) and 40,000 shares of Class B stock (par $1) to be offered for subscription by Class A and Class B stockholders of record Feb. 1, 1956 on a 1-for-4 basis. **Price**—$2 per share. **Proceeds**—For vacuum metallizing, conditioning, slitting and inspection machinery. **Office**—1145-19th St., N. W., Washington, D. C. **Underwriter**—None.

● **National Musitime Corp. (9/17)**
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.

★ **National Pool Equipment Co., Birmingham, Ala.**
Aug. 23 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For machinery and equipment for a new plant which is being erected for the company in Florence, Ala.; to

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retire bank loans and for working capital. **Business**—Manufactures and sells component parts of swimming pools and related equipment. **Underwriters**—Mid-South Securities Co. and Clark, Landstreet & Kirkpatrick, Inc., both of Nashville, Tenn.

**★ National Sugar Refining Co. (9/14)**
Aug. 24 filed 94,803 shares of capital stock (no par) to be offered for subscription by stockholders of record Sept. 13 at the rate of one new share for each six shares held; rights to expire on or about Oct. 1. **Price**—To be supplied by amendment. **Proceeds**—For working capital and other corporate purposes. **Underwriter** — Morgan Stanley & Co., New York.

**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.**
Aug. 3 filed 613,010 shares of capital stock being 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. Statement effective Aug. 17.

**★ Nortex Oil & Gas Corp. (9/17-21)**
Aug. 24 filed 100,000 shares of $1.20 cumulative convertible preferred stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay note due Feb. 1, 1957; for drilling and development costs; and working capital. **Office**—Dallas, Texas. **Underwriter**—J. R. Williston & Co., New York.

**● 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 Pheonix, and Marcus T. Baumann, Vice-President and Treasurer, of Tucson, Ariz.

**● North Carolina Telephone Co.**
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. **Offering**—Expected momentarily.

**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.

**NYPA Gas Corp., Buffalo, N. Y.**
July 11 (letter of notification) 5,586 shares of common stock (no par) to be offered to present stockhol- **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.**
Aug. 8 filed 208,395 shares of common stock (par $1) being 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**—$20 per share. Murphy Corp., owner of 658,328 shares, will subscribe for 109,722 shares. **Proceeds**—For general corporate purposes. **Office**—New Orleans, La. **Underwriters**—Morgan Stanley & Co., New York, and Reinholdt & Gardner, St. Louis, Mo. for remaining 98,673 shares.

**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.**
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.

**★ Pari-Mutuel Equipment Corp.**
Aug. 24 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For construction of 250 race ticket machines; for purchase of 40 machines for issuance of semi-blank race tickets; and for working capital and general corporate purposes. **Office**—527 Madison Avenue, New York 17, N. Y. **Underwriter**—Wistor R. Smith & Co., 40 East 54th Street, New York 22, N. Y.

**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.

**★ Peri Associates, Inc.**
Aug. 20 (letter of notification) 25,000 shares of common stock (no par). **Price**—$1 per share. **Proceeds**—For corporate purposes. **Office** — 132-03 Liberty Avenue, Richmond Hill, L. I., N. Y. **Underwriter**—None.

**★ Polymer Corp. (9/4-7)**
Aug. 24 (letter of notification) 41,300 shares of class A common stock (par $1). **Price**—$7.25 per share. **Proceeds**—To reduce bank loans, purchase of machinery and working capital. **Office**—2120 Fairmont Avenue, Reading, Pa. **Underwriter**—A. G. Edwards & Sons, St. Louis, Mo.

**★ Poor & Co., Chicago, Ill. (9/13)**
Aug. 23 filed 213,175 shares of common stock (par $10) to be offered for subscription by class A and common stockholders on the basis of two shares of new stock for each five shares of class A or common stock held about Sept. 13; rights to expire on or about Sept. 27. **Price**—To be supplied by amendment. **Proceeds** — To retire all outstanding class A shares and about $1,500,000 outstanding debentures; also for working capital. **Business**—Supplies for maintenance-of-way and mechanical fields; also equipment for the highway construction industry and for the aggregate processing and mining industries. **Underwriter**—Bache & Co., New York.

**Prestole Corp.**
July 3 (letter of notification) $300,000 of 6% convertible sinking fund debentures due July 1, 1971 to be issued in denominations of $20 or any multiple thereof. **Price**—100% and accrued interest. **Proceeds**—To pay short term note and to buy equipment. **Office**—1345 Miami St., Toledo, Ohio. **Underwriter**—Baker, Simonds & Co., Detroit, Mich. **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.**
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. **Proceeds**—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.

**★ Redding Plywood Corp.**
Aug. 10 (letter of notification) 40 shares of common stock. **Price**—At par ($3,000 per share). **Proceeds**—For equipment, working capital, etc. **Office**—306 Dekum Bldg., Portland, Ore. **Underwriter** — James Edward Robertson, Milwaukie, Ore.

**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. (9/10)**
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.

**★ Reserve Development Corp.**
Aug. 15 (letter of notification) 600,000 shares of non-assessable capital stock. **Price**—50 cents per share. **Proceeds**—For exploratory expenses, working capital, etc. **Address**—P. O. Box 875, Rawlins, Wyo. **Underwriter**—None.

**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.

**★ Royal Register Co., Inc.**
Aug. 9 (letter of notification) 15,000 shares of class A common stock (par $1). **Price**—$1 per share. **Proceeds**—To reduce outstanding debt, buy equipment and for working capital. **Office**—Simon Street, Nashua, N. H. **Underwriter**—None.

**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. (9/12)**
Aug. 15, filed 360,000 shares of class A common stock (par 50 cents), of which 40,000 shares are to be offered to officers and employees. **Price**—To public, $7 per share; to employees $6.67½ per share. **Proceeds** — To reduce bank loans, and for expansion and working capital. Aug. 15 filed 360,000 shares of class A common stock (par **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.

**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.

★ **Southern Union Oils Ltd., Toronto, Canada**
Aug. 24 filed 750,000 shares of capital stock (par $1). **Price**—64½ cents per share. **Proceeds**—To selling stockholders. **Underwriter**—None.

**Southwestern Oklahoma Oil Co., Inc.**
Feb. 27 (letter of notification) 15,001 shares of common stock (par 10 cents) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—For expenses incident to development of oil and gas properties. **Office**—801 Washington Bldg., Washington, D. C. **Underwriter**—None.

**Southwestern Resources, Inc., Santa Fe, N. M.**
June 8 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—To exercise options, purchase additional properties and for general corporate purposes. **Underwriter**—Southwestern Securities Co., Dallas, Texas.

**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.

**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.

★ **Trans-American Lithographers, Inc.**
Aug. 24 (letter of notification) 48,000 shares of 8% cumulative convertible preferred stock (par $1) and 9,600 shares of common stock (par one cent) to be offered in units of five shares of preferred stock and one share of common stock. **Price** — $5 per unit. **Proceeds** — For equipment, working capital, etc. **Office**—135 West 20th Street, New York, N. Y. **Underwriter**—None.

**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 Aircraft Corp. (9/18)**
Aug. 28 filed not exceeding 330,915 shares of convertible preference stock (par $100) to be offered for subscription by common stockholders of record Sept. 17, 1956 on the basis of one preference stock for each 16 shares of common stock held; rights to expire on Oct. 2, 1956. **Price**—To be supplied by amendment (but will not be less than $100 per share). **Proceeds** — For equipment, working capital and general corporate purposes. **Underwriter**—Harriman Ripley & Co. Inc., New York.

● **United States Mining & Milling Corp. (9/6)**
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.

**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.

★ **Vapor Heating Corp.**
Aug. 16 (letter of notification) 4,500 shares of common stock to be offered to officers and employees of corporation and certain of its subsidiaries (par $1). **Price**—$44 per share. **Proceeds**—For working capital. **Office**—80 E. Jackson Blvd., Chicago, Ill. **Underwriter**—None.

★ **Victor Products Corp., Hagerstown, Md.**
Aug. 20 (letter of notification) 115,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For development and research. **Office**—901 Pope Avenue, Hagerstown, Md. **Underwriter**—None.

**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**—Expected to be received up to 11 a.m. (EDT) on Sept. 25.

★ **Walt Disney Productions, Burbank, Calif. (9-19)**
Aug. 24 filed $7,500,000 of convertible subordinated debentures due Sept. 1, 1976. **Price**—To be supplied by amendment. **Proceeds**—$243,740 to redeem outstanding 4% debentures, series A, due 1960; balance for retirement of secured demand note. **Underwriter**—Kidder, Peabody & Co., New York.

★ **West Disinfecting Co.**
Aug. 23 (letter of notification) 13,000 shares of common stock (par 50 cents) to be offered to employees. **Price**—$13.50 per share. **Proceeds**—For selling stockholders. **Office**—42-16 West Street, Long Island City 1, N. Y. **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.

★ **Wilson & Co., Inc. (9/19)**
Aug. 28 filed $20,000,000 of 20-year sinking fund debentures due 1976. **Price**—To be supplied by amendment. **Proceeds** — To redeem presently outstanding first mortgage bonds, to repay bank loans and for expansion program. **Business**—Meat packing firm. **Underwriters**—Smith, Barney & Co.; Glore Forgan & Co. and Hallgarten & Co., all of New York City.

★ **Winged Camera Service, Inc., Washington, D. C.**
Aug. 24 (letter of notification) 8,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds** — For equipment and working capital. **Office** — 711 - 14th Street, N. W., Washington 5, D. C. **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

**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 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 Petro-

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fina 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.

★ **Burndy Engineering Co., Inc. (Conn.)**
Aug. 27 it was reported company plans to issue and sell in October some common stock. **Underwriter** — Van Alstyne, Noel & Co., New York.

**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.

★ **Consolidated Edison Co. of New York, Inc. (10/23)**
Aug. 28 the trustees authorized a proposed sale of $40,000,000 first and refunding mortgage bonds, series M, due 1986. **Proceeds**—To help finance 1956 expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received on Oct. 23.

**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** — Not expected until early in 1957.

**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.

★ **Food Fair Stores, Inc.**
Aug. 28 stockholders voted to increase the authorized indebtedness from $35,000,000 to $60,000,000 and to increase the authorized common stock from 5,000,000 shares to 10,000,000 shares. **Underwriter** — Eastman, Dillon & Co., New York.

★ **Four Wheel Drive Auto Co. (10/5)**
Aug. 23 it was reported company plans to issue and sell about $1,500,000 of 5% convertible debentures due 1971. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

**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.

★ **Hartfield Stores, Inc.**
Aug. 27 it was reported company plans to issue and sell 300,000 shares of common stock. **Price**—Expected at $10 per share. **Underwriter**—Van Alstyne, Noel & Co., New York. **Offering**—Probably early in October.

**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 Pineapple Co., Ltd.**
Aug. 21 it was announced company plans some new financing. **Proceeds** — To pay long-term debt and for working capital. **Underwriter**—None, if stock is offered to stockholders.

**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.**
Aug. 27 Bank offered 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. **Price** — $65 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).

**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.

**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 bidders: Smith, Barney & Co. and Goldman, Sachs & Co. (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and Drexel & Co. (jointly); The First Boston Corp.

**Michigan Bell Telephone Co.**
April 19 company applied to the Michigan P. S. Commission for permission to issue and sell $30,000,000 of 40-year debentures later this year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

**Minneapolis Gas Co.**
April 16 stockholders approved an increase in the authorized common stock (par $1) from 1,700,000 shares to 2,500,000 shares. Previous offer to stockholders was underwritten by Kalman & Co., St. Paul, Minn.

**National Steel Corp.**
March 12 the company announced that it is estimated that total construction expenditures planned to start in the current year and to be completed in mid-1959 will amount to a minimum of $200,000,000. **Underwriters**—Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.; and The First Boston Corp.

**Natural Gas Pipe Line Co. of America**
Feb. 20 it was reported company plans to issue and sell late this Spring $35,000,000 of first mortgage bonds due 1976. Underwriter—If determined by competitive bidding, the following may bid: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly).

**New England Electric System**
Jan. 3 it was announced company plans to merge its subsidiaries, Essex County Electric Co., Lowell Electric Light Corp., Lawrence Electric Co., Haverhill Electric Co. and Amesbury Electric Light Co., into one company during 1956. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, the name of which has not as yet been determined. **Underwriter** — May be determined by competitive bidding Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

**New England Power Co.**
Jan. 3 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds during October of 1956. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch. Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

**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.

**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.

**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.

**★ Peabody Coal Co.**
Aug. 27 it was reported that company plans registration in September of about $30,000,000 debentures. **Underwriter**—The First Boston Corp., New York.

**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.

**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.**
Aug. 21 it was announced that company plans to issue and sell 15,000 shares of $1.20 cumulative preferred stock, series A (par $20) and 25,000 shares of common stock. **Proceeds**—For expansion and working capital. **Underwriter**—Loewi & Co., Milwaukee, Wis. **Offering**—Expected in September.

**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.

**★ Southern Union Gas Co.**
Aug. 27 it was reported company plans offering to its common stockholders of record Sept. 26, 1956, of about 170,000 additional shares of common stock on the basis of one new share for each 12 shares held (with an oversubscription privilege); rights to expire in about 20 days after subscription warrants are mailed. **Underwriter**—None. **Registration**—Expected early in September.

**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 that issuance of convertible debentures is one of several possible methods the company has been considering for raising $50,000,000 to $60,000,000 which may be needed for plant expansion and working capital. He added that, if convertible debentures are issued, they will be offered pro rata to common stockholders. **Underwriter**—Kuhn, Loeb & Co., New York.

**University Life Insurance Co., Norman, Okla.**
June 21, Wayne Wallace, President, announced company plans in near future to offer to its 200 stockholders 500,000 additional shares of common voting stock at rate of not more than 2,500 shares to each stockholder. Rights will expire on Aug. 1. Unsubscribed stock will be offered to residents of Oklahoma only. **Price**—$2 per share. **Underwriter**—None.

**Virginian Ry. (10/4)**
Aug. 20 it was reported the company has applied to the ICC for authority to issue and sell $3,600,000 equipment trust certificates, which will mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated. **Bids**—Expected on or about Oct. 4.

**Washington Gas Light Co.**
June 7 it was announced company proposes to finance proposed new construction of pipeline in Virginia to cost about $3,380,000 from funds generated by operations, sale of common stock and temporary bank borrowings. **Underwriter** — The First Boston Corp., New York; and Johnston, Lemon & Co., Washington, D. C.

# Mutual Funds

By ROBERT R. RICH

## Investors Get Break on Bonds

Investors in fixed-income securities are in for a break, according to W. Linton Nelson, President of the $45 million Delaware Fund.

In his semi-monthly Directors' Report, Mr. Nelson calls attention to the recent credit tightening by the Federal Reserve Board in anticipation of a possible inflationary boom during the final quarter of this year and the first quarter of 1957.

"The result of all this," he reasons, "is that for the first time in years the really forgotten man of our times—the chap who prefers, or is required, to invest in fixed-income securities—is in for a break. Last week, for example," he points out, "the new Pacific Telephone & Telegraph bonds were marketed at a price to yield the investor 4.23%." The mutual fund executive also cited the case of Associates Investment Company debentures which sold to yield 4.5%.

"If you call this 'inflation of money rates'," Mr. Nelson continues, "remember we have experienced inflation in the prices of practically everything else." Observing that a seller's market exists when demand exceeds supply, he reminds his board that "in recent years labor's demands for increased wages have had to be satisfied since bargaining power has been on their side. I believe we now have a parallel situation with regard to money," he goes on to say, "since the demand presently exceeds the supply. Lenders of this precious commodity are for the first time enjoying a seller's market and are in a position to increase their take-home pay, just as so many others have done.

"In anticipation of the possibility that this latest action of the Federal Reserve Board may prove temporarily upsetting," the Delaware President reports, "we trimmed ship a bit and now have approximately 6% of our total assets in short-term government-guaranteed bonds."

Mr. Nelson also told his board that the fund has just completed a position in Anderson-Prichard which he describes as "an integrated oil company with an excellent record of earnings, and—in our opinion—excellent prospects."

## Boston Fund Assets Reach $155 Million

Boston Fund reports total net assets of $155,064,648 at the close of the second quarter of its present fiscal year on July 31, amounting to $17.49 a share on 8,868,064 outstanding shares. These figures, all new quarter-end highs, compare with total net assets on July 31, 1955, of $138,379,237, equal to $16.28 a share on 8,499,168 shares then outstanding.

In the current quarterly report to shareholders, Henry T. Vance, President of the fund, notes that at the end of last month investment holdings were divided 17.7% in net cash and bonds, 14.0% in preferred stocks and 68.3% in common stocks. A year earlier the proportions were 13.3%, 13.8% and 72.9% respectively.

Emphasizing the fund's broad investment diversification, a section of the report notes that of a $100,000 investment in the shares on July 31, the five largest common stock holdings would represent $2,140 of General Motors, $2,076 of Rohm & Haas, $2,009 of International Paper, $2,008 of Standard Oil (N. J.) and $2,001 of National Lead.

"Put another way," the report continues, "less than 50 shares of General Motors would be represented in a $100,000 investment and only about two shares of the fund's smallest holding would be represented."

**Puritan Fund** reported for its fiscal year ended July 31, 1956, a substantial increase in net assets, shares outstanding and number of shareholders, all attaining new highs.

Net assets totaled $27,703,921 compared with $15,127,358 as of July 31, 1955, an increase of 83%. The number of shares outstanding increased to 4,100,804 from 2,234,865, and the number of shareholders to 11,060 from 5,600. As of July 31, 1956, net asset value per shares was $6.76, compared with $6.77 a year ago.

During the fiscal year just ended, income distributions totaled $0.38 a share, an increase of approximately 8.5% over the $0.35 per share distributed in the previous fiscal year. On Aug. 2, 1956 the fund also declared a distribution of eight cents a share payable Sept. 4, 1956 from long-term capital gains realized during the fiscal year.



## Value Line Study Warns About Market Break

In a correlation analysis that equates the stock market's price level to concurrent earnings and dividends over the past 20 years, the "Value Line Investment Survey" published by Arnold Bernhard & Co., believes that the market today (as measured by the Dow-Jones Industrial Average) is too high relative to the earnings and dividends in sight this year and next, and too high by a great deal.

Over the past 10 years the price of the 30 Dow-Jones stocks has averaged 10 times earnings. Now it is 14.4 times earnings, the report states. The cash dividend yield at recent prices is 4.0% as against an average of 5.4% over the past 10 years. Further, the ratio of average stock yields to high-grade bond yields is lower than in any year, when business has been good, since 1929.

The "Value Line Investment Survey" warns that a break of 36% or more is determined to be the normal expectancy by these measurements.

The study notes that inflation is certainly a factor in this out-of-line situation, and a tricky factor. It plays its part, but that part is restricted to its effects in increasing the dollar amounts of earnings and dividends.

It does not alter the relationship between stock prices and concurrent earnings and dividends. Between 1947 and 1949, for example, "inflation" was frequently cited as a depressant on stocks, which were then underpriced, because of its effect on depreciation reserves and inventory profits.

## Wall St. Fund Cuts Sales Load

Wall Street Investing Corporation announced in its new prospectus just released substantial changes in the acquisition charges for its shares. Single transactions of more than $1,000 are now eligible for price reductions. The price for larger purchases is reduced at $2,500, $10,000, $25,000, $50,000, $100,000, $175,000 and $250,000. This unique break-point schedule is designed to bring the sales charge of Wall Street Investing Corporation shares into conformance with the market realities of the average purchases made by investors in mutual fund shares.

Ralph S. Henry, Executive Vice-President of Wall Street Management Corporation in announcing the changes, said, "Now for the first time the acquisition charge can be used as a sale aid in making mutual fund sales rather than presenting an obstacle to sales. We expect that this change will create great interest in investment circles. It was derived after an exhaustive study of the NAIC's analysis of the mutual fund market. It answers the problem that has hindered many salesmen and discouraged numerous prospective purchasers of mutual funds."

### Incorporated Income Sales Gain 136%

Purchases by investors of Incorporated Income Fund shares were 136% higher in July this year than a year ago, according to the just issued quarterly report. President Charles Devens and Chairman William A. Parker reveal that total net assets increased 88% during the 12 months to $44,600,963, represented by 4,618,688 shares outstanding.

While the Fund places primary emphasis on income to stockholders, its record of capital appreciation has continued, with a growth of 11.1% in asset value per share, so that assets and shares outstanding reached new highs.

## Atomic Fight Made By Scientists On Many Insects

Science has embarked upon a new kind of atomic war against harmful insect pests, according to the August issue of "Atomic Activities," published by National Securities & Research Corporation.

"Slapping mosquitoes, shooing houseflies or spraying clothes moths are all so familiar that it is hard to imagine freedom from the nuisance of insect pests," the study states. "But now," it adds, "thanks to atomic energy, these insects, as well as many other undesirable varieties, eventually may be exterminated."

The review points out that not all insects are harmful such as the honey bee which serves as a pollinator and a producer of honey. "On the other hand," he explains, "there are hundreds of harmful insect species, many of which could be destroyed without upsetting Nature's balance."

Listed in the harmful category, to be exterminated by atomic energy, are yellow fever and malarial mosquitoes, disease-carrying houseflies, verminous cockroaches and bedbugs, cattle-killing screw worms, termites, carpet beetles and moths — representing a destructive rate of nearly one-half billion dollars annually for these commonly known harmful insects.

"These," the study adds, "are the insect enemies of man and the targets for a new kind of atomic war — a war utilizing an entire arsenal of atomic weapons. Starting with all-purpose weapons known as radioisotope tracers, used in conjunction with sensitive nucleonic instruments, many basic studies of insect feeding and migration habits, insect physiology, and the efficacy of insecticides are now possible.

"For mutation experiments and sterilization of certain insect species, the tactics are different, requiring powerful gamma rays from X-ray equipment, penetrating particles from high energy particle accelerators, and intense radiation from concentrated radioisotope sources."

Of all the radioisotope tracers investigated, phosphorus-32 has so far proven the most valuable. Generally similar to its parent element, this isotope differs in only two respects: it is slightly heavier and it emits beta ray energy. By synthesizing radioactive phosphorus with other elements, the tracer compounds so formed can be used in all sorts of experiments, since radioactive phosphorus can be detected with nucleonic instruments regardless of where it migrates.

"For example," it is explained, "mosquitoes may be tagged with radio-activity by combining radioactive phosphorus with their food. Then, by determining with radiation instruments which specimens, captured at various locations, are radioactive, a definite migration pattern can be determined, the knowledge of which helps establish control procedures."

It is concluded that "the time required or the cost involved can not yet be estimated, but it certainly may be assumed that, by virtue of the many-pronged attack using atomic energy as well as other scientific weapons, we may eventually look forward to winning the age-old war against our insect enemies."

## Canada Fund Executive Talks on Canada Stocks

Evan V. Shierling, Vice-President of Canada General Fund (1954) Limited, will discuss "Canadian Securities" on Tuesday morning, Sept. 4, at the American Stock Exchange Building, New York, before the Sixth Annual Forum on Finance sponsored by the Joint Committee on Education representing the American Securities Business.

Educators from 31 universities in 25 states are attending the three-week forum. Participating groups in the Joint Committee include the New York Stock Exchange, the American Stock Exchange, the Investment Bankers Association of America, the National Association of Securities Dealers and the National Association of Investment Companies.

## Group to Distribute $1,061,392 Dividends

Group Securities, Inc. will distribute $1,061,392 in dividends from net investment income for the third quarter, ending Aug. 31, of the current fiscal year. This brings the total of such payments to $3,135,996 so far this year and, since Group's inception, to $45,681,337.

In a special message to shareholders accompanying the third quarter payments, Group's management expresses the opinion that, although record production, personal income and employment figures set earlier in the year may be adversely affected by the recent steel strike, "the making up of that lost production, added to a higher volume of retail sales, should bring the fourth quarter and the year as a whole to a new peak, moderately above last year's record."

**OPEN-END COMPANY STATISTICS—MONTH OF JULY, 1956**
**126 OPEN-END FUNDS**
(In 000's of $)

| | July 31, '56 | June 30, '56 | July 31, '55 |
|---|---|---|---|
| Total Net Assets | $9,077,896 | $8,611,973 | $7,203,660 |
| | Month of July, 1956 | Month of June, 1956 | Month of July, 1955 |
| Sales of Shares | $123,829 | $107,972 | $96,756 |
| Redemptions | 36,629 | 36,804 | 32,750 |
| **Holdings of Cash, U. S. Governments and Short-Term Bonds** | | | |
| July 31, 1956 | $426,732 | Dec. 31, 1955 | $437,966 |
| June 30, 1956 | 417,827 | July 31, 1955 | 382,841 |
| *Accumulation Plans:* | Month of July, 1956 | Month of June, 1956 | Month of July, 1955 |
| No. of New Accumulation Plans Opened in Period (82 Funds Reporting) | 14,080 | 13,388 | 9,654 |



# Railroad Securities

By GERALD D. McKEEVER

## Pittsburgh & West Virginia

The 111-mile Pittsburgh & West Virginia is a "steel road" the fortunes of which are inextricably tied to the level of operations of the steel plants in the Pittsburgh district. Components of steel-making—coal and coke, iron ore, scrap iron, manganese and ore concentrates on one side and iron and steel products on the other have been the source of some 50% of the road's revenues on the average in recent good years. Consequently, this road was vitally affected by the month-long strike against the steel industry which began on July 1 as evidenced by the 25% decline in the carloads it handled during the month of July as compared with the July, 1955 figure.

These points may make it less difficult to understand the action of the road's board which on Aug. 7 reduced the dividend rate for the third quarter to 40 cents from the 50 cent quarterly rate that had been maintained since 1950. Although the latter had represented the most generous 70% rate of "pay out" for the period, many had come to regard it as more or less as an institution. The news of the reduction at this time, and after the steel strike had been settled, was received with some dismay in certain instances.

One of the reasons given for this action was naturally the loss of revenues due to the strike, but it has been a little difficult to see why one bad month should be the basis for such cautious action, and particularly in view of the rebound of steel production to the 90-95% level with the ending of the strike. It is recalled that the 1954 business recession caused an 18% decline in that year's revenues of the Pittsburgh & West Virginia and that earnings dropped to $2.80 per share from the $3.17 of the previous year without inspiring any adverse dividend action at that time.

Two additional reasons were offered for the dividend reduction. One was uncertainty as to the impending increase in costs and the third was that it appears necessary to conserve cash to provide for expansion. Considering the second reason, there is no doubt that the cost problem is a serious one for the Pittsburgh & West Virginia along with a host of other roads which have not seen the necessity of reducing their dividends at this time. The Pittsburgh & West Virginia has been one of the only two dividend casualties to date, and it will be interesting to see whether these two instances—both small roads—carry forebodings.

The cost trend of the Pittsburgh & West Virginia admittedly has not been too reassuring this year. Revenues for the first six months were up $749,000 over those of the corresponding period of 1955 due both to the higher level of traffic and to the freight rate increase of March 7 this year which the road places at 5% on an annual basis in its case because of "hold downs" on coal particularly. On the other hand, the increase in net income for this period was only $108,000 as compared with the first six months of last year, a carry-through of only 14.3% of the increase in gross. It should be commented, however, that this road did better than its neighbor, the Pittsburgh & Lake Erie, which, with a $2.6 million increase in gross revenues showed $260,000 less net in the first six months of this year than for the first half of 1955.

The expense problem may loom the larger for the Pittsburgh & West Virginia because it is now a highly efficient operation and there is a decided minimum below which costs cannot be reduced. This road has no passenger business and, being a "bridge line," it has relative little terminal expense. Also, its Rook, Pa. yard is the only one of importance since the Nickel Plate crews handle the important interchange with that road at Pittsburgh Junction, Ohio and the Western Maryland handles the yard work at the Connellsville end of the road. Finally, the Pittsburgh & West Virginia is completely dieselized and it is fully covered by Centralized Traffic Control. One operator at Rook, Pa., at the approximate mid-point of the line, controls all train movement on the entire 111 miles of main line. Moreover, 171 bridges and 21 tunnels, while adding to maintenance cost, have enabled the road to make the best of the mountainous terrain which it traverses. All of the foregoing boils down to one of the lowest transportation ratios among Class I roads, namely 26.5% in 1955 and 26.4% for the first six months of this year as compared with 26.0% for the first half of 1955. The impression left by these figures is some wonderment that the cost specter should be so frightening in the case of the Pittsburgh & West Virginia.

The third reason advanced for the dividend reduction — to conserve cash for capital expansion—is rather vague to the outsider at this point. The road's car fleet is ample as evidenced by the credit balance in its car hire account in each of the last two years and the car fleet is relatively new. It would seem that equipment needs might be met gradually as in the case of the purchase of the 50 cement cars installed last year and which permitted a 97% increase in cement traffic over 1954. The same might apply to the expansion of piggy back operations which were inaugurated in January, 1955.

Because of the top-flight physical condition of the road, it does not seem likely that capital improvement needs would be great enough to restrict resources for expansion or for other purposes. Over $17 million has been invested in the property since 1938. This has not only included dieselization, a large-scale renewal of freight cars and the installation of CTC on 114.5 miles of road (including 3.5 miles of branch line) between 1948 and the end of 1950, but also the virtual renewal of the road's way and structures. As to the latter, there has been the relaying of all but a small part of main line with 112-115 pound rail, extensive tie replacement and reballasting, and the reinforcement of bridges to accommodate the heavier trains moving at the high speeds made possible by dieselization.

All things considered, the best reason for the cautious attitude of the road's management as to dividend policy seems to be based on a forward look rather than on the relatively favorable present situation. Despite the disproportionate increase in costs which this road shared with most others in the first half of this year, earnings for this period amounted to $1.61 per share as against $1.26 for the first half of 1955. It thus seems reasonable to expect that, even with a poor July, earnings for the full year may even exceed slightly the $2.87 per share for 1955.

What may be disturbing, however, is that results for the last two years have been achieved largely by dint of stringent cost control and in the face of lower revenues than the road enjoyed in 1953. As pointed out earlier, cost ratios can not be reduced indefinitely and on the revenue side the road has felt the effect of the opening of the Fairless plant of U. S. Steel at Morrisville on the Delaware River. The opening of this plant meant the loss of eastbound movement of steel products from Pittsburgh and the loss of some imported ore coming through Baltimore and picked up from the Western Maryland at Connellsville. Some offset to this loss may be gained, however, from the longer haul of this ore to the mills west of Pittsburgh. This is delivered principally to the Nickel Plate at Pittsburgh Junction, Ohio, where the Pittsburgh & West Virginia also picks up large eastbound coal tonnage.

Aware of traffic shifts, the management of the Pittsburgh & West Virginia has not been content to rely merely on the flow of traffic from connections which is about 70% of the total, and roughly half of this is "bridge" or "overhead" — i.e. delivered to other roads. It is constantly working to build up originated traffic and the 1955 report of the road lists nine new industries as having been attracted to locate on the line of the road. A further factor may be the previously mentioned venture into piggy-back which thus far is confined to "overhead" service, but studies are being made of the profitableness of providing this service in and out of the Pittsburgh area. This may be one of the elements of expansion which the management has in mind.

## Exchange Extending Advertising Program

Keith Funston, President of the New York Stock Exchange, has announced the Exchange will spend $700,000 in the second half of 1956 on an intensified educational advertising campaign.

This will raise to $1,300,000 the total advertising appropriation for 1956, Mr. Funston said, the largest in the history of the Exchange. Most of the funds, he added, will be used for newspaper advertising.

"Our advertising," Mr. Funston added, "will continue to stress our basic theme: 'Own Your Share of American Business.' We want to continue to give people everywhere some of the fundamentals of investment, the risks and rewards of share ownership, the work of the Stock Exchange and what the broker can do to help the investor."

The Exchange's President said that the informal and friendly approach in Exchange advertisements will be continued during the latter half of the year.

Mr. Funston said that during the balance of 1956, the Exchange's advertising will:

(1) Put increasing emphasis on the professional nature of the services offered by members of the Exchange to the investing public.

(2) Encourage people to consult Exchange members for advice on buying and selling stocks and bonds.

(3) Stress that the Exchange itself is primarily a marketplace, does not set prices nor buy and sell securities.

(4) Emphasize that investing is intensely personal and that investment decisions should be keyed to the individual's objectives and financial situation.

The advertisements, Mr. Funston stated, will adhere to the Exchange's basic philosophy that an investor should understand the risks inherent in the purchase of stocks or other property and tailor his investments to the risks he can afford; have a reserve for emergencies; get the facts before investing; seek the advice of a member firm of the Exchange.

# 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) | Sept. 2 | §96.5 | *95.8 | 16.9 | 93.4 |
| Equivalent to— | | | | | |
| Steel ingots and castings (net tons) | Sept. 2 | §2,376,000 | *2,359,000 | 415,000 | 2,255,000 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil and condensate output—daily average (bbls. of 42 gallons each) | Aug. 17 | 7,122,100 | 7,085,850 | 7,110,800 | 6,700,550 |
| Crude runs to stills—daily average (bbls.) | Aug. 17 | ¶7,899,000 | *7,985,000 | 8,076,000 | 7,505,000 |
| Gasoline output (bbls.) | Aug. 17 | 27,372,000 | *27,664,000 | 26,954,000 | 26,711,000 |
| Kerosene output (bbls.) | Aug. 17 | 2,268,000 | 2,411,000 | 2,063,000 | 2,179,000 |
| Distillate fuel oil output (bbls.) | Aug. 17 | 12,687,000 | 12,321,000 | 12,760,000 | 10,953,000 |
| Residual fuel oil output (bbls.) | Aug. 17 | 7,896,000 | 7,859,000 | 7,868,000 | 7,814,000 |
| Stocks at refineries, bulk terminals, in transit, in pipe lines— | | | | | |
| Finished and unfinished gasoline (bbls.) at | Aug. 17 | 176,202,000 | 177,557,000 | 178,352,000 | 155,563,000 |
| Kerosene (bbls.) at | Aug. 17 | 30,717,000 | 29,632,000 | 28,369,000 | 33,557,000 |
| Distillate fuel oil (bbls.) at | Aug. 17 | 128,934,000 | 124,173,000 | 108,734,000 | 125,222,000 |
| Residual fuel oil (bbls.) at | Aug. 17 | 44,996,000 | 45,541,000 | 42,164,000 | 46,349,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | Aug. 18 | 769,624 | 715,236 | 648,492 | 775,701 |
| Revenue freight received from connections (no. of cars) | Aug. 18 | 623,615 | 602,248 | 568,798 | 628,071 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:** | | | | | |
| Total U. S. construction | Aug. 23 | $321,458,000 | $258,080,000 | $396,896,000 | $265,312,000 |
| Private construction | Aug. 23 | 151,690,000 | 147,461,000 | 240,637,000 | 174,147,000 |
| Public construction | Aug. 23 | 169,768,000 | 110,619,000 | 156,259,000 | 91,165,000 |
| State and municipal | Aug. 23 | 149,396,000 | 100,654,000 | 115,533,000 | 80,027,000 |
| Federal | Aug. 23 | 20,392,000 | 9,965,000 | 40,726,000 | 11,138,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | Aug. 18 | 9,960,000 | *9,500,000 | 9,000,000 | 9,385,000 |
| Pennsylvania anthracite (tons) | Aug. 18 | 576,000 | 583,000 | 579,000 | 386,000 |
| **DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100** | Aug. 18 | 111 | 107 | 96 | 106 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | Aug. 25 | 11,340,000 | 11,794,000 | 11,295,000 | 10,906,000 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.** | Aug. 23 | 215 | 289 | 274 | 180 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | Aug. 21 | 5.622c | *5.622c | 5.179c | 5.174c |
| Pig iron (per gross ton) | Aug. 21 | $63.15 | $63.15 | $60.61 | $59.09 |
| Scrap steel (per gross ton) | Aug. 21 | $57.50 | $56.83 | $49.50 | $43.83 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | Aug. 22 | 39.625c | 39.675c | 39.525c | 40.125c |
| Export refinery at | Aug. 22 | 37.250c | 37.475c | 36.175c | 40.550c |
| Straits tin (New York) at | Aug. 22 | 99.250c | 98.625c | 96.500c | 95.875c |
| Lead (New York) at | Aug. 22 | 16.000c | 16.000c | 16.000c | 15.000c |
| Lead (St. Louis) at | Aug. 22 | 15.800c | 15.800c | 15.800c | 14.800c |
| Zinc (East St. Louis) at | Aug. 22 | 13.500c | 13.500c | 13.500c | 12.500c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Aug. 28 | 91.16 | 91.07 | 93.41 | 94.54 |
| Average corporate | Aug. 28 | 101.47 | 101.64 | 103.64 | 107.44 |
| Aaa | Aug. 28 | 104.48 | 104.66 | 107.27 | 110.70 |
| Aa | Aug. 28 | 103.30 | 103.64 | 105.52 | 109.06 |
| A | Aug. 28 | 101.47 | 101.64 | 103.47 | 107.62 |
| Baa | Aug. 28 | 96.69 | 96.69 | 98.88 | 102.80 |
| Railroad Group | Aug. 28 | 99.68 | 100.00 | 102.13 | 106.21 |
| Public Utilities Group | Aug. 28 | 101.97 | 102.13 | 104.14 | 107.98 |
| Industrials Group | Aug. 28 | 102.63 | 102.46 | 105.00 | 108.16 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Aug. 28 | 3.21 | 3.21 | 3.02 | 2.90 |
| Average corporate | Aug. 28 | 3.66 | 3.65 | 3.53 | 3.31 |
| Aaa | Aug. 28 | 3.48 | 3.47 | 3.32 | 3.13 |
| Aa | Aug. 28 | 3.55 | 3.53 | 3.42 | 3.22 |
| A | Aug. 28 | 3.66 | 3.65 | 3.54 | 3.30 |
| Baa | Aug. 28 | 3.96 | 3.96 | 3.82 | 3.58 |
| Railroad Group | Aug. 28 | 3.77 | 3.75 | 3.62 | 3.38 |
| Public Utilities Group | Aug. 28 | 3.63 | 3.62 | 3.50 | 3.28 |
| Industrials Group | Aug. 28 | 3.59 | 3.60 | 3.45 | 3.27 |
| **MOODY'S COMMODITY INDEX** | Aug. 28 | 427.2 | 424.4 | 411.7 | 405.4 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | Aug. 18 | 224,619 | 271,685 | 226,750 | 237,378 |
| Production (tons) | Aug. 18 | 273,756 | 273,441 | 249,020 | 282,969 |
| Percentage of activity | Aug. 18 | 95 | 95 | 89 | 100 |
| Unfilled orders (tons) at end of period | Aug. 18 | 468,690 | 519,034 | 493,626 | 619,331 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100** | Aug. 24 | 108.93 | 108.97 | 108.99 | 106.68 |
| **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 | Aug. 4 | 1,378,479 | 1,297,777 | 922,843 | 1,133,728 |
| Dollar value | Aug. 4 | $75,842,238 | $73,870,605 | $49,804,582 | $62,463,360 |
| Odd-lot purchases by dealers (customers' sales)— | | | | | |
| Number of orders—Customers' total sales | Aug. 4 | 1,131,208 | 1,038,124 | 751,229 | 887,576 |
| Customers' short sales | Aug. 4 | 7,685 | 8,002 | 6,099 | 5,984 |
| Customers' other sales | Aug. 4 | 1,123,523 | 1,030,122 | 745,130 | 881,592 |
| Dollar value | Aug. 4 | $58,225,321 | $53,447,057 | $39,103,645 | $46,293,057 |
| Round-lot sales by dealers— | | | | | |
| Number of shares—Total sales | Aug. 4 | 282,010 | 276,180 | 192,420 | 230,940 |
| Short sales | Aug. 4 | | | | |
| Other sales | Aug. 4 | 282,010 | 276,180 | 192,420 | 230,940 |
| Round-lot purchases by dealers— | | | | | |
| Number of shares | Aug. 4 | 551,640 | 522,500 | 352,230 | 450,540 |
| **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 | Aug. 4 | 531,900 | 524,710 | 317,300 | 445,800 |
| Other sales | Aug. 4 | 11,529,300 | 10,465,620 | 7,869,010 | 10,719,800 |
| Total sales | Aug. 4 | 12,061,200 | 10,990,330 | 8,186,310 | 11,165,600 |
| **ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:** | | | | | |
| Transactions of specialists in stocks in which registered— | | | | | |
| Total purchases | Aug. 4 | 1,592,310 | 1,427,210 | 1,093,180 | 1,339,440 |
| Short sales | Aug. 4 | 298,920 | 303,670 | 170,930 | 211,310 |
| Other sales | Aug. 4 | 1,297,710 | 1,160,070 | 935,580 | 1,177,900 |
| Total sales | Aug. 4 | 1,596,630 | 1,463,740 | 1,106,510 | 1,389,210 |
| Other transactions initiated on the floor— | | | | | |
| Total purchases | Aug. 4 | 314,930 | 221,400 | 261,490 | 305,400 |
| Short sales | Aug. 4 | 16,800 | 21,700 | 7,600 | 25,300 |
| Other sales | Aug. 4 | 291,720 | 275,280 | 237,690 | 330,810 |
| Total sales | Aug. 4 | 308,520 | 296,980 | 245,290 | 356,110 |
| Other transactions initiated off the floor— | | | | | |
| Total purchases | Aug. 4 | 668,890 | 521,955 | 434,823 | 507,904 |
| Short sales | Aug. 4 | 98,300 | 101,410 | 72,270 | 91,720 |
| Other sales | Aug. 4 | 681,081 | 625,620 | 483,103 | 602,467 |
| Total sales | Aug. 4 | 779,381 | 727,030 | 555,373 | 694,187 |
| Total round-lot transactions for account of members— | | | | | |
| Total purchases | Aug. 4 | 2,576,130 | 2,170,565 | 1,789,493 | 2,152,744 |
| Short sales | Aug. 4 | 414,020 | 426,780 | 250,800 | 328,330 |
| Other sales | Aug. 4 | 2,270,511 | 2,060,970 | 1,656,373 | 2,111,177 |
| Total sales | Aug. 4 | 2,684,531 | 2,487,750 | 1,907,173 | 2,439,507 |
| **WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):** | | | | | |
| Commodity Group— | | | | | |
| All commodities | Aug. 21 | 114.6 | 114.5 | 114.1 | 110.5 |
| Farm products | Aug. 21 | 88.9 | 89.0 | 90.8 | 88.3 |
| Processed foods | Aug. 21 | 103.0 | *102.8 | 102.4 | 101.4 |
| Meats | Aug. 21 | 84.3 | 83.2 | 81.9 | 84.5 |
| All commodities other than farm and foods | Aug. 21 | 122.3 | *122.2 | 121.4 | 117.0 |

*Revised figure. ¶Includes 935,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,000 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,319 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

| | Latest Month | Previous Month | Year Ago |
|---|---|---|---|
| **BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK**—As of July 31: | | | |
| Imports | $270,216,000 | $264,465,000 | $223,150,000 |
| Exports | 237,205,000 | 251,236,000 | 185,837,000 |
| Domestic shipments | 13,816,000 | 12,334,000 | 11,401,000 |
| Domestic warehouse credits | 60,523,000 | 21,780,000 | 96,255,000 |
| Dollar exchange | 12,685,000 | 8,924,000 | 40,840,000 |
| Based on goods stored and shipped between foreign countries | 128,747,000 | 125,297,000 | 92,143,000 |
| Total | $723,192,000 | $684,036,000 | $649,636,000 |
| **BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES**—Month of July: | | | |
| New England | $30,879,065 | $33,536,576 | $35,850,949 |
| Middle Atlantic | 125,513,380 | 106,779,549 | 99,795,165 |
| South Atlantic | 43,205,233 | 42,127,147 | 43,126,426 |
| East Central | 133,390,224 | 123,645,987 | 99,477,175 |
| South Central | 74,741,125 | 78,678,584 | 88,042,577 |
| West Central | 37,909,420 | 39,600,359 | 35,510,587 |
| Mountain | 21,249,460 | 27,816,615 | 27,733,918 |
| Pacific | 115,048,445 | 106,671,395 | 81,305,000 |
| Total United States | $591,936,352 | $558,856,212 | $511,841,797 |
| New York City | 95,455,909 | 50,349,355 | 51,383,412 |
| Outside New York City | 496,480,443 | 508,506,857 | 460,458,385 |
| **BUSINESS FAILURES—DUN & BRADSTREET, INC.**—Month of July: | | | |
| Manufacturing number | 165 | 183 | 179 |
| Wholesale number | 85 | 115 | 89 |
| Retail number | 540 | 551 | 423 |
| Construction number | 141 | 163 | 102 |
| Commercial service number | 87 | 93 | 68 |
| Total number | 1,018 | 1,105 | 861 |
| Manufacturers' liabilities | $9,005,000 | $10,684,000 | $11,865,000 |
| Wholesale liabilities | 12,809,000 | 7,331,000 | 4,282,000 |
| Retail liabilities | 11,945,000 | 12,812,000 | 8,605,000 |
| Construction liabilities | 7,488,000 | 8,598,000 | 6,289,000 |
| Commercial service liabilities | 7,442,000 | 3,588,000 | 1,502,000 |
| Total liabilities | $48,689,000 | $43,013,000 | $32,543,000 |
| **BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES — DUN & BRADSTREET, INC.**—Month of July | 11,513 | 11,952 | 10,893 |
| **BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES** — Month of June (millions of dollars): | | | |
| Manufacturing | $49,100 | $48,600 | $43,800 |
| Wholesale | 12,700 | 12,700 | 11,800 |
| Retail | 23,800 | 23,900 | 23,200 |
| Total | $85,600 | *$85,100 | $78,800 |
| **CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE**—Month of July (000's omitted) | $732,000,000 | $1,623,300 | $669,200 |
| **COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK**—As of July 31 (000's omitted) | $509,000 | $476,000 | $593,000 |
| **EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES**—Month of June: | | | |
| All manufacturing (production workers) | 13,052,000 | 13,030,000 | 13,078 |
| Durable goods | 7,569,000 | 7,607,000 | 7,622 |
| Nondurable goods | 5,483,000 | 5,423,000 | 5,456 |
| Employment Indexes (1947-49 Avge.=100)— | | | |
| All manufacturing | 105.7 | *105.4 | 105.7 |
| Payroll Indexes (1947-49 Average=100)—All manufacturing | 157.8 | *157.3 | 152.0 |
| Estimated number of employees in manufacturing industries— | | | |
| All manufacturing | 16,757,000 | 16,698,000 | 16,577,000 |
| Durable goods | 9,717,000 | 9,735,000 | 9,619,000 |
| Nondurable goods | 7,040,000 | 6,963,000 | 6,958,000 |
| **LIFE INSURANCE — BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE**—Month of June: | | | |
| Death benefits | $185,800,000 | $212,300,000 | $182,600,000 |
| Matured endowments | 52,600,000 | 55,900,000 | 50,300,000 |
| Disability payments | 8,900,000 | 9,600,000 | 9,400,000 |
| Annuity payments | 41,500,000 | 41,700,000 | 38,400,000 |
| Surrender values | 81,000,000 | 86,400,000 | 75,600,000 |
| Policy dividends | 96,200,000 | 99,600,000 | 87,600,000 |
| Total | $466,000,000 | $505,500,000 | $443,900,000 |
| **MANUFACTURER'S INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES**—Month of June (millions of dollars): | | | |
| Inventories— | | | |
| Durables | $28,137 | *$28,123 | $24,457 |
| Nondurables | 20,923 | *20,443 | 19,322 |
| Total | $49,060 | *$48,566 | $43,779 |
| Sales | 27,709 | *27,814 | 27,111 |
| **MONEY IN CIRCULATION—TREASURY DEPT.** As of June 30 (000's omitted) | $30,715,000 | $30,513,000 | $30,229 |
| **PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)**—Month of June (in billions): | | | |
| Total personal income | $324.2 | *$322.8 | $306.0 |
| Wage and salary, receipts, total | 224.4 | *223.2 | 210.5 |
| Commodity producing industries | 97.4 | 96.8 | 91.4 |
| Distributing industries | 59.4 | 59.1 | 55.3 |
| Service industries | 30.2 | 30.0 | 28.1 |
| Government | 37.4 | *37.3 | 35.7 |
| Less employees' contribution for special insurance | 5.8 | 5.8 | 5.2 |
| Other labor income | 7.3 | 7.2 | 7.0 |
| Proprietors' and rental income | 49.9 | *50.1 | 49.4 |
| Personal interest income and dividends | 29.7 | *29.4 | 26.7 |
| Total transfer payments | 18.7 | 18.7 | 17.6 |
| Total nonagricultural income | 309.4 | *307.6 | 290.4 |
| **PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — 1910-1914=100 — As of June 15:** | | | |
| All farm products | 247 | 242 | 241 |
| Crops | 263 | 252 | 243 |
| Commercial vegetables, fresh | 310 | 272 | 220 |
| Cotton | 273 | 270 | 266 |
| Feed, grains and hay | 192 | 192 | 196 |
| Food grains | 218 | 226 | 232 |
| Fruit | 266 | 233 | 240 |
| Oil-bearing crops | 259 | 265 | 256 |
| Potatoes | 338 | 283 | 212 |
| Tobacco | 453 | 454 | 435 |
| Livestock | 232 | 233 | 240 |
| Dairy products | 247 | 247 | 236 |
| Meat animals | 252 | 251 | 271 |
| Poultry and eggs | 171 | 178 | 177 |
| Wool | 231 | 231 | 253 |

### Jamieson Adds Five

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Betty J. Durant, Peter F. Isola, Yen Jang, Charles M. Johnston and Earl R. Hallas have become affiliated with H. L. Jamieson Co., Inc., Russ Building.

### With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Louis W. Aidem is now with Lester, Ryons & Co., San Diego Trust & Savings Building. He was formerly with Dean Witter & Co.

### With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Lyman Chin has become connected with Mutual Fund Associates Incorporated, 506 Montgomery Ave.

### Joins Henry Swift

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Lee L. Freye has become affiliated with Henry F. Swift & Co., 490 California Street, members of the San Francisco Stock Exchange. He was formerly with Waldron & Company.

### With Chapman & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Charles Roubian has become associated with Chapman & Co., Inc., 84 State Street.

### Four With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — David P. Hartnett, Philip M. Keohane, Maurice G. Kolovson and Irwin Nudel are now with B. C. Morton & Co., 131 State Street.

### Kidder, Peabody Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Delbert D. Reichardt has joined the staff of Kidder, Peabody & Co., 75 Federal Street.

## DIVIDEND NOTICES

**HOMESTAKE MINING COMPANY**
**DIVIDEND NO. 901**

The Board of Directors has declared Dividend No. 901 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable September 14, 1956, to stockholders of record September 4, 1956.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*
August 3, 1956.

**THE AETNA-STANDARD ENGINEERING COMPANY**

WORLD LEADER

**Notice of Dividend**

The Board of Directors of the Aetna-Standard Engineering Company has declared a regular quarterly dividend of 37½¢ per share on the common stock, payable September 15, 1956 to stockholders of record at the close of business September 5, 1956.

J. J. GUY, *Secretary*
Pittsburgh, Pa., August 21, 1956

## DIVIDEND NOTICES

**ELECTRIC BOND AND SHARE COMPANY**
NEW YORK, N. Y.

**Notice of Dividend**

The Board of Directors has declared a quarterly dividend of thirty-one and one-quarter cents (31¼¢) per share on the Common Stock, payable September 28, 1956, to shareholders of record at the close of business on September 7, 1956.

B. M. BETSCH,
*Secretary and Treasurer*
August 23, 1956.

## DIVIDEND NOTICES

**Newmont Mining Corporation**
**Dividend No. 114**

On August 28th, 1956 the Directors of Newmont Mining Corporation declared a dividend of Fifty Cents ($.50) per share on the 2,658,230 shares of its Capital Stock now outstanding, payable September 12th, 1956 to stockholders of record at the close of business September 5th, 1956.

WILLIAM T. SMITH, *Treasurer*
New York, N. Y., August 28th, 1956.

**NATIONAL STEEL *Corporation***

NATIONAL STEEL

**107th Consecutive Dividend**

The Board of Directors at a meeting on August 17, 1956, declared a quarterly dividend of one dollar per share on the capital stock, which will be payable Sept. 10 1956, to stockholders of record August 27, 1956.

PAUL E. SHROADS
*Senior Vice President*

## DIVIDEND NOTICES

**AMERICAN MACHINE AND METALS, INC.**

*51st Dividend*

A QUARTERLY DIVIDEND of FIFTY CENTS per share has been declared for the third quarter of this year, payable by check on September 28, 1956, to shareholders of record on September 14, 1956.

H. T. McMEEKIN, *Treasurer*

**227th CONSECUTIVE CASH DIVIDEND**

A dividend of twenty-five cents ($.25) a share has been declared upon the stock of BURROUGHS CORPORATION, payable Oct. 20, 1956, to shareholders of record at the close of business Sept. 21, 1956.

SHELDON F. HALL,
*Vice President and Secretary*
Detroit, Mich.
Aug. 27, 1956

**Burroughs**

**ALCO PRODUCTS**
**INCORPORATED**
**30 Church Street, New York 8, N. Y.**

PREFERRED DIVIDEND NO. 193
COMMON DIVIDEND NO. 129

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared. payable October 1, 1956 to holders of record at the close of business on September 11, 1956. Transfer books will not be closed.

CARL A. SUNDBERG
August 28, 1956 *Secretary*

**FIFTH AVENUE COACH LINES, INC.**

**Notice of Dividend**

The Board of Directors has this day declared a quarterly dividend of 50 cents per share on the capital stock of this Corporation, payable September 21, 1956, to stockholders of record at the close of business September 12, 1956.

JOHN E. McCARTHY
*President*
August 23, 1956.

**INTERNATIONAL HARVESTER COMPANY**

The Directors of International Harvester Company have declared quarterly dividend No. 166 of fifty cents (50¢) per share on the common stock payable October 15, 1956, to stockholders of record at the close of business on September 14, 1956.

GERARD J. EGER, Secretary

**NATIONAL DISTILLERS PRODUCTS CORPORATION**

**2% STOCK DIVIDEND ON COMMON STOCK**

The Board of Directors has today declared a stock dividend of 2 per cent on the outstanding Common Stock, payable October 22, 1956 to stockholders of record on September 7, 1956. This is in addition to the regular quarterly cash dividends on the Common Stock.

PAUL C. JAMESON
August 23, 1956. *Treasurer*

**138TH DIVIDEND**

**CIT FINANCIAL CORPORATION**

A quarterly dividend of $0.60 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable October 1, 1956, to stockholders of record at the close of business September 10, 1956. The transfer books will not close. Checks will be mailed.

C. JOHN KUHN,
*Treasurer*
August 23, 1956.

**COMMERCIAL SOLVENTS *Corporation***

**DIVIDEND No. 87**

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on September 28, 1956, to stockholders of record at the close of business on September 7, 1956.

A. R. BERGEN,
*Secretary.*
August 27, 1956.

**IRVING TRUST COMPANY**
One Wall Street, New York

August 23, 1956

The Board of Directors has this day declared a quarterly dividend of 40 cents per share on the capital stock of this Company, par $10, payable October 1, 1956, to stockholders of record at the close of business August 31, 1956.

RALPH B. PLAGER, *Secretary*

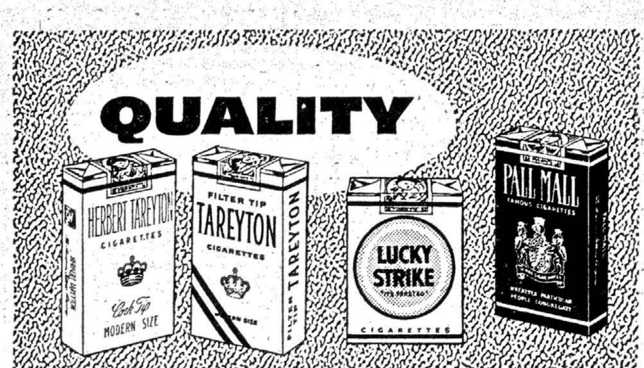
**Penn-Texas CORPORATION**

**DIVIDEND NOTICE**
Preferred Stock
Common Stock

The Board of Directors has declared the regular quarterly dividend of forty cents ($.40) per share on the $1.60 Cumulative Convertible Preferred Stock and a 2½% Stock dividend on the Common Stock.

Both dividends are payable September 30, 1956 to stockholders of record September 7, 1956.

SEYMOUR M. HEILBRON
August 28, 1956 *Secretary*




*The American Tobacco Company*

**208TH PREFERRED DIVIDEND**

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on October 1, 1956, to stockholders of record at the close of business September 10, 1956. Checks will be mailed.

*August 28, 1956.* HARRY L. HILYARD, *Treasurer*

CHEMICALS
FIBERS
PLASTICS

**CELANESE CORPORATION OF AMERICA**
80 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

**4½% PREFERRED STOCK, SERIES A**

The regular quarterly dividend for the current quarter of $1.12½ per share, payable October 1, 1956, to holders of record at the close of business September 7, 1956.

**7% SECOND PREFERRED STOCK**

The regular quarterly dividend for the current quarter of $1.75 per share, payable October 1, 1956, to holders of record at the close of business September 7, 1956.

**COMMON STOCK**

12½ cents per share payable September 25, 1956, to holders of record at the close of business September 7, 1956.

R. O. GILBERT
*Secretary*
August 28, 1956.

**EASTERN GAS AND FUEL ASSOCIATES**

SERVING HOMES AND INDUSTRY WITH ESSENTIAL BASIC PRODUCTS

The Board of Trustees has declared the following

**DIVIDENDS**

**4½% CUMULATIVE PREFERRED STOCK—** A quarterly dividend of $1.12½ a share payable October 1, 1956 to shareholders of record September 7, 1956.

**COMMON STOCK —** A quarterly dividend of 25 cents a share and an extra dividend of 10 cents a share payable September 28, 1956 to shareholders of record September 7, 1956.

E. H. BIRD, *President*
250 Stuart St., Boston 16, Mass.
*August 23, 1956.*

**TISHMAN REALTY & CONSTRUCTION CO. INC.**

***DIVIDEND NOTICE***

**The Board of Directors declared a regular quarterly dividend of seventeen and one-half cents (17½c) per share on the Common Stock and a regular quarterly dividend of twenty-five cents (25c) per share on the Preferred Stock of this corporation, both payable September 25, 1956, to stockholders of record at the close of business September 15, 1956.**

NORMAN TISHMAN, *President*

# Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Take a sharp look at the latest—and only the latest—scheme of the Department of Agriculture for re-making the farming economy of the Great Plains states in the image of what the bureaucracy of the Department thinks that economy should be.

This area embraces a mere 40% of the nation's crop land. It produces 60% of the nation's wheat and 35% of its cattle.

To all appearances, the plan is innocent inexpensiveness itself. Its cost is seemingly a trivial $150 million spread out over a 15-year period. This suggests an annual average cost of —one must be pardoned for daring even to mention it—a mere $10 million a year.

**In this year of the first $70 billion peacetime budget, that hardly rates more than a 3-line newspaper filler. It is on the face of it news on a par with the filler about, say, some unusual courtship practices of the bullfrogs of New Guinea.**

And if you qualify as a reasonably sophisticated gent and know someone high in the Department of Agriculture, you can get the information that the Great Plains program really doesn't rate very much attention; it's small potatoes, you know.

### In American Tradition

Furthermore, the Department glowingly portrays this new bureaucratic enterprise as something strictly in the American tradition of self-help and maximum local cooperation. "Thus the program recognizes the pioneering land-use progress" etc. of many farmers. "It is being developed in full cooperation with the Great Plains Council, a voluntary organization of agricultural leaders. . . " and, "it offers a splendid opportunity for effective teamwork in aiding the people of the Great Plains States to achieve a sound and stable agriculture. This result will lend strength and stability to the entire economy." Further: "The objective of the program for the Great Plains is to assist farmers and ranchers to develop *for themselves* (italics supplied) a land use program which will help them avert many of the hazards that come with recurring droughts common to the region." So sayeth the Department of Agriculture.

### "Self-Help" Detailed

Nowhere in the Department's blurb on this program does it make clear that this self-help, supposed local-Federal cooperative enterprise involves a Federal "sharing" of the cost of remaking farms from wheat to grass or other forms of farming. Such a "sharing" is mentioned in the House committee report on the legislation. If the report is read carefully, however, a significant fact will be disclosed: **The Federal share is 80%, over and above administrative expenses.**

The basis of the new scheme is that the Federal Department of Agriculture will enter into 10-year contracts with individual farmers to pay 80% of their cost of making their farms over into range and grass lands.

As a condition to receiving this aid, the farmer must bind himself by contract to conduct an agreed farming program. In other words, once the farmer signs, the most detailed phases of his operations will be done explicitly under the affirmative dictates of Federal officials applied to his individual farm.

### This Is the Self-Help

**In the detailed description of how the program will work, suplied by E. L. Patterson, the Assistant Secretary of Agriculture, to the House Committee, it is hard to discern where there is state or local authority, except the inference that state farm agencies using Federal aid funds may have a minor and entirely subordinate role in administering Federal orders.**

### Just a Beginning

Under the now well-established *modus operandi* of the Eisenhower Administration, the way a new and potentially expensive program is worked on to the books is to provide an initial and seemingly small approporation to get the thing passed with a minimum of controversy. Then later it grows.

Apparently this is the technique being used with the latest Great Plains farm rehabilitation program also, for Assistant Secretary Patterson told the House Committee on Agriculture:

"Unfortunately there is somewhere between 11 and 14 million acres now being cultivated that should not be. This is land on which wheat and cotton crops have failed year after year and, even in favorable seasons, seldom makes satisfactory yields."

### Is Only Latest

This, as indicated, is only the latest Federal program for aiding the farmers of the Great Plains States.

**Under Saints Roosevelt and Wallace, legislation was passed calling for soil conservation districts to be set up to provide a so-called cooperative means of attacking such problems as are found in the Great Plains. Mr. Patterson said that some 200 of these cooperative soil conservation districts are in operation but they have affected (presumably beneficially) only 12% of the crop land and 22% of the range land of the area.**

The Land Utilization Program of the 1930's bought up 1.1 million acres of Great Plains land and put it under the management of the Forest Service.

### Lists Others

Mr. Patterson, however, listed still other Great Plains programs authorized by law or Executive decree, which are now operating to solve the problems of agriculture in the 10 Great Plains States. These, without much description, follow:

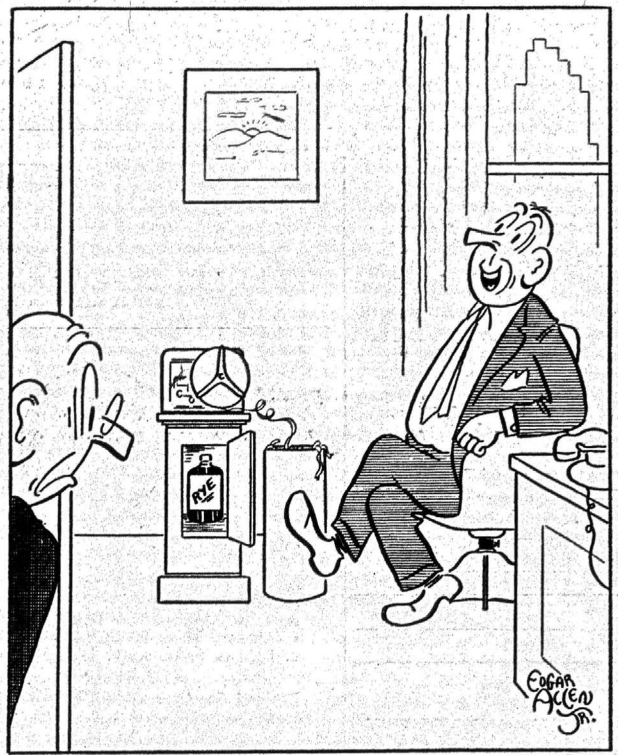
(1) Soil Conservation Service (D of A) survey of dry land for the purpose of recommending, farm by farm, what kind of agriculture is best suited to the soil and climate.

(2) Giving various kinds of technical help and advice to the farmers.

(3) Sharing (under previous laws) of costs of various soil conservation practices.

(4) Federal crop insurance. This is to be "strengthened" (in Federal parlance a program is usually given more Treasury money when it is

## BUSINESS BUZZ



"Only for exceptionally sharp dips you understand!"

"strengthened") and is to be extended to the Great Plains area, Mr. Patterson indicated.

(5) More weather reporting and weather research activity will be carried on in the area.

(6) Research on the whole Great Plains farm problem will be made by the Department.

(7) The Department of Agriculture is conducting a program of agricultural extension education.

(8) Farmers in the area will be paid for not planting wheat and cotton (while the latest program will also pay 80% of the cost of converting away from wheat and cotton) under the "soil bank" law.

### Ring Around the Rosy

During the life of the long-term contracts which farmers will sign as a condition to getting Uncle Sam under the latest Great Plains program to pay 80% of the cost of converting away from wheat and cotton, the wheat farmers, Mr. Patterson said, must have their wheat acreage allotments preserved.

A "wheat acreage allotment" is an official permit, farm by farm, to plant a given number of acres of wheat.

**So under the "soil bank" the farmer can get paid for not planting wheat which the Assistant Secretary of Agriculture says seldom grows out there anyway. Meanwhile, the farmer in numerous ways can be given Federal aid, in the Great Plains States, to get out of wheat. Also meanwhile he will preserve indefinitely the right to plant wheat. Presumably this will entitle him to be paid indefinitely for not using his right to plant wheat.**

### Farmers Home Great Plains Program

Finally, there has been in operation for around a year, the Department of Agriculture Farmers Home Administration Great Plains Credit Program. This program involves the lending of long-term money both directly by the government and indirectly through a complicated series of loan insurance schemes officially admitted to be a means of avoiding Treasury cash costs.

Farmers Home can lend a farmer in the Great Plains money to buy an "efficient family-sized farm" or it can guarantee a loan for the purpose, including the refinancing of debt.

**In other words, Farmers Home can, through one or a combination of several loans to each farmer, direct and guaranteed, take a farmer on land that will not grow wheat, and buy (on loan) a farm big enough to support cattle on grass land.**

Furthermore, in the deal the farmer could and often would, get money to build a new house or improve the old dwelling, to plant the bigger farm into grass, to lay in a stock of feed to carry cattle until the grass grew, to fence in the bigger farm, to buy the cattle itself. It may be that in some cases the benefits will be free, government donated gifts, and will not need loans.

Mr. Patterson in his testimony before committee, was sanguine of the usefulness of Farmers Home. Other objects for which its 20- to 40-year loans and insurance may be used include purchase of farm equipment, development of irrigation systems and for water supplies generally, for buying fertilizer, repair of buildings, for payment to the farmers' taxes, interest, and insurance.

"Terms in all instances," said the Assistant Secretary, "are geared to the expected repayment ability of the borrower." Separately the borrower must sign also with Farmers Home, as a condition to these loans, an agreement to farm the way Farmers Home determined.

*[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.]*

## Informal Breakfast For CGO Bond Club

CHICAGO, Ill.—Ken Eaton of A. C. Allyn and Company Incorporated and Joseph Condon of McDougal and Condon, Inc. will be hosts at an informal brunch on Thursday, Sept. 13, from 8:30 to 11 a.m. for out of town visitors attending the Municipal Bond Club Outing and Chicago members wishing to visit with their friends. The brunch will be held at the Marine Grill and cocktail bar of Wiley's Restaurant, 135 South La Salle Street.

## With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Elmer E. Ellison, Jr. and Anthony B. Sandini have become associated with Palmer, Pollacchi & Co., 84 State Street.

## With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Gordon Coogan is with Reynolds & Co., 19 Congress Street.

## With Gibbs & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. —William C. Kay has become affiliated with Gibbs & Co., 507 Main Street.

## Palmer Pollacchi Adds

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Timothy B. Connors is now connected with Palmer, Pollacchi & Co., 11 Wabash Avenue.

## Cruttenden Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Dean Wildman is now affiliated with Cruttenden & Co., McKay Tower.

## Two With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—John H. Ferguson and Edward A. Syjut are now with B. C. Morton & Co., Penobscot Building.

## Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Paul J. Quigley has become associated with Bache & Co., 1000 Baltimore Avenue.